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# **Saudi Arabia and the Challenge of Terrorism:**

## **Reacting to the “9/11 Report”**

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I do not wish to be an apologist for Saudi Arabia. It has made many mistakes, and it faces major challenges to its stability. I do, however, find that the present flood of charges being made by people with little or no real experience in the country and often are based on unsourced or suspect data. What should be serious articles and media coverage is often filled with financial guesstimates that cannot be validated, and loose chains of guilt by association that confuse Saudi government carelessness with the deliberate support of terrorism. Far too many charges are being made by people who have never read a Saudi budget or five-year plan, never really talked to Saudi clerics, or examined the progress the Kingdom has actually made.

Far too many ignore both the history of the Kingdom's past counterterrorism efforts, and what it has done since 9/11. Certainly, much of the current debate over the classified 28 pages in the Congressional report on the performance of the US intelligence community in failing to detect the 9/11 attacks on the US has fallen into this pattern. The focus has been on what Saudi Arabia did or did not do before the September 11, 2001 attacks. It has also been filled with the usual speculation, uncertain numbers, and conspiracy theories.

I have spent some three decades dealing with the Saudis and my own criticisms (and praise) of Saudi Arabia can be found in two books that have just been published on the country: Saudi Arabia Enters the 21<sup>st</sup> Century, Vol. 1: The Political, Foreign Policy, Economic, and Energy Dimensions, ISBN: 0-275-97998-9 and Saudi Arabia Enters the 21<sup>st</sup> Century, Vol. 2: The Military and International Security Dimensions, ISBN: 0-275-97997-0

Praeger/CSIS, April 2003. I am clearly on record as having found many problems in Saudi Arabia's political structure, budgets and economic plans, efforts to deal with social reform, and military forces. The first volume, in particular, provides a detailed critique of many aspects of the Saudi effort to deal with terrorism.

### **The Right Kind of Pressure and Media Coverage Can Be of Great Value**

I firmly believe that the Bush Administration needs to keep up quiet pressure on the Saudis to improve their counterterrorist activity, and implement reforms. I also believe that informed, investigative media and academic criticism helps not only to put indirect pressure on the Saudi government, but also to support Saudi reformers and moderates.

Such pressure and reporting is particularly useful when it addresses:

--Exerting tighter controls over specific Saudi charities.

--Supporting full Saudi and US cooperation in official counterterrorism activities.

--The need to modernize Saudi intelligence, internal security operations and the operations of the Ministry of the Interior.

--Saudi government treatment of domestic support for religious schools and institutions outside Saudi Arabia, and the extent to which funds and support go to hard-line Salafi and other extremist movements.

--The state of Saudi educational reform, its progress, success in removing anti-Christian and anti-Jewish content, and its success in educating young Saudis for jobs.

--Excessive Saudi military spending and wasteful arms imports.

### **The Wrong Kind of Criticism is Both Counterproductive and Risks Losing the War on Terrorism**

But, I am increasingly concerned that the majority of Western reporting on the Kingdom fails to go into any detail on the many things the Saudi government has done to deal with terrorism since 9/11. It focuses on the statements of Saudi extremists rather than the many attacks Senior Saudi officials have made on extremism, makes broad charges about “corruption” with no credible details, and ignores Saudi progress in economic and social reform – much of it of considerable importance.

I am concerned with the careless use of “Wahhabi” (a term many Saudis find offensive because it personalizes Islam in terms of one teacher) to describe religious movements and groups. Far too often, the groups and movements involved are Salafi and not “Wahhabi,” or have closer ties to the Moslem Brotherhood or Egyptian and North African groups than Saudi ones. Statements are selected from the worst of Saudi preachers (and Christianity and Judaism have their own bigots and hatemongers) that are not representative of main line Saudi religious teaching and practices. There is a careless tendency to confuse extremist Saudi preachers with the kind of preaching and attitudes one encounters from most religious Saudis.

I am concerned with the equally careless condemnation of the entire Saudi royal family – which has had many highly competent leaders that have pushed for reform – and the ignorance or indifference to the role of Saudi businessmen, technocrats, and educators – many educated in the West and the US. Certainly, it is hard to see how any near-term Saudi government could be better or do more to move towards reform than the present alliance of Crown Prince Abdullah, the more moderate and progressive princes, and Saudi technocrats, educators, businessmen, and moderate clerics.

I am concerned with the use of Saudi Arabia as a virtual scapegoat for a far broader set of problems with Islamic extremism and violence that affects every Middle Eastern and most Central Asian states, as well as the Islamic states of South and Southeast Asia. The fight against terrorism certainly will never be won, nor even have the right target, if people continue to believe that Saudi money is the only money supporting extremism (or that the government can fully ever control what is done with the vast private holdings of capital Saudi citizens have outside Saudi Arabia). It certainly will not be won if the causes of extremism and terrorism that both the governments in the region and the West must deal with are not considered on a country-by-country basis.

## **Handing Bin Laden Victory**

I am struck by the fact that many of Saudi Arabia's most severe critics are unconsciously handing Bin Laden a major victory by helping to create exactly the kind of gulf between the US and Saudi Arabia that Bin Laden wants. We have seen the dangers in the crisis of religious extremism in the Middle East since 9/11, and because of that, we see it as a clash between civilizations. In reality, Middle Eastern governments have been dealing with the problem for well over a decade, and it is far more a "clash within a civilization" than one between Western and Arab or Islamic society.

Ultimately, we can only win if we help governments and societies in the region modernize, diversify, and "globalize" their economies, if we recognize the social strains that drive minorities to violent Islamic extremism, and if we understand that demographic pressures and poverty cannot be dealt with simply by calling for undefined "democratization." The Middle East, North Africa, Central Asia, South Asia, the Islamic areas of Africa, and parts of Islamic Southeast Asia, all face internal challenges that will take a decade, if not decades, to address. Pragmatic evolution is the only way that this can be done without massive internal and external violence.

At present, the flood of attacks on the Saudi government ignore this need for evolutionary change and the single most important strategic reality affecting the Kingdom's future: Crown Prince Abdullah, the more progressive princes, Saudi technocrats, Saudi businessmen, Western-educated Saudi educators, and an often moderate Saudi press are the only force that can lead this deeply conservative nation forward. In fact, modernization in Saudi Arabia has always come from above, not from below, as the result of pressures from non-existent popular movements.

Should evolution in Saudi Arabia move faster? Probably, but it is far from clear that Saudi society is willing to do so at a broad level. Is virtually any credible alternative to the present progressive elements of the Saudi regime likely to be Islamist extremists, and do the Saudi people and world far more harm? Almost certainly!

Even from the narrowest perspective, does trashing the Saudi government actually help Israel? No, it simply creates a deep adversarial relationship. Do the neocons who do the same have any practical path to their vague calls for instant Saudi democracy? No, again. They are Bin Laden's unconscious allies.

## **Saudi Actions in Dealing with Terrorism**

As a result, I would urge you to read through the list of actions listed below that the Saudi government has stated that it has taken to fight terrorism since 9/11 (The originals may all be found on [www.saudiembassy.net](http://www.saudiembassy.net).) Do these claims oversimplify the problems and overstate what Saudi Arabia has done? Yes, of course. Does each Saudi claim merit detailed media examination and criticism, and further quiet pressure from the Bush Administration? Yes, again.

The fact remains, however, that the nearly constant US and other Western focus on the worst-case interpretation of Saudi actions before 9/11 ignores real progress. When this is coupled to a lack of detailed investigative reporting into what the Saudi government has done since that time, the result is both unfair and dangerous.

Tony Cordesman

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## **PRESS RELEASE: Saudi Arabia's Progress in the War on Terrorism, July 17, 2003**

I vow to my fellow citizens and to the friends who reside among us, that the State will be vigilant about their security and well-being. Our nation is capable, by the Grace of God Almighty and the unity of its citizens, to confront and destroy the threat posed by a deviant few and those who endorse or support them. With the help of God Almighty, we shall prevail.

- Crown Prince Abdullah bin Abdulaziz, Deputy Prime Minister and Commander of the National Guard, May 13, 2003

### **Actions to Counter Terrorism**

From September 2001 to May 2003:

- More than 300 terrorist suspects were arrested.
- About 100 suspects were referred to the courts to stand trial.
- Over 1,000 suspects were questioned.
- Since May 2003:
- Over 130 individuals with suspected ties to terrorism have been arrested.

Over the course of the arrests security officers also seized large quantities of high explosives, automatic rifles, bomb-making materials and devices, false identity cards and documents, and large amounts of cash.

### **Specific Cases:**

- Yousif Salih Fahad Al-Ayeeri, a.k.a. Swift Sword, a major Al-Qaeda operational planner and fundraiser, was killed on May 31 while fleeing from a security patrol.

- Ali Abdulrahman Said Alfagsi Al-Ghamdi a.k.a. Abu Bakr Al-Azdi, surrendered to Saudi authorities. Al-Ghamdi, considered one of the top Al-Qaeda operatives in Saudi Arabia, is suspected of being one of the masterminds of the May 12 bombings in Riyadh.
- Turki Nasser Mishaal Aldandany, another top Al-Qaeda operative and mastermind of the May 12 bombings, was killed along with three other suspects in a gun battle with security forces that had them surrounded.
- Three clerics, Ali Fahd Al-Khudair, Ahmed Hamoud Mufreh Al-Khaledi and Nasir Ahmed Al-Fuhaid, were arrested after calling for support of the terrorists who carried out the Riyadh attacks.

### **International Cooperation**

Saudi Arabia and the United States maintain a Counter-Terrorism Committee comprised of intelligence and law enforcement personnel who meet regularly to share information and resources and develop action plans to root out terrorist networks.

- In May 2003 a new U.S.-Saudi team was organized from across law enforcement and intelligence agencies to work side by side to share “real time” intelligence and conduct joint operations.
- Also in May 2003, Saudi authorities worked closely with U.S. and British law enforcement agents who came to the Kingdom to assist in the investigation of the Riyadh attacks.
- Saudi Arabia has provided extensive intelligence and military cooperation in the assault on Al-Qaeda. Public disclosures to date have revealed major Saudi contributions to the breakup of a number of Al-Qaeda cells, the arrests of key Al-Qaeda commanders, and the capture of numerous Al-Qaeda members.
- In 2002, Saudi Arabia asked Interpol to arrest 750 people, many of whom are suspected of money laundering, drug trafficking, and terror-related activities. This figure includes 214 Saudis whose names appear in Interpol’s database in addition to expatriates who fled Saudi Arabia.
- Saudi Arabia is engaging other countries to locate and extradite Al-Qaeda operatives who may be hiding in those countries.

### **Actions Taken in the Financial Area**

- Saudi government departments and banks are required to participate in international seminars, conferences and symposia on combating terrorist-financing activities. Saudi Arabia has hosted many such events; and is a member of the Financial Action Task Force (FATF) established by the G-7 in 1988.
- Saudi Arabia completed and submitted two FATF self-assessment questionnaires: one regarding the 40 FATF recommendations on the prevention of money laundering and the other regarding its eight special recommendations on terrorist financing.
- Saudi Arabia has established a High Commission for oversight of all charities, contributions and donations.
- A special Financial Intelligence Unit was established to ensure that funds are not misdirected into the hands of those who would use them to harm others.
- The Kingdom of Saudi Arabia and the United States took steps to freeze the assets of a close bin Laden aide, Wa'el Hamza Julaidan, who is believed to have funneled money to Al-Qaeda.
- In March 2002, the U.S. Treasury Department and Saudi Arabia blocked the accounts of the Somalia and Bosnia branches of the Al-Haramain Islamic Foundation. While the Saudi headquarters for this private charity is dedicated to helping those in need, it was determined that the Somalia and Bosnia branches supported terrorist activities and terrorist organizations such as Al-Qaeda and AIAI (al-Itihaad al-Islamiya). In May 2003, Saudi Arabia asked the Al-Haramain Islamic Foundation and all Saudi charities to suspend activities outside Saudi Arabia until a security clearance mechanism to screen all personnel is implemented. The Al-Haramain Islamic Foundation has closed its offices in Croatia, Albania and Ethiopia while moves are under way to close others in Kenya, Tanzania, Indonesia and Pakistan.
- In February 2003, SAMA began to implement a major technical program to train judges and investigators on legal matters involving terror financing and money-laundering methods, international requirements for financial secrecy, and methods followed by criminals to exchange information.
- Also in May 2003, the Saudi Arabian Monetary Agency (SAMA) distributed a circular entitled Rules Governing Combating Anti-Money Laundering and Combating Terrorist Financing to all banks and financial institutions in the Kingdom requiring the full and immediate implementation of nine new policies and procedures that relate to accounts of charitable and welfare institutions.
- In June 2003, the Consultative Council approved new legislation that puts in place harsh penalties for the crime of money laundering and terror financing. The law consists of 29 articles and stipulates jail sentences of up to 15 years and a fine of

more than \$1.5 million for anyone laundering money through charities. Other money-laundering offenses are punishable by up to 10 years in jail and a fine of \$1.3 million.

- Saudi Arabia has investigated many bank accounts suspected of having links to terrorism and has frozen 41 accounts belonging to 7 individuals that totaled \$5,697,400.85.

## **Saudi Report: Initiatives and Actions Taken by the Kingdom of Saudi Arabia in the Financial Area to Combat Terrorism, May 2003**

Following the horrific events of September 11, an international coalition composed of over 100 nations was formed to combat terrorism. Saudi Arabia is a full partner in this coalition. On May 21, 2002, the Office of the Coordinator for Counter Terrorism released a report called "Patterns of Global Terrorism" which stated: "The Saudi government reaffirmed its commitment to combat terrorism and responded positively to requests for concrete action in support of Coalition efforts against Al-Qaeda and the Taliban. The King, Crown Prince, Government-appointed religious leaders and official news media publicly and consistently condemned terrorism and refuted the few ideological and religious justifications made by some clerics."

Since September 11, the government of Saudi Arabia has taken many actions to fight global terrorism. Following are concrete examples of these actions drawn from statements made by Saudi Arabian leaders and U.S. Administration officials in news articles and press releases confirming the efforts on the war on terrorism by the government of Saudi Arabia.

### **EXECUTIVE SUMMARY**

Saudi Arabia has been a victim of terrorism for more than 30 years, and in 1995 it was against the Kingdom that Al-Qaeda first struck. Since that time, Saudi Arabia has been working with the United States and other friends and allies to confront this murderous organization. One of the most important elements in this effort has been the attempt to choke off its financing. Saudi Arabia had already, in 1994, frozen all of Osama bin Laden's assets. In 1996, the Kingdom established a joint Counter-Terrorism Committee with the United States to share information on Al-Qaeda. In the wake of the tragedy of September 11, Saudi Arabia has increased its counter-terrorism efforts with initiatives such as:

**• Greater Oversight of Charities:** Saudi Arabia has put new laws and regulations in place for all charitable groups to ensure that they are not taken advantage of by evildoers. All charities must now be audited to prevent the flow of funds to ends other than charity. In addition, charitable activities extending beyond the borders of Saudi Arabia must now be reported to and coordinated with the Ministry of Foreign Affairs.

**• New Laws and Regulations:** Saudi Arabia has further strengthened its laws and regulations regarding money laundering. The Kingdom has established a permanent committee of representatives of various ministries and agencies to oversee efforts to combat money laundering.

These efforts include strict new rules concerning the verification of customers' identities as well as restrictions on non-residents' ability to open accounts in Saudi Arabia.

- **Multi-National Cooperation:** Saudi Arabia and the United States maintain a Counter-Terrorism Committee comprised of intelligence and law enforcement personnel who meet regularly to share information and resources and develop action plans to root out terrorist networks. Saudi Arabia also maintains close relationships with the intelligence and law enforcement agencies of many other nations involved in the War on Terror.

- **Freezing Terrorist Assets:** In accordance with the resolutions of the UN Security Council, the Kingdom has not only frozen assets, but also initiated comprehensive investigations of transactions involving suspects linked to Al-Qaeda. In March of 2002, the Kingdom and the United States jointly blocked the accounts of the Bosnia and Somalia branches of Al-Haramain Islamic Foundation. In the summer of 2002, the two countries again took joint action, freezing the assets of the Rabita Trust, and those of its director Wa'el Hamza Julaidan, an associate of Osama bin Laden who provided financial and logistical support to Al-Qaeda.

- **Intelligence Operations:** Saudi Arabia has provided extensive intelligence and military cooperation in the assault on Al-Qaeda. Given the sensitivity of these operations, disclosure of specific actions or the nature of Saudi cooperation in these areas has intentionally been limited. However, public disclosures to date have revealed major Saudi contributions to the breakup of a number of Al-Qaeda cells, the arrests of key Al-Qaeda commanders, and the capture of numerous Al-Qaeda members.

## **INTERNATIONAL COOPERATION**

Multilateral cooperation is essential in order to successfully defeat terrorism. Saudi Arabia has supported many international and regional efforts through multilateral and bilateral agreements in the fight against terrorism and is committed to working closely with the European, Asian and U.S. governments, and with the United Nations, to ensure that information is shared as quickly and effectively as possible.

### **Specific Actions**

- Saudi Arabia and the United States maintain a Counter-Terrorism Committee comprised of intelligence and law enforcement personnel who meet regularly to share information and resources and develop action plans to root out terrorist networks. Saudi Arabia seeks to strengthen cooperation between the Kingdom and the United States through reciprocal visits.

- Saudi government departments and banks are required to participate in international seminars, conferences and symposia on combating terrorist financing activities. Saudi Arabia has also hosted many seminars, conferences and symposia on combating terrorism; and is a member of the Financial Action Task Force (FATF) established by the G-7 in 1988.

- Saudi Arabia has approved, completed and submitted two FATF self-assessment questionnaires: one regarding the 40 FATF recommendations on the prevention of money laundering and the other regarding its eight special recommendations on terrorist financing.

- The Saudi Arabian Monetary Agency (SAMA) exchanges information on activities related to money laundering and terrorist financing with other banking supervisory authorities and with law

enforcement agencies. SAMA has also created a committee to carry out self-assessment for compliance with the FATF recommendations and these self-assessment questionnaires have been submitted. Saudi Arabia has invited the FATF to conduct a mutual evaluation in April 2003.

## **ARRESTS AND QUESTIONING OF SUSPECTS**

Saudi intelligence and law enforcement authorities have been working closely with the United States and other countries as well as with Interpol to identify, question and when appropriate, arrest suspects. Since September 11, Saudi Arabia has questioned more than 2,000 individuals, made more than 250 arrests and recently referred 90 Al-Qaeda suspects to the courts to stand trial.

### **Specific Actions:**

- Saudi Arabia has questioned over 2,000 individuals. Many of these people fought in Afghanistan during the Soviet invasion; some also fought in Bosnia and Chechnya.
- Several hundred suspects are currently detained for questioning and interrogation.
- Saudi intelligence and law enforcement agencies identified and arrested a cell composed of seven individuals linked to Al-Qaeda who were planning to carry out terrorist attacks against vital sites in the Kingdom. The cell leader was extradited from the Sudan. This cell was responsible for the attempt to shoot down American military planes at Prince Sultan Airbase using a shoulder-launched surface-to-air missile.
- Saudi Arabia successfully negotiated with Iran for the extradition of 16 suspected Al-Qaeda members.
- Saudi Arabia asked Interpol to arrest 750 people, many of whom are suspected of money laundering, drug trafficking, and terror-related activities. This figure includes 214 Saudis whose names appear in Interpol's database in addition to expatriates who fled Saudi Arabia.

## **ACTIONS TAKEN WITH REGARD TO CHARITABLE ORGANIZATIONS**

Charitable giving is an important part of Islam and there are thousands of legitimate charities throughout the Middle East. Since September 11, Saudi Arabia has conducted a thorough review of its charitable organizations and has made a number of specific changes:

### **Specific Actions:**

- In March 2002, the U.S. Treasury Department and Saudi Arabia blocked the accounts of the Somalia and Bosnia branches of the Saudi Arabia-based Al-Haramain Islamic Foundation. While the Saudi headquarters for this private charity is dedicated to helping those in need, the United States and Saudi Arabia determined that the Somalia and Bosnia branches supported terrorist activities and terrorist organizations such as Al-Qaeda, AIAI (al-Itihaad al-Islamiya), and others.
- In another successful joint anti-terrorism action, the Kingdom of Saudi Arabia and the United States took steps to freeze the assets of a close bin Laden aide, Wa'el Hamza Julaidan, who is believed to have funneled money to al-Qaeda. Julaidan served as the director of the Rabita Trust and other organizations.
- Saudi Arabia has established a High Commission for oversight of all charities, contributions and donations and is in the final process of setting up operational procedures to manage contributions and donations to and from the charities, including their work abroad.

- Since September 11, charities have been closely monitored and additional audits have been performed to ensure that there are no links to suspect groups.
- New guidelines and regulations have been put in place to ensure that terrorist organizations cannot take advantage of these charitable groups in the future. In December 2002, a special **Financial Intelligence Unit** was established to track charitable giving to help ensure that it is not misdirected into the hands of evildoers.
- Charitable activities that extend beyond Saudi Arabia must be coordinated with the Foreign Ministry.

## **FREEZING TERRORIST ASSETS AND COMBATING MONEY LAUNDERING**

In the wake of the events of September 11, the Kingdom of Saudi Arabia took prompt action on September 26, 2001 and required Saudi banks to identify and freeze all assets relating to terrorist suspects and entities per the list issued by the United States government on September 23, 2001. Saudi banks have not only complied with the freeze requirements but have also initiated investigations of transactions that suspects linked to Al-Qaeda may have undertaken in the past.

### **Specific Actions:**

- Saudi Arabia was one of the first countries to take action against terrorist financing, freezing the assets of Osama bin Laden in 1994.
- Saudi Arabia has investigated many bank accounts suspected of having links to terrorism, and as of December 2002, has frozen 33 accounts belonging to 3 individuals that totaled \$5,574,196.
- Saudi Arabia, as a member of the G-20, approved an aggressive plan of action directed at the rooting out and freezing of terrorist assets worldwide. Saudi Arabia is proud to have been a leader in the development of this plan and its implementation, and of key objectives for U.S. and international policies for dealing with terrorism now and in the future.
- The Saudi Arabian Monetary Agency (SAMA) instructed Saudi banks to promptly establish a supervisory committee to closely monitor the threat posed by terrorism and to coordinate all efforts to freeze the assets of the identified individuals and entities. The committee is composed of senior bank officers who are in charge of risk control, auditing, money-laundering units, legal affairs, and operations. The committee meets regularly in the presence of SAMA officials.
- In February 2003, SAMA began to implement a major technical program to train judges and investigators on terror financing and money laundering. The program will educate judges and investigators on legal matters involving terror financing and money-laundering methods, and international requirements for financial secrecy and methods followed by criminals to exchange information.
- Saudi banks have put in place, at the level of their Chief Executive Officers, as well as at the level of a supervisory committee, mechanisms to respond to all relevant inquiries, both domestic and international. To ensure proper coordination and effective response, all Saudi banks route their responses and relevant information via SAMA.

A Special Committee was established drawing from the Ministry of Interior, Ministry of Foreign Affairs, the Intelligence Agency and SAMA to deal with requests from international bodies and countries with regard to combating terrorist financing.

- In September 2002, the United States Treasury Department and Saudi Arabia took their second joint action and publicly froze the assets of Wa'el Hamza Julaidan, an associate of Osama bin Laden who provided financial and logistical support to Al-Qaeda.
- Even before September 11, Saudi Arabia had taken steps to ensure that its financial system is not used for illegal activities. In 1988 the Kingdom signed and joined the United Nations Convention against Illicit Trafficking of Narcotics and Psychotropic Substances. In 1995, Saudi Arabia established units countering money laundering at the Ministry of Interior, in SAMA and in the commercial banks.

## **LEGAL AND REGULATORY ACTIONS TO COMBAT TERRORISM**

The Kingdom has a robust legislative and a strong regulatory and supervisory framework for banking and financial services. This infrastructure ensures that each bank or other financial service provider remains vigilant and also has strong internal controls, processes and procedures to not only know the identity of its customers but also have awareness of their activities and transactions. Money laundering and other suspicious activities are targeted and all those found violating laws and regulations are subject to severe financial penalties and imprisonment. Money-laundering crimes are high-profile crimes and all cases are referred to a senior court.

### **Specific Actions:**

- SAMA and the Ministry of Commerce issued instructions and guidelines to the Kingdom's financial and commercial sectors for combating money-laundering activities. To further strengthen and implement the current regulations, the Ministry of Commerce issued Regulation #1312 aimed at preventing and combating money laundering in the non-financial sector. These regulations are aimed at manufacturing and trading sectors and also cover professional services such as accounting, legal affairs, and consultancy.
- The Saudi Government has also taken concrete steps to create an institutional framework for combating money laundering. This includes the establishment of units to counter money laundering, with trained and dedicated specialist staff. These units work with SAMA and law enforcement agencies. The government has also encouraged banks to bring money-laundering-related experiences to the notice of various bank committees (such as Fraud Committees, and those of Chief Operations Officers and Managing Directors) for exchange of information and joint action.
- Another major institutional initiative is the creation of a specialized **Financial Intelligence Unit** (FIU) in the Security and Drug Control Department of the Ministry of Interior. This unit is specially tasked with handling money-laundering cases. A communication channel between the Ministry of Interior and SAMA on matters involving terrorist-financing activities has also been established.
- In 1995, SAMA issued "Guidelines for Prevention and Control of Money-Laundering Activities" to Saudi Banks to implement "Know your Customer" rules, maintain records of suspicious transactions, and report them to law enforcement officials and SAMA.

- In May 2002, SAMA issued rules “Governing the Opening of Bank Accounts” and “General Operational Guidelines” in order to protect banks against money-laundering activities. For instance, Saudi banks are not permitted to open bank accounts for non-resident individuals without specific approval from SAMA. Banks are required to apply strict “Know your Customer” rules and any non-customer business has to be fully documented.
- Saudi Arabia carries out regular inspections of banks to ensure compliance with laws and regulations. Any violation or non-compliance is cause for serious action and is referred to a bank’s senior management and the Board. Furthermore, the government has created a permanent committee of banks’ compliance officers to review regulations and guidelines and recommend improvements, and to ensure that all implementation issues are resolved.
- Saudi authorities have made significant efforts to train staff in financial institutions and others involved in compliance and law as well as those in the Security and Investigation departments of the Ministry of Interior.
- Special training programs have been developed for bankers, prosecutors, judges, customs officers and other officials from government departments and agencies. Furthermore, training programs are offered by the Prince Naif Security Academy, King Fahd Security Faculty, Public Security Training City and SAMA.
- The Saudi government has established a permanent committee of representatives of seven ministries and government agencies to manage all legal and other issues related to money-laundering activities.
- The first conference for FATF outside the G-7 countries was held in Riyadh at the SAMA Institute of Banking in 1994.
- On January 28 to 30, 2002, SAMA organized, in cooperation with law enforcement agencies, banking financial institutions, and Interpol’s Riyadh office, the First Asian Regional Conference of Interpol.
- On May 13-14, 2002, the Council of Saudi Chambers of Commerce and Industry in cooperation with SAMA conducted an International Conference on Prevention and Detection of Fraud, Economic Crimes and Money Laundering.
- Saudi banks and SAMA have implemented an online reporting system to identify trends in money-laundering activities to assist in policy-making and other initiatives.

#### **OTHER INITIATIVES RELATED TO FIGHTING TERRORISM**

Saudi Arabia has publicly supported and extended cooperation to various international efforts to combat terrorism.

These include:

- Saudi Arabia has signed a multilateral agreement under the auspices of the Arab League to fight terrorism.
- Saudi Arabia participates regularly and effectively in G-20 meetings and the Kingdom has signed various bilateral agreements with non-Arab countries.
- Every 90 days, Saudi Arabia prepares and submits to the UN Security Council Committees upon their request, a report on the initiatives and actions taken by the Kingdom with respect to the fight against terrorism.

- Saudi Arabia has facilitated communication between the Ministry of Foreign Affairs and the Kingdom's Permanent Representative to the United Nations.
- The Kingdom has supported the following requirements of various UN resolutions related to combating terrorism:
  - Freezing funds and other financial assets of the Taliban regime based on UN Security Council Resolution 1267.
  - Freezing funds of listed individuals based on UN Security Council Resolution 1333.
  - Signing the International Convention for Suppression and Financing of Terrorism based on UN Security Council Resolution 1373.
  - Reporting to the UN Security Council the implementation of Resolution 1390.
- Saudi Arabia has given support to and implemented Resolution No. 1368 dated September 12, 2001 related to the financing of terrorist activities.