

KINGDOM OF SAUDI ARABIA

GENERAL DEPARTMENT OF LEGAL AFFAIRS AND INTERNATIONAL COOPERATION

MINISTRY OF INTERIOR

Saudi Arabia's Major Efforts in the Field of Combating Money Laundering and Terrorism Financing

**Paper Presented by H.E. Dr. Ahmed Mohammed Al-Salem, the Deputy
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**Prepared by
Dr. Abdullah F. Ansary
Dr. Omar S. Al-Zahrani**

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Introduction:

Terrorism has become a global phenomenon. Its danger extends far beyond national boundaries. It is a threat to the security and stability of societies and people alike. Terrorism has no religion or nationality and its victims are not limited to a certain religion, nationality or race, all are targeted. This surely requires intensifying all efforts to combat and eradicate this phenomenon, and track down the perpetrators of terrorist acts where ever they might be and bring them to justice. It also requires taking all effective necessary measures that aim at promoting the principle of peaceful coexistence, and rejection of violence and extremism manifestations.

Experience has shown that the draining of the financial resources of terrorists is one of the most effective means in combating terrorism, which restricts, greatly, the capabilities and abilities of terrorist organizations and individuals. The financial support is the artery that nourishes the activities of those individuals and terrorist groups, and enables them to provide the necessary equipment and means to commit their crimes.

Saudi Arabia has been subject to more than 98 terrorist incidents that resulted in the deaths of more than 90 innocent civilians, and the injury of approximately 608. The Saudi security authorities were able to foil more than 160 terrorist plots that targeted domestic and foreign interests and the lives of citizens and expatriates inside Saudi Arabia, and managed to bring those involved to justice. More than 65 members of the Saudi security forces lost their lives during those counter-terrorism operations, and around 390 were injured. But today, the threat of these terrorist groups inside Saudi Arabia has decreased dramatically. This is due mainly to the continued support by the Saudi government to the competent Saudi security authorities, the efforts of those authorities in combating terrorism, as well as, the every day sacrifices made by their

personnel, and the large number of pre-emptive security operations that targeted terrorist networks, and hideouts.

Since long ago, Saudi Arabia was aware of the importance of taking strict procedures and measures aimed at combating terrorism in general, and financial activities linked to terrorism in particular. It has issued a number of legislations and rules to confront money laundering and terrorism financing. The following paper aims at shedding light on Saudi Arabia's major efforts in this regard. The major issues that will be focused on are: the Kingdom of Saudi Arabia and Islam stand on terrorism; multilateral instruments in the field of combating terrorism that Saudi Arabia is party to; bilateral cooperation between Saudi Arabia and other countries in the field of combating terrorism; Saudi Arabia's cooperation and coordination on the international level in the field of combating terrorism, especially, money laundering and terrorism financing; and the major measures and procedures taken by Saudi Arabia on the domestic level in the field of combating financial activities linked to terrorism.

1. Kingdom of Saudi Arabia and Islam Stand on Terrorism:

Saudi Arabia has stressed in many occasions its strong rejection and condemnation of terrorism regardless of its source and objectives. According to the Saudi Arabia's Basic Law of Governance, Saudi Arabia is an Arab country and its religion is Islam. Governing in Saudi Arabia is derived from Islamic Shari'a and all regulations are in compliance with the principles of Islamic Shari'a. Islamic Shari'a forbids terrorism in all its forms and manifestations, and any acts or activities that facilitate the commission of terrorism are equally outlawed including money laundering terrorism financing.

In this context, Saudi Arabia has participated effectively in the regional and international efforts made to combat terrorism and it's

financing, in addition to the strict measures and procedures taken on the internal level.

2. Major Multilateral Instruments in the Field of Combating Terrorism to which Saudi Arabia is a Party:

A. International Agreements and Instruments Related to Combating Terrorism to which Saudi Arabia is a Party:

- Convention on Offences and Certain other Acts Committed on Board Aircraft (Tokyo 1963);
- Convention on the Suppression of Unlawful Seizure of Aircraft (Hague, 1970);
- Convention on the Suppression of Unlawful Acts Against the Safety of Civil Aviation (Montreal, 1971);
- Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Employees and Diplomats (New York, 1973);
- International Convention Against the Taking of Hostages (New York, 1979);
- Convention on the Physical Protection of Nuclear Materials (Vienna, 1980);
- Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, Supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation (Montreal, 1988);
- Protocol for the Suppression of Unlawful Acts Against the Safety of Fixed Platforms Located on the Continental Shelf (Rome, 1988);
- Convention on the Marking of Plastic Explosives for the Purpose of Detection (Montreal, 1991);

- International Convention for the Suppression of Terrorists Bombs Attacks (New York, 1997);
- International Convention for the Suppression of the Financing of Terrorism (New York, 1999).

Saudi Arabia is also among the states participating in the drafting of (The Comprehensive Convention against International Terrorism) which is still under negotiations under the auspices of the United Nations.

Regarding the combating of organized crime and money laundering, Saudi Arabia is Party to the following conventions:

- United Nations Convention on Illicit Traffic of Narcotic Drugs & Psychotropic Substances (Vienna, 1988);
- United Nations Convention against Transnational Organized Crime (Palermo, 2000).

B. Regional Agreements and Instruments Related to Combating Terrorism to which Saudi Arabia is a Party:

- Baghdad Declaration on the Suppression of Unlawful Acts Against the Safety of Civil Aviation (1989);
- The Record of Rules of Conduct for Combating International Terrorism authorized by the Organization of Islamic Conference in the Seventh Islamic Summit (1995);
- Arab Strategy for Combating Terrorism issued by the General Secretariat of the Council of the Arab Interior Ministers (1996);
- Arab Convention on the Suppression of Terrorism (1998);
- Convention of the Organization of Islamic Conference on Combating International Terrorism (1999);

- The Unified Security Strategy by the Countries of the Arab Gulf Cooperation Council on Combating Extremism Phenomena Accompanied by Terrorism (2003);
- The Convention of the Countries of the Arab Gulf Cooperation Council on Combating Terrorism (2004).

3. Bilateral Cooperation between Saudi Arabia and Other States:

On the bilateral level, Saudi Arabia has signed a number of security agreements with several states, which contain cooperation in the field of combating terrorism, including its financing, and exchanging information about persons involved or suspected of being involved in terrorist activities. Moreover, Saudi Arabia cooperates with other states that do not have security agreements with Saudi Arabia on the basis of reciprocity.

Among the bilateral security agreements that the Kingdom of Saudi Arabia has signed with other states which included provisions concerning the combating of terrorism are:

- Memorandum of Understanding on Cooperation between the Kingdom of Saudi Arabia and the United Kingdom of Britain and North Ireland against Terrorism, Narcotics Drugs and Organized Crime (1990);
- Agreement on Security Cooperation and extradition between the Ministry of the Interior of the Kingdom of Saudi Arabia and the Ministry of the Interior of Oman (1990);
- Agreement on Security Cooperation between the Kingdom of Saudi Arabia and the Republic of Yemen (1996);
- Agreement on Security Cooperation between the Kingdom of Saudi Arabia and the Islamic Republic of Iran (2001);
- Agreement on Security Cooperation between the Kingdom of Saudi Arabia and the Republic of Sudan (2005);

- Agreement on Cooperation in the Fields of Security and Combating Narcotic Drugs and Psychotropic Substances between the Kingdom of Saudi Arabia and the Republic of Turkey (2005);
- Agreement on Security Cooperation between the Government of Kingdom of Saudi Arabia and the Government of the People's Republic of China (2006);
- Memorandum of Understanding on Combating Crime between the Kingdom of Saudi Arabia and the Republic of India (2006);
- Agreement on Cooperation in the Area of Combating Crime between the Government of the Kingdom of Saudi Arabia and the Government of the Italian Republic (2007);
- Agreement between the Government of the Kingdom of Saudi Arabia and the Government of the Republic of Poland on Cooperation in the Fight Against Crime (2007);
- Agreement on Cooperation between the Kingdom of Saudi Arabia and the Republic of Chad against Terrorism, Illicit Trafficking in Narcotics Drugs and Psychotropic Substances and Smuggling them (2007).
- Agreement between the Government of the Kingdom of Saudi Arabia and the Government of the French Republic in the Field of Internal Security and Civil Defense (2008);
- Agreement between the Government of the Kingdom of Saudi Arabia and the Government of the Federal Republic of Germany on the Cooperation in the Field of Security (2009).

4. Saudi Arabia's Cooperation and Coordination on the International Level in the Field of Combating Money Laundering and Terrorism Financing:

- Saudi Arabia has stressed in various occasions its rejection and condemnation of terrorism in all its forms and manifestations, whatever its sources and goals. In this regard, Saudi Arabia has cooperated effectively in many regional and international efforts on combating terrorism and its financing;
- Saudi Arabia has implemented all relevant Security Council Resolutions concerning combating terrorism and its financing, among them are: the Resolutions regarding the freezing of funds and financial assets belonging to persons and entities listed in the Consolidated List of the Sanction Committee in the Security Council in particular Security Council Res. 1373 (2001), Res.1368 (2001), and Res.1455 (2003) regarding 'Threats to International Peace and Security Caused by Terrorist Acts'; Res.1390 (2002) regarding 'The Situation in Afghanistan'; and Res. 1456 (2003) regarding 'Combating Terrorism';

Among the steps taken by Saudi Arabia in this regard are: The freezing of funds and financial assets belonging to the Taliban in accordance to Res.1267 (1999), and the freezing of funds and financial assets belonging to persons listed in the lists issued by the Security Council according to Res. 1333 (2000). Saudi Arabia was among the first countries to freeze the funds and financial assets of Osama Bin Laden and those associated with him in 1994;

- In compliance with Res. 1373 Saudi Arabia has established a Permanent Counter-Terrorism Committee (PCTC)

comprised of experts, consultants and specialists in that field from the following agencies: Ministry of Interior; the Ministry of Foreign Affairs; General Intelligence; and the Saudi Arabian Monetary Agency. Among the duties of the committee are:

- ❖ Receiving requests submitted to the Kingdom from States, organizations and international bodies with regards to combating terrorism and its financing, and taking the appropriate procedures in this regard;
- ❖ Preparing reports on initiatives and actions taken by Saudi Arabia in respect of combating terrorism in to be submitted to the UN Council Committees in accordance to Res. 1373, 1390, and 1642, and other relevant resolutions, as well as, identifying issues that require Saudi Arabia to take legislative and executive procedures, and providing recommendations in that regard;
- Saudi Arabia has also established the High Counter Terrorism Commission (HCTC) on a ministerial level from the following agencies: Ministry of Interior, Ministry of Foreign Affairs, General Intelligence, and the Saudi Arabian Monetary Agency. Among its task are the following:
 - ❖ Studying all issues submitted to the Committee which are related to combating terrorism;
 - ❖ Studying reports submitted by the PCTC;
 - ❖ Making suggestions and recommendations regarding the procedures that should be taken in matters concerning the combating of terrorism to the authorities in order to take the necessary measures.

- ❖ Designating the PCTC to perform any other tasks concerning combating terrorism.
- Saudi Arabia established contact points to coordinate efforts with international organizations, associations and other countries and cooperate in combating terrorism, and its financing through the Ministry of Foreign Affairs, and the Saudi Permanent Delegation to the United Nations;
- Saudi Arabia has participated in discussions of the 6th Committee (Legal Committee) in the United Nations to discuss the item: “Measures to Eliminate International Terrorism” since its inclusion in the General Assembly Agenda;
- Saudi Arabia participated effectively in the meetings of The Group of Twenty (G-20) and implemented the 'G-20 Action Plan for Terrorist Financing';
- Saudi Arabia is a member country of the Gulf Cooperation Council (GCC), which is a full member of the Financial Action Task Force FATF;
- Saudi Arabia is a founding member of the Middle East-North Africa FATF (MENA-FATF), which was created in November 2004 with the purpose of promoting and implementing international anti-money laundering/ combating terrorist financing standards in the region, and adopting the FATF 40+9 Recommendations on Anti-Money laundering and Combating Terrorist Financing;
- In September 2003, Saudi Arabia completed the Mutual Evaluation by a team of FATF assessors based on the 40+8 FATF recommendations, and was one of the first countries evaluated under this new methodology. The result of the evaluation was discussed in February 2004 plenary meeting

in Paris and was highly positive. Saudi Arabia also cooperated with the FATF to hold the first conference for the team outside its headquarters in 1994 in The Banking Institute in Riyadh City;

- Saudi Arabia agreed with the International Monetary Fund (IMF) on executing the Financial Sector Assessment Program (FSAP) in Saudi Arabia during the first quarter of 2004, which included the assessment of the efforts of Saudi Arabia on combating financing of terrorism and money laundering;
- Saudi Arabia has also organized and hosted several international events in the field of combating terrorism, among them are:
 - ❖ The International Conference on Combating Terrorism, which was held in Riyadh between the 5th & 8th August 2005. In general, many important recommendations in the field of combating terrorism were issued, among them is the recommendations of the Second Working Group: The Relation between Terrorism and Money Laundering, and Arms and Drug Trafficking which includes:
 1. Encouraging countries to fully implement the existing Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) international standards – in particular, the FATF 40 + 9 Recommendations and the relevant United Nations Conventions and the Security Council Resolutions, as well best practices to counter money laundering and the financing of terrorism through:

2. Strengthening the efforts of the IMF and World Bank in AML/CFT.
 3. Encouraging the countries not subject to mutual evaluation by FATF, or FATF style regional bodies (FSRBs), to volunteer for assessment by the International Monetary Fund and World Bank.
 4. Encouraging all countries to develop Financial Intelligence Units (FIUs) that meet the criterion of Egmont Group Definition and standards, and to have these FIUs join the Egmont Group to share their experience, expertise, and operational information.
- ❖ During this conference, Saudi Arabia proposed the establishment of an 'International Counter-Terrorism Centre', a proposal which is still being deliberated under the auspices of the UN;
 - ❖ Saudi Arabia has also hosted the First Regional Asian Conference in the Middle East which was held in cooperation with the executing law agencies and banking establishments from 28-30 January 2002 at the Banking Institute of the Saudi Arabian Monetary Agency, and in cooperation with the Ministry of Interior;
 - ❖ A Global Conference was held under the title of “Position of Islam Towards Terrorism” at Al Imam Mohammad Bin Sa'ud Islamic University for discussing the issues of terrorism, violence and extremism (2004);
 - ❖ In addition to the examples above, Saudi Arabia has participated in many meetings, seminars and conferences related to combating terrorism.

5. Prominent Procedures and Measures Taken by Saudi Arabia on the Domestic Level in the Field of Combating Financial Activities Linked to Terrorism:

a. Legislative Framework:

- Saudi Arabia enacted the "Anti-Money Laundering Law" and its executive by-law in 2003, which provided for the criminalization of terrorism financing, and stated severe punishments which included deprivation of freedom and fines on those found guilty of financing terrorism, in addition to confiscating funds and proceeds involved in the crime;
- In an effort to organize charitable institutions and associations and to assure that contributions collected are not to be used in any illegal activities, Saudi Arabia has issued "Charitable Institutions and Associations By-Law" in 1990 which all domestic charity institutions and associations are subjected to. In 1991, Saudi Arabia also issued the Operational Rules to the aforementioned by-law. Based on the by-law, no charity entity can carry out any activity including raising donations and receiving contributions unless it is registered at the Ministry for Social affairs. The by-law also gives the Minister of Social Affairs the authority to disband any charity in case it deviated from its objectives; or committed a serious violation of its charter; or used funds for purposes other than those permitted for; or if its actions contradicted the public order, public manners or existing customs in the Kingdom of Saudi Arabia.

In this regard, Saudi Arabia has also established a charity foundation named "the Saudi National Commission for

Foreign Relief and Charity Work Abroad" in accordance with the royal decree (A/1) in 2004 which designated it to be the sole Saudi body licensed to perform charity activities abroad. Other charity entities were banned from conducting any charity activities abroad, including giving donations or financial aid except through said foundation. Any person or entity that violates such rules is subject to prosecution;

- Proceeding from Saudi Arabia's knowledge of the importance of combating drug related crimes and subsequently other forms of related crimes such as money laundering, it issued in 2005 "Law on Combating Narcotics and Psychotropic Substances" which included many provisions concerning all matters related to combating drugs and psychotropic substances, and to pursue persons involved in drug trafficking, or smuggling and punish them accordingly. In addition, Saudi Arabia is cooperating with other states through controlled delivery operations and other forms of cooperation. In general, penalties against drug smugglers and dealers in Saudi Arabia are among the most severe in the world, and it could reach capital punishment.
- Applying the forty recommendations for combating money laundering issued by the FATF in 1990, as well as the Task Force's nine recommendations concerning the combating of terrorism financing;
- In November 1995, the Saudi Arabian Monetary Agency (SAMA) issued its first set of guidelines relating to anti-money laundering activities to all banks operating in the Kingdom. The guidelines were derived from the forty recommendations of the FATF. Consequently, in recognition of the international and legal supervisory efforts

to combat the spread of money laundering and terrorist financing, SAMA further updated the 1995 anti-money laundering Guidelines by issuing a more extensive set of 'Rules Governing Anti-Money Laundering & Combating Terrorism Financing' in May, 2003;

- In May 2002, SAMA issued its first set of 'Rules Governing Opening of Bank Accounts & General Operational Guidelines'. The new rules, in addition to consolidating all the previous SAMA circulars on the subject, were significantly improved with new requirements to facilitate implementation and conform to the best international banking practices, in line with the Basel Committee principles. The Guidelines were further enhanced and updated in 2003, 2007 and 2008;
- SAMA has also issued a number of other regulations in support of its efforts to combat money laundering, terrorist financing and other financial crime activities, namely:
 - ❖ Internal Control Guidelines for Banks Operating in the Kingdom (December, 1989);
 - ❖ Guidelines for Banks in Saudi Arabia for Organizing Audit Committees (July, 1996);
 - ❖ Qualification Requirements for Appointment to Senior Positions in Banks (April, 2005);
 - ❖ Guidelines for Combating Embezzlement & Fraudulent Transactions (August, 2008);
 - ❖ Other relevant SAMA Regulatory Circulars, issued on various dates.

- Non-residents of the Kingdom of Saudi Arabia are not permitted to open bank accounts before getting approval from SAMA and subject to acceptable justifications;
- Special training programs have been conducted for banks, the Bureau of Investigation and Public Prosecution, Saudi Customs, and other governmental authorities, as well as holding training programs in cooperation with Naif Arab University for Security Sciences, King Fahd Security College, and Training Institute of the Department of Public Security. All these training programs have been introduced by experts of the SAMA in the fields of money laundering and terrorism financing.

B. Administrative and Organizational Aspects:

- SAMA established an anti-money laundering unit provided with highly trained and qualified employees. Other units for combating money laundering were established at the Ministry of Justice, and the Ministry of Commerce and Industry. A Permanent Anti-Money Laundering Committee was also established at SAMA. This Committee includes representatives from seven relevant government ministries and bodies, dealing with all matters related to money laundry.
- The FIU was established at the Ministry of the Interior. Its task is to deal with money laundering and terrorism financing cases and coordinating with the money laundry unit of SAMA;
- Each bank or money exchanger operating in Saudi Arabia is required to establish a Money Laundering Control Unit or appoint a designated Compliance Officer with the bank or money exchanger, responsible for internal reporting and

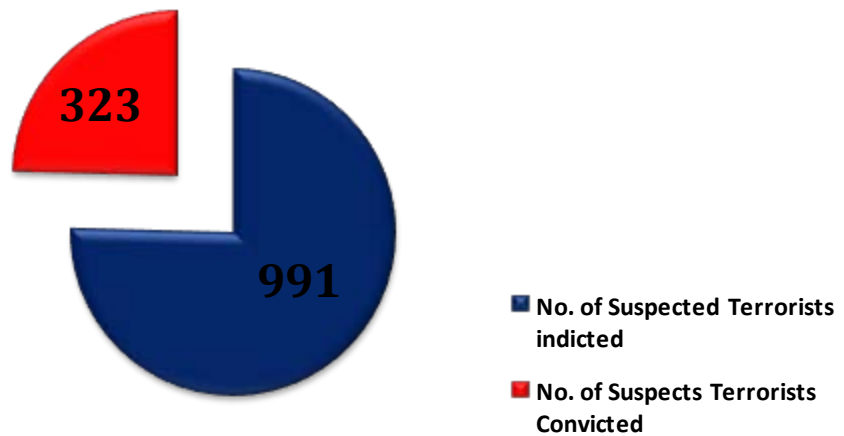
informing FIU and SAMA when money laundering or terrorist financing activities are suspected;

- Saudi banks have been directed to pay special attention to money laundry operations, and report any information regarding suspicious operations to the various committees in these banks (operations, managers, fraud ... committees) in order to exchange information and unite efforts;
- Coordination and cooperation with other States regarding the combating of terrorism and its financing has been enhanced. This includes the exchange of information in that regard.
- Promoting and supporting specialized security studies and research in the field of combating terrorism and its finance.
- Spreading awareness among the public of the dangers of terrorism.
- Strengthening cooperation and coordination among various domestic security and non-security bodies in combating terrorist crimes.
- Updating the existing rules and regulations relevant to combating terrorism and terrorist crimes.

C. Judicial Aspect:

- Saudi Arabia established a Specialized Criminal Court within its own judicial system. The Court began hearings in December 2008 and until July 13, 2009, has passed judgments on 323 individuals convicted for their role in terrorist activities, including terrorism financing and money laundering, some of which have carried jail sentences reaching 30 years. The court's hearings are still underway (See Table Below).

Specialized Criminal Court Cases



- The two tables below shows the number of money laundering and terrorism financing cases brought before Saudi courts between the years 2004 and 2008, prior to the establishment of the Specialized Criminal Court:

Money Laundering		
Year	Number of Cases	Number of persons Convicted
2004	13	23
2005	26	28
2006	49	43
2007	67	56
2008	25	25

Terrorism Financing		
Year	Number of Cases	Number of persons Convicted
2004	13	14
2005	12	14
2006	9	12
2007	3	3
2008	Legal Proceedings Still Underway	

- Training programs on relevant necessary issues and information regarding: terrorist crimes, money laundering and economic crimes, as well as means of combating them, were held for members of the Saudi judiciary. The main objectives of these programs are to improve the abilities and the skills of the judges, to be acquainted with those issues, and to be familiar with the role of control and supervision authorities, national efforts on combating terrorism financing and money laundering crimes and the risks and consequences of money laundry and its relation to other crimes, in addition to the international efforts in the field of combating money laundry and its methods.
