



## Saudi Arabia and the Fight Against Terrorist Financing

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Madam Chairwoman and distinguished members of the Committee:

Thank you for the opportunity to testify on U.S. counterterrorism efforts, especially as they relate to our efforts to staunch terrorist financing with the assistance of the government of the Kingdom of Saudi Arabia.

We are continuing our global campaign to root out terrorists and those who support them, building on the coalition formed in the aftermath of the September 11th attacks. There can be no sanctuary, no refuge for terrorists, and we are working closely with our friends and allies in a global coalition to marshal all of our collective strength in this effort.

While we have made progress in our global efforts, there is much that remains to be done, and much that remains unknown. Recent terrorist attacks in Spain, Israel, Turkey, and elsewhere clearly show us that our work remains unfinished. We must remove these terrorists "root and branch," and we will need help from like-minded nations to make this happen.

We have such a like-minded counterterrorism ally in the Kingdom of Saudi Arabia. It is clear that the Saudi government "gets it" when it comes to terrorism. The Saudis have been confronted with the horror of suicide attacks on their own soil, and have seen how the virtuous intentions of charity can be corrupted for the support of terrorism and terrorists.

### Cooperation Growing Closer

Our dialogue with the Saudis on counterterrorism issues has grown closer over the past year, and took on a renewed urgency following the May 12, 2003 bombings in Riyadh. This latest outrageous murder in the global war on terrorism, which resulted in the death of nine Americans and 20 others, including five children, shocked the Saudis, and our cooperation has grown closer every day since.

The Saudis are a key ally in the Global War On Terror. Their performance has not been flawless, and they have a large task before them, but we see clear evidence of the seriousness of purpose and the commitment of the leadership of the Kingdom to this fight. They must combat the terrorists who have taken root in their own backyard and simultaneously address those issues -- whether social, cultural, or economic -- which have allowed extremism to take root in the Kingdom.

With our colleagues from across the interagency, we have worked closely with Saudi officials in the Kingdom to enhance our cooperation. This effort has included a number of initiatives to staunch terrorist financing and bolster law enforcement and intelligence cooperation. We expect that they will continue to seek U.S. assistance as they act to address this threat.

As a part of this continuing effort to engage with the Saudi Government on counterterrorism issues, I have traveled to the Kingdom five times since January 2003, in the company of interagency colleagues, and more recently with Deputy National Security Advisor Fran Townsend, who now leads this dialogue. This has been a labor-intensive effort, but it is bearing fruit.

### Progress Against Terrorist Financing

Counterterrorism finance has been the central focus of this engagement. The Saudis have responded with an impressive array of new institutional, legal and regulatory changes aimed at combating terrorist finance. In fact, some of these steps are among the most restrictive measures to be found anywhere in the world, particularly their new regulations related to charities.

Saudi officials are beginning to make the kind of fundamental and necessary changes to their financial and charity systems which will choke off the flow of funds that keep al-Qaida and other terrorists in business. They have also taken a number of very public steps in the area of terrorist finance. Let me highlight some recent accomplishments in these areas.

### Accomplishments

- On January 22 of this year, we jointly submitted with the Saudi Government the names of four branches of the Riyadh-based al-Haramain Foundation charity to the UN 1267 Sanctions Committee for worldwide sanctions, including asset freezing.
- The addition of these four entities made for a total of 10 joint U.S.-Saudi submissions to the UN 1267 Sanctions Committee since December 2002, the largest number of joint designations with any country over that span.
- We continue to work together to look for additional entities and individuals providing support to al-Qaida, and hope to have additional success in this arena;
- On February 29 the Saudis announced the formation of the National Saudi Society for Relief and Charitable Works Abroad. We are still awaiting full details on the form and function of this new body, but this is a welcome development, as it should allow the government to exert more stringent oversight of Saudi charitable activities abroad;
- The Saudis have already instituted a variety of new laws and regulations that have the potential to fundamentally alter their banking and charity systems;
- Saudi banks have implemented strict "know your customer" rules which require additional due diligence on the part of banks to ensure the transparency of all account holders;
- Charitable organizations are now required to use only a single bank account, and they are prohibited from making or receiving payments in cash. This obviously allows much greater Saudi Government oversight over the ability of Saudi charities to operate outside of the Kingdom;

- The Saudis have taken fundamental steps to increase accountability and prevent misuse of the fundamental Islamic tenet of *zakat*, or charity, including the removal of all cash collection boxes from mosques and shopping centers;
- The government has reigned-in the activities of hawalas, which are the informal money transfer services commonly used throughout the Arabian Gulf region, particularly by foreign workers. Independent hawalas are being closed down in the Kingdom and replaced with government-regulated establishments which perform essentially the same function, but with far greater oversight;
- In September 2003, a team of assessors from the Financial Action Task Force (FATF) and the Gulf Cooperation Council (GCC) visited the Kingdom. FATF is a multilateral organization of thirty-three members individually and collectively devoted to combating money laundering. The FATF/GCC team conducted a formal assessment of Saudi Arabia's system of anti-money laundering and counterterrorism finance laws and regulations, and the overarching supervisory and regulatory framework.
- Their February 2004 report documents that the Kingdom is in compliance or near-compliance with international standards in almost every indicator of effective instruments to combat money laundering and terrorist financing.
- While significant work remains, particularly in the area of implementation, this FATF/GCC report is a testament to the advances the Saudi Government has made in shoring up its controls over its banking system and charities.
- A new Joint Task Force on Terrorism Finance, which my colleagues from the FBI describe in greater detail, is in its initial stages; this will necessarily move much of our day to day and case by case efforts in the War On Terror away from the interactions of diplomats and put it on an expedited, real-time, law enforcement basis;
- The Saudis have established a Financial Intelligence Unit (FIU), which is responsible for analyzing and exchanging information related to suspicious financial transactions with Saudi regulatory and law enforcement entities.

These efforts have begun to make a real difference. Saudi improvements in the oversight and accountability of charitable funds have made it more difficult for terrorists to get their hands on such funding.

We are seeking to upgrade Saudi counterterrorism capacity by providing training in a number of fields, particularly in the area of terrorist financing.

For example, we will continue to provide financial investigative training to the Saudis to enhance their capabilities to monitor their banking system and charities for terrorist financing and money-laundering activities.

#### **Conclusion**

The Saudis are a strong ally and are taking unprecedented steps to address an al-Qaida menace that threatens us both. We believe that they are headed in the right direction, are committed to countering the threat of al-Qaida, and are giving us extremely strong cooperation in the War On Terrorism. There remains, of course, much work still to be done, both singly and jointly, but we are optimistic that our efforts are paying off.

Madam Chairwoman, distinguished Members of the Committee, I thank you for this opportunity to appear before you.

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