

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON INTERNATIONAL  
RELATIONS/SUBCOMMITTEE ON THE MIDDLE EAST AND CENTRAL ASIA**

**“SAUDI ARABIA AND THE FIGHT AGAINST TERRORISM FINANCING”**

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Thank you Mr. Chairman and Members of the Subcommittee for the opportunity to testify about terrorist financing issues, and in particular, as they relate to our joint efforts with the government of the Kingdom of Saudi Arabia

The number one priority of the FBI is to identify terrorists' activity in sufficient time to disrupt their operations. To do this, all intelligence and law enforcement investigative and analytical components must be strategically utilized in a cohesive manner. This belief lies at the heart of the FBI's reliance on, and commitment to, the interagency partnerships we have forged through our Joint Terrorism Task Forces (JTTFs). With intelligence collection and exploitation as our principal focus, and criminal investigative authorities as a vital tool, the JTTFs represent the fusion of skills and authorities our nation needs to combat terrorism in the United States. Information sharing and interagency cooperation are critical parts of this effort; however, partnerships within the United States will only succeed if they enjoy the support of our many friends and partners throughout the world. The FBI is committed to these international partnerships and recognizes the critical role they play in our ability to develop actionable intelligence. Beginning shortly after 9/11/2001, the FBI created its Terrorism Financing Operations Section (TFOS). Its mission is to identify and disrupt world-wide terrorism financing activities. Through joint initiatives and partnerships with other U.S. and foreign intelligence services, we have realized significant results which include the prevention of specific acts of international terrorism. Denying terrorists the financial means to carry out acts of violence is an integral part of the FBI's commitment to countering terrorism and is an area where we have realized significant success.

The FBI's long history of success in combating complex financial schemes in the areas of corporate fraud; financial institution fraud; and illicit funds transfers/money laundering schemes of drug traffickers are being successfully applied to the international terrorism arena.

## **U.S. - SAUDI COOPERATION**

The Kingdom of Saudi Arabia is an important partner in this international effort and has taken significant steps to deter global terrorism. There is more that can be done to further this relationship; however, the steps that have been taken thus far are very encouraging and promising. For example, since 9-11, Saudi Arabia has questioned thousands and arrested more than 600 with suspected ties to terrorism.

Cooperative counterterrorism efforts increased notably after the Riyadh bombings on May 12th, 2003 when the Kingdom asked the FBI to send an investigative team to Saudi Arabia to assist its intelligence and law enforcement services in conducting evidence collection and post-incident services in conducting evidence collection and post-incident investigation. In this effort, Saudi officials allowed the FBI to directly participate in crime scene analysis and witness interviews, including those of Saudi citizens.

The current state of cooperation between our two countries is significant, and information sharing continues to increase in matters pertaining to al-Qa'ida. Together, we have agreed to focus increased investigative attention on identifying and eliminating sources of terrorist funding within the Kingdom and around the world. In furtherance of this agreement, the Saudis now host the Joint Task Force on Terrorist Financing (JTFTF), which is comprised of members of the intelligence and law enforcement services of the U.S. and Saudi Arabia. The JTFTF was established in August 2003, with the mission to identify and

investigate persons and entities suspected of providing financial support to terrorist groups; and recommending appropriate criminal and/or regulatory sanctions to be undertaken to stem the flow of funds to terrorists or terrorist organizations. Its purpose is to more effectively utilize the intelligence capabilities and investigative authorities of its component members. Working together, we are identifying sources of terrorist funding and have initiated significant operations to address them. I cannot over emphasize the importance of this initiative and the efforts on the part of both of our countries to make it work. The FBI is a significant participant in this project and together with our partnership agencies, including the Internal Revenue Service-Criminal Investigative Division, is committed to its success. As you will hear from my Department of State and Treasury colleagues, Saudi Arabia has greatly contributed to combating terrorist financing by joining the U.S. in blocking the assets of several designated terrorist organizations. In March 2002, Saudi Arabia and the U.S. jointly blocked the accounts of Wa'el Hamza Julaidan, an associate of Usama bin Laden who provided financial and logistical support to Al-Qa'ida. In addition, accounts of the Bosnia and Somalia branches of the Al-Haramain Islamic Foundation were blocked in March 2002, and in January 2004, the Saudis and the U.S. jointly blocked four more Al-Haramain branches in Kenya, Tanzania, Pakistan and Indonesia.

## SAUDI FINANCING LEGISLATION

Mr. Chairman, as this Subcommittee knows, the ability to prevent terrorist acts largely depends on the implementation of laws that permit investigative intervention. Saudi Arabia has taken several steps that greatly enhance the activities of our joint efforts to prevent terrorism financing.

Non-Governmental Organizations (NGOs) and charitable organizations serve legitimate purposes however, they can be vulnerable to abuse for use as a source of funding for terrorist organizations. The Kingdom of Saudi Arabia has put new laws in place that are designed to ensure donations to charities aren't diverted to entities other than humanitarian organizations. It also issued instructions to all institutions prohibiting the transfer of funds by charitable organizations to recipients outside the Kingdom. New rules have been codified that impact on the Opening of Bank Accounts and place new restrictions on the bank accounts of Saudi charities:

- All accounts must be maintained in one single account for each charity; sub-accounts are permitted, but such an account is restricted to receiving deposits only;
- No ATM or credit cards can be issued for these accounts. All payments may be made only by checks payable to the first beneficiary for deposit in a Saudi bank;
- The Saudi Arabian Monetary Agency's (SAMA's) approval is necessary to open a bank account, the account must be opened in Riyals only, and valid customer identification is required in addition to providing the organization's license;
- No overseas transfers are allowed from these accounts, and only two individuals who are authorized by the board of a charitable organization are allowed to operate the account.

Saudi Arabia has taken other actions that benefit joint terrorism financing efforts. The Ministry of Labor has developed a database containing financial information relating to all of its charities, and updates the database on a quarterly basis with information derived from submitted financial reports. An effort is underway to integrate the charities licensed by the Ministry of Islamic Affairs into this database. In addition, the Ministry of Labor is conducting an audit of all their licensed charities, and this requirement will reportedly be extended to their licensed charities, as well.

The Saudis have begun to establish official government-operated money remitters intended to compete directly with unlicensed money remitters such as Hawalas and other informal financial systems. These licensed remitters are called "Speed Cash", and are attached to a commercial bank and therefore, subject to all requirements of the parent bank. Saudi private sector representatives report that the service has been a profitable business, and officials believe that it has reduced the extent to which there is reliance on informal systems. Saudi officials report that they have begun to crack down on unlicensed money remitters.

Finally, Saudi Arabia has also strengthened its regulations on money laundering by requiring financial institutions to verify customers' identities and placing restrictions on non-residents' ability to open accounts in the country.

## TRAINING

In September 2003, the FBI and the Internal Revenue Service-Criminal Investigative Division provided the first phase of counterterrorist financing and anti-money laundering training to the Saudi Arabian Government in Riyadh. The second phase of this training was held in Washington, DC in December 2003. A third such training program is currently scheduled to take place in May of this year, in Riyadh. This training emphasizes the role of a field investigator in financial crimes investigations as it relates to investigations of terrorism financing. The topics include Methods of Terrorism Financing, Initiating Investigations, Evidence Acquisition, Computer Forensics, Money Laundering, and Expenditure Methods of Proof, among others. The training also includes case scenarios, in which students participate in practical exercises to increase their understanding of terrorist-financing investigations. This training has been completely funded and supported by the State Department and the interagency Terrorist Finance, Training and Technical Assistance Working Group, chaired by the State Department, and it will directly benefit the JTFTF by focusing on methods of identifying sources of terrorist financing.

In addition to U.S. training, in February 2003, the SAMA implemented a technical program to train judges and investigators on terrorism financing and money laundering. The program is focused on training law enforcement on legal matters including financing and money laundering methods, international requirements for financial secrecy, and the methods criminals use to exchange information. SAMA provides substantial training to both the private sector and to other Saudi agencies.

## CONCLUSION

While the Government of the Kingdom of Saudi Arabia has taken significant steps to combat terrorism, there are still hurdles they must overcome. In addition, terrorist-minded extremists are likely to change tactics and become more sophisticated in their intelligence collection, communication and financing. The ability to identify and track terrorism-related financial transactions will continue to be vital to our mutual success. Saudi Arabia has contributed to the successful dismantling of Al-Qa'ida cells, the arrests of key Al-Qa'ida leaders, and the capture of Al-Qa'ida members in the Kingdom. I look forward to our continued partnership with the Kingdom and hope our past progress is an indication of the future steps we will jointly take.

I appreciate the opportunity to appear today and thank you Mr. Chairman and members of the Subcommittee, for dedicating your time and effort to this important issue. I will be happy to address your questions.