

Global Watchdog Takes Saudi Arabia to Task for Lax Anti-terrorism Finance Measures

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A [Financial Action Task Force \(FATF\) report criticizing Saudi Arabia's anti-money laundering and terrorism finance measures](#) puts the kingdom on the spot 17 years after the 9/11 attacks and casts a shadow over its diplomatic and economic boycott of Qatar on the grounds that the Gulf state supports militants.

In a nod to the kingdom, the international watchdog described as “understandable” the fact the kingdom’s “almost exclusive focus of authorities on domestic (terrorist financing) offences means the authorities are not prioritizing disruption of support for threats outside the kingdom.”

The 246-page report contrasted starkly with US President Donald J. Trump’s assessment expressed in his address to the United Nations general assembly.

“Following my trip to Saudi Arabia last year, the Gulf countries opened a new centre to target terrorist financing. [They are enforcing new sanctions. They are working with us to identify and track terrorist networks and taking more responsibility for fighting terrorism](#) and extremism in their own region”, Mr. Trump said.

Mr. Trump, by design or default, did not take into account the flow of [substantial amounts of Saudi money to militants in the Pakistani province of Balochistan](#) that borders on Iran. Mounting indications suggest that the Islamic republic’s detractors may be moving to stir unrest among Iran’s ethnic minorities in a bid to change the regime in Tehran.

The flow of funds leaves open the possibility that the kingdom’s laxity in cracking down on funds flowing to extremists beyond its frontiers may be deliberate.

To be sure, Saudi Arabia has been strengthening its anti-money laundering and terrorism finance regime ever since the 9/11 attacks on New York and Washington in which the perpetrators were primarily Saudi nationals and Al Qaeda attacks in the kingdom itself in 2003 and 2004.



Writing in Forbes, journalist Dominic Dudley noted that the [FATF report may not have taken into account new anti-money laundering and terrorism finance-related laws](#) adopted last year by Saudi Arabia.

“The new laws were coming in just as the FATF was conducting its research for this report and it is too soon to judge how effective they have been,” Mr. Dudley said.

Even so, it was only with the ascendancy to the throne of King Salman in 2015 and the rise of his son, Crown Prince Mohammed bin Salman, that the kingdom began to review its [more than four decades long global funding of intolerant, anti-pluralistic, supremacist, anti-Shiite and anti-Iranian ultra-conservative Sunni Muslim groups and institutions](#).

While financing has been severely curtailed and [funding vehicles like the Muslim World League have been refashioned to propagate moderation and inter-faith dialogue](#), the kingdom, as in the case of Balochistan, continues to support ultra-conservatives where it serves its geopolitical goals.

In what apparently reflected frustration with the kingdom’s progress in countering money laundering and terrorism, FATF did not mince its words in its report. “Saudi Arabia is not effectively investigating and prosecuting individuals involved in larger scale or professional (money laundering] activity” and is “not effectively confiscating the proceeds of crime,” the report said.

FATF suggested that the problem was the kingdom’s implementation of anti-money laundering and terrorism finance measures rather than its legal infrastructure.

“Saudi Arabia has a legal framework that provides it with an adequate basis to investigate and prosecute ML (money laundering) activities... Saudi Arabia is not effectively investigating and prosecuting individuals involved in larger

scale or professional ML activity. Investigations are often reactive rather than proactive, and tend to be straightforward and single layered.," the report said.

The report's wording left the possibility open that poor implementation was the result of either a lack of political will or the fact that there is widespread criticism of Prince Mohammed's reforms within the bureaucracy and the kingdom's religious establishment despite a crackdown on any form of dissent.

That possibility gains currency given the fact that FATF acknowledges that

"Saudi Arabia has demonstrated an ability to respond to the dynamic terrorism threat it faces in country. Saudi Arabian authorities have demonstrated that they have the training, experience and willingness to pursue TF (terrorism finance) investigations in conjunction with and alongside terrorism cases."

The report noted that Saudi Arabia seldom convicted funders of political violence who were not directly involved in attacks.

"This includes TF cases in relation to funds raised in the Saudi Arabia for support of individuals affiliated with terrorist entities outside the kingdom, particularly outside the Middle-East region, which remains a risk. Saudi Arabia's overall strategy for fighting terrorist financing mainly focuses on using law enforcement measures to disrupt terrorist threats directed at the kingdom and its immediate vicinity," the report said.

FATF's criticism is embarrassing for a country that ever since the 9/11 attacks has been attempting to shed its image of having fuelled militancy, position itself as a leader in the struggle against militancy and extremism, and project itself as a 21st century knowledge hub by liberalizing its strict social and cultural norms, including the recent lifting of the ban on women's driving.

It is also awkward because the report puts Saudi Arabia in the position of the pot calling the kettle black when it comes to the 15-month-old Saudi-United Arab Emirates-led boycott of Qatar because it allegedly funds and supports militancy. Saudi Arabia's failure to garner widespread international support for its boycott or force Qatar to concede heightens the awkwardness.

That is even more the case given that Saudi Arabia together with the UAE, Bahrain and Egypt is demanding among other things that Qatar "[consent to monthly compliance audits in the first year after agreeing to the demands, followed by quarterly audits in the second year, and annual audits in the following 10 years](#)" - something the kingdom would be unlikely to accept if hypothetically asked in the wake of the FATF report to submit to a similar regime.

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