

# U.S. DEPARTMENT OF THE TREASURY

## Remarks by Under Secretary of the Treasury Brian Nelson at a Roundtable with Somali Financial Services Firms

July 28, 2023

### *As Prepared for Delivery*

Good afternoon and thank you for the opportunity to discuss our collective efforts to address Somalia and the region's priority illicit finance threats.

One of my priorities during this trip is to work with the Somali government and private sector to determine how we can bolster our partnership to protect the Somali financial system from abuse. Deepening this partnership requires a frank and honest discussion on the risks we are facing.

Somali authorities have made real progress combatting al-Shabaab and denying this terrorist group the control of territory it relies on to extort the Somali population. However, challenges still remain as al-Shabaab continues to generate revenue and seeks to abuse Somalia's financial sector to raise, move, and use these funds.

Somalia's National Risk Assessment identified the TF risk as High, and that al-Shabaab moves funds through remittances, banks, cash carriers, and mobile money.

Identifying risks is a crucial first step, and Somali authorities are now actively working to address the deficiencies identified in the National Risk Assessment through, regulatory reforms, greater enforcement of existing regulations, and enhanced interagency cooperation among other measures.

However, government cannot protect the financial sector from abuse on its own. As frontline industry, and while reform efforts are underway, financial institutions play a crucial role in implementing AML/CFT regulations, taking proactive measures to identify and mitigate ML/TF risks, and working with authorities when suspicious transactions are identified.

Therefore, it is encouraging to see increased engagement between Somalia's National Anti-Money Laundering Committee (NAMLC) and the private sector to strength the relations and cooperation between government agencies and banks, telecommunication companies, mobile money service providers, and other key industries. I look forward to discussing these efforts and what more can be done.

For example, targeted financial sanctions are a key tool that Treasury uses to protect the U.S. financial system from abuse. Somalia recently adopted its own Targeted Financial Sanctions Law which equips Somali authorities with this powerful tool as well.

However, sanctions impact is ultimately contingent on implementation by the private sector. I'd encourage you to work closely with Somali authorities on sanctions implementation to better protect the Somali financial system from abuse.

Reporting suspicious transactions is also key to maintaining a healthy financial sector, ensuring compliance with your AML/CFT laws and regulations.

Strengthening your transaction monitoring and reporting mechanisms will help your regulatory, law enforcement, and security sector to investigate, act when necessary, and safeguard the Somali financial sector from exploitation by terrorists and other illicit actors.

I was encouraged hearing from Somali authorities on their progress implementing a National ID and increasing biometric registration requirements for mobile money users.

I look forward to discussing with you on how banks and mobile money service providers are working with authorities to leverage these advances to strengthen your customer identification procedures.

The ability to accurately identify and verify customers is an essential component of a strong AML/CFT framework.

Finally, I would also like to take this opportunity to note that, in meetings with government officials from a range of countries, I often get asked to help their financial institutions establish correspondent banking relationships with U.S. financial institutions.

Our research, published in Treasury's De-Risking Strategy, found that apart from the profit motive, most financial institutions will de-risk when there is risk of operating in a space where regulatory frameworks are lax and resultant transactions can cause reputational harm, regulatory action by the U.S. government, or even sanctions.

Establishing correspondent banking relationships is an internal business decision of financial institutions, and Treasury does not influence these private business decisions.

However, there are steps that you can take as a sector that will help you move towards establishing correspondent banking relationships:

I would encourage you to strengthen your own internal compliance frameworks to align with international standards, including AML/CFT measures. As we have discussed, this involves

implementing robust AML/CFT policies, conducting thorough due diligence on customers, and demonstrating compliance with international financial regulations.

By following these steps, the Somali banking sector can enhance its standing in the global financial community and with time come to establish additional correspondent banking relationships.

Finally, one of the De-Risking Strategy's recommendations was to bolster international engagement to strengthen the AML/CFT regimes of foreign jurisdictions. This is a top priority for me, so I am thrilled to be here to have this discussion with you all.

###