



Banking on War

Ending the abuse of South Sudan's banking sector by political elites and pushing for peace

By Mark Ferullo
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The Sentry is an initiative of the Enough Project and Not On Our Watch (NOOW).

Cover photo: Enough Project



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Methodology

Findings in this report are based on a review of South Sudanese banking data and research on East Africa's banking sector. This report provides a typology of banking in South Sudan. Up-to-date, public, and reliable data on South Sudan's banking sector are not available. For this paper, The Sentry relies on South Sudanese government statistics, on-the-ground reporting, and interviews with South Sudanese and foreign experts involved in South Sudan's banking sector. Given the opaque nature of South Sudan's institutions and the confidential nature of bank information, these data are incomplete but represent The Sentry's extensive research and outreach.¹

This report relies on the Financial Action Task Force (FATF) baseline definition of a Politically Exposed Person (PEP): "Individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, and important political party officials." In addition, in this report, a PEP refers to individuals with substantial decision-making authority in South Sudan, their relatives, and close associates (since relatives and close associates are commonly used as nominees in financial transactions and investments).²



Executive Summary

South Sudan's banks should be apolitical engines of the South Sudanese economy, catalyzing business investment. Instead, some of these banks are corrupted institutions used by the political elite to transfer ill-gotten gains abroad at the expense of providing capital and facilitating trade for the millions of South Sudanese suffering from five years of war. Many powerful South Sudanese elite—known as Politically Exposed Persons (PEPs) in banking terminology—their relatives, and their associates exploit privileged access to bank services **or control banks outright. The war economy, built on PEPs' control of banks and capture of oil profits, benefits the elites even as most South Sudanese suffer the devastating consequences of persistent inflation.**

While banks can be channels of corruption, South Sudan's peace, development, and economic future also depend on local banks and, through correspondent banks, the global financial system. Without reforms, however, there is little chance international donors, banks, and investors will trust the country's banking system enough to finance South Sudan's peace and stability. The next step for peace-focused policymakers—the coalition of regional mediators, local civil society, and international supporters of the peace process—is to dialogue with banks and position them to support South Sudan's economy.

Key Findings

- **Politics and Banks Intersect.** More than half the 26 banks operating in South Sudan, a total of 14 banks, are partially owned or controlled by a PEP, suggesting an undue level of political influence in the banking sector. A mix of local banks, joint banks co-owned with East African investors, and foreign banks operate in the war-torn market but offer few banking services.
- **PEP Control of Banks Hurts Most South Sudanese.** Because PEPs establish and control banks—either directly or through relatives and associates—these banks receive preferential access to foreign exchange. This corrupt practice has caused inflation as PEPs have moved hard currency out of the South Sudanese economy.
- **PEPs Rely on the Global Financial System.** **South Sudanese banks operating within East Africa's** banking network have access to the global financial market through correspondent bank relationships. Many of the powerful political elites who are driving the war rely on correspondent banks in the region and in banking capitals around the world to move money, including U.S. dollars.
- **Misuse Threatens All Banking in Juba.** Regulatory, reputational, political, and money laundering **risks in South Sudan's PEP-influenced banking sector** could lead South Sudanese banks—and potentially other East African banks—to lose connections to the global financial system and decrease economic opportunity for millions of South Sudanese.

Recommendations

International banks, policymakers, and others committed to peace, good governance, and development in South Sudan must find joint solutions to the deficiencies in East Africa's correspondent banking network,



address regulatory and compliance gaps, and **correct PEP influence in South Sudan's banking sector to set the country on the right economic course.**

- **Strategic De-Risking.** **Given the heavy PEP influence on South Sudan's banking sector, there is a risk that local banks will be cut off from the global financial system.** To prevent large-scale de-risking and restore international confidence in the banking sector, correspondent banks and regulators should agree to remove the most politically influenced local banks from the global financial system.
- **PEP-Focused Bank Regulations.** To lower the chances of heavy-handed de-risking, a regulatory **strategy pinpointing how South Sudanese PEPs and their relatives infiltrate East Africa's banking sector** could kick off transparency and bank reforms. A risk-based strategy could home in on specific individuals, rather than focusing simply on the size of transactions.
- **Diplomacy and Banks.** To support necessary reforms, a partnership between international banks and those pressing for peace and good governance could align the goals of facilitating peace and improving the banking sector in East Africa. A new economy must be assembled in South Sudan to ensure that local banks are the apolitical engines of growth instead of vehicles of corruption.



Glossary of Key Policy and Banking Terms

Anti-Money Laundering (AML) – Collective description of regulations that aim to ensure that money laundering and other financial crimes are confronted with bank due diligence efforts, such as filing Suspicious Activity Reports, Know-Your-Customer principles, and Customer Due Diligence requirements.

Correspondent Bank – A bank that provides services on behalf of another bank, known as the respondent bank. The correspondent bank can facilitate wire transfers, conduct business transactions, accept deposits, and gather documents on behalf of the respondent bank, which is typically a small or regional bank.

Customer Due Diligence (CDD) – Part of bank regulations, CDD procedures are in place to identify who a customer is, including to verify the customer's identity. CDD procedures assess the risk of doing business with an individual and align with Anti-Money Laundering requirements.

De-Risk – A decision by a bank to eliminate exposure to risk by restricting or cutting off ties with jurisdictions or customers assessed to be high risk. In some cases, banks pursuing de-risking practices do so to comply with Anti-Money Laundering and terrorist financing regulations, but overcompliance threatens to cut off access for small banks and customers to the global financial system.

Financial Action Task Force (FATF) – FATF is an intergovernmental body that sets standards and promotes effective implementation of legal, regulatory, and operational measures for combating money laundering and terrorist financing. The organization aims to coordinate responses to the risks to the integrity of the financial system. FATF-style organizations, such as the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) are separate regional coordinating bodies that follow FATF guidelines.

Financial Intelligence Unit (FIU) – **An FIU is a government's regulatory agency responsible for receiving and analyzing financial information from banks related to suspicious activities and financial crimes in order to combat money laundering and terrorism financing.** In the United States, the FIU is known as the Financial Crimes Enforcement Network (FinCEN).

Global Magnitsky Act – Enacted into law in 2016, the United States Global Magnitsky Human Rights Accountability Act authorizes sanctions on foreign persons accused of human rights or corruption. **Foreign persons can be designated for sanctions (a) if they are responsible for “extrajudicial killings, torture, or other gross violations of internationally recognized human rights,” or (b) if they are government officials or senior associates of government officials complicit in “acts of significant corruption.”** The U.S. Department of the Treasury's implementation of the law, through Executive Order 13818 in 2017, expanded on these categories.

International Finance Corporation (IFC) – The IFC is the private sector lending arm of the World Bank Group, providing financial services to businesses investing in the developing world. The IFC provides loans and equity financing, advice, and technical services to the private sector.

Know-Your-Customer (KYC) – To verify the identity of clients, KYC procedures assist banks in understanding who their customers are and the details of their financial dealings to manage risks and regulations. Given the risk of corruption, money laundering, and terrorist financing in banks, the procedures aim to ensure that banks are doing business with legitimate entities.

Politically Exposed Person (PEP) – According to FATF, PEPs are “Individuals who are or have been entrusted with prominent public functions in a foreign country, for example government Heads of State, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, and **important political party officials.**” The term sometimes also refers to relatives and close associates of a PEP given that they can financially benefit from close political connections.



Special Drawing Rights (SDRs) – SDRs are a supplementary international reserve asset created by the International Monetary Fund (IMF) to support other reserve assets of member countries. The allocation is **designed to provide liquidity to the global financial system by supplementing the IMF member countries’** foreign exchange reserves.

Specially Designated Nationals (SDN) and Blocked Persons List – As part of its sanctions enforcement, the U.S. Treasury Department publishes a list of sanctioned individuals and companies, as well as those owned or controlled by—or acting for or on behalf of—sanctions targets. In many cases, these sanctions targets relate to a country-specific national emergency. In others, the SDN List includes individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific. Collectively, such individuals and companies are called Specially Designated Nationals or SDNs. Their assets are blocked and U.S. persons are generally prohibited from dealing with them.

Suspicious Activity Report (SAR) – To comply with financial regulations, banks file SARs to flag questionable transactions or potentially suspicious activity. Financial Intelligence Units generally receive the reports to identify financial crimes and trends in money laundering or terrorist financing.

Ultimate Beneficial Owner (UBO) – Beneficial ownership refers to the individual who enjoys the benefits of ownership, including who actually owns or controls a company, either directly or indirectly, even if primary documentation hides individual identity behind corporate structures. UBOs must be individuals who control the actions of the company or who receive the profits. Accurate and up-to-date information about beneficial owners helps trace criminals.

Wolfsberg Group – An association of 13 global banks that develops frameworks and guidance for the management of financial crime risks.



Introduction

Since December 2013, South Sudan has fought a civil war that has devastated the country, causing two million refugees to flee across its borders and displacing another two million inside the country. In September, the government and opposition signed an agreement to revitalize the unimplemented 2015 peace accord, yet sustained peace for many South Sudanese remains elusive. As of September 2018, seven million South Sudanese rely on humanitarian aid.

Amid this devastating humanitarian emergency, South Sudan's economy has tumbled. Though the country is rich in arable land, gold, and other minerals, the oil fields in northern South Sudan dominate the economy.³ South Sudan is the most oil-dependent country in the world, according to the African Development Bank, accounting for most government revenue and nearly all exports.⁴ But in the past five years, South Sudanese oil output has more than halved as the global price of oil declined, depleting local banks in need of foreign currency and contributing to inflation of the South Sudanese Pound (SSP). The formal economy, almost entirely based in Juba, is in collapse.⁵

South Sudan's corruption-afflicted and elite-controlled local banks reflect the dire state of the economy. Over three-quarters of South Sudanese who remain in the country are subsistence farmers who do not earn a wage,⁶ suggesting minimal use of bank services by all but an elite few. Only 12 percent of South Sudanese participate in the formal economy,⁷ and a segment of political elites, known as Politically Exposed Persons (PEPs), have taken advantage of lax regulations and enforcement to move ill-gotten funds outside the country and into the global financial system. Corruption has penetrated the banking sector and is ubiquitous at all levels, from bank tellers to the central bank.

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United States Leading Financial Pressures

In an effort to counter the role of entrenched economic interests and corruption in perpetuating the war, the United States has undertaken financial pressures against South Sudanese elites obstructing peace. In September 2017, the U.S. Department of the Treasury designated for sanctions three South Sudanese **officials and three companies that built on the United Nations' (U.N.) 2015 sanctions of six government and opposition military commanders.**^{8 9 10} The European Union (EU) and Canada have also imposed travel bans and asset freezes on the same three U.S.-designated South Sudanese.^{11 12} In December 2017, under Executive Order 13818, which implements the Global Magnitsky Act to target human rights abusers and corrupt actors worldwide, the United States added Benjamin Bol Mel and two of his companies to the U.S. Specially Designated Nationals and Blocked Persons List (SDN List).^{13 14}

To further stem the state capture of resources in South Sudan, the United States has issued public cautions about the risks of doing business in South Sudan.^{15 16} In September 2017, the United States issued a regulatory advisory to financial institutions concerning the risk of South Sudanese PEPs using the U.S. financial system to move or hide proceeds of public corruption.¹⁷ In March, the U.S. Department of Commerce imposed restrictions against 15 South Sudanese oil-related entities, including the Ministry of Petroleum and Mining and the national oil company, Nilepet, whose revenues have contributed to the ongoing crisis in South



Sudan.¹⁸ In June 2018, the United States issued a regulatory advisory that highlighted the risks of human rights abuse enabled by corrupt PEPs, naming Bol Mel as a key example.

Next Steps for a Coalition of Banks and Policymakers

U.N., U.S., and EU-led financial pressures on South Sudan are aimed at pushing the warring groups to commit to sustained peace, since both sides currently pursue a zero-sum political outcome to control the **country's economic resources**. **The next step for policymakers**—the coalition of regional mediators, local civil society, and international supporters of the peace process—is to work with banks to prevent corrupt PEPs from accessing international markets. This process could align with the implementation of the September 2018 peace agreement by coordinating policies and messages from banks and regulators that a return to civil war is less lucrative than peace. At the same time, the coalition could prevent the possible ramifications of bank de-risking in East Africa if the fallout from the South Sudanese fighting bleeds into neighboring markets.

South Sudan's banks are connected to the global financial system through correspondent banking relationships in East Africa and with the biggest banks in New York, London, and other financial centers. This report highlights the damaging role of some banks in South Sudan, how some correspondent bank relationships are unique nodes of influence and gateways for corrupt funds to penetrate U.S. and broader international finance systems, and what a partnership between leading governments and international banks could do to advance sustained peace and clean up the banking sector in East Africa.



Part I

Banking in South Sudan: Compromised from the Start

When Opening a Bank Is Political

South Sudan's independence from Sudan in 2011 prompted a series of financial accords to ensure the operation of commercial banks.¹⁹ Under close international scrutiny, South Sudan's institutions adopted the highest standards of financial regulations. The new country created a central bank, the Bank of South Sudan, and adopted a new currency, the SSP. By Independence Day on July 9, 2011, South Sudan's banks were poised to lead the new economy. In close cooperation with Ugandan and Kenyan banks, which South Sudanese relied on for financial services during the long war with Sudan, the sector was on the right course.

Yet amid the celebration and out of view from international donors and investors, some South Sudanese PEPs saw banking as a lucrative opportunity. Some elite South Sudanese opened banks that far outpaced the demand for typical financial services, such as savings and checking accounts, loans, and investments. According to the International Monetary Fund (IMF), only 1 percent of South Sudan's then nearly 11 million people—or fewer than 110,000 South Sudanese—maintained a bank account in 2012, yet dozens of banks were incorporated at this time.²⁰ According to a banking expert in South Sudan, opportunistic PEPs recognized the new business opportunity presented by the capitalization of the economy and access to international markets, and they formed banks to ensure regular access to foreign exchange that could be traded for profit or moved outside the country. In multiple banking scandals over the next five years, government revenue was moved out of the country through the global financial system.

As of 2018, South Sudan's banks have few customers and ostensibly are open to facilitate foreign exchange, money transfers, and remittances.

Seven years after independence, South Sudan's banking sector is compromised by political influence and remains undeveloped. With limited economic activity given the years of war and slowdown of oil production, banks are generally not issuing loans

or involved in domestic financing. Widespread looting and destruction of property in towns across the country during the war have impeded the reach and function of banks.²¹ As of 2018, South Sudan's banks have few customers and ostensibly are open to facilitate foreign exchange, money transfers, and remittances.

The integrity of South Sudan's banking system was in doubt even before the war started in 2013 because politicians, bankers, and regulators failed to follow South Sudan's laws. The country's regulations are based on high international standards of customer due diligence (CDD), ultimate beneficial owners (UBOs),²² and Know-Your-Customer (KYC) principles. In practice, however, many local banks disregard the rules and regulators fail to enforce them. According to a report from the U.S. Department of State, in 2015, South Sudan failed to comply with KYC provisions, report suspicious transactions, or combat cross-border transportation of currency.²³ In Juba, there is little evidence that banking statutes are followed or that institutions have the freedom and resources to follow through on financial oversight.²⁴



Politicization of the banking sector has centered around the Bank of South Sudan, the country's central bank. The Bank of South Sudan manages the rationing of foreign exchange to commercial banks²⁵ and has the authority to register and revoke bank licenses.²⁶ But the bank is barely solvent because of the decline in oil prices and the slowdown of economic activity. According to the IMF, the Bank of South Sudan's foreign reserves have dropped to "alarmingly low levels" that equal less than a week of prospective imports.^{27 28} World Bank and African Development Bank studies have assessed that, in addition to its insolvency, South Sudan's central bank lacks independence.^{29 30 31}

A Suffering Economy Dependent on Oil

Most South Sudanese banks have limited purpose, at least in terms of actually serving as traditional banks, because the war in South Sudan has devastated the economy. According to a World Bank projection in April 2018, the economy contracted by 11.2 percent in 2016–2017 because the war had disrupted oil production and decreased agricultural output.³² Because wide expanses of the country suffered from war and much of the infrastructure has been destroyed, international donors are feeding many of the over five million South Sudanese facing acute hunger.³³

International donors and South Sudan's neighbors are central to the local economy and provide an economic lifeline. Almost all of the food in the country is imported from Kenya and Uganda. In 2015–2016, more than half of South Sudan's imports arrived from Uganda, accounting for 10 percent of Ugandan exports in 2016, according to U.N. trade data.³⁴ South Sudan is equally dependent on Kenya, which is the financial hub of East Africa, the largest investor in South Sudan's banking sector, and embedded in the operation of local banks.

The decrease in oil prices has led many South Sudanese banks to restrict financial services because the sale of oil is the country's primary access to external credit and foreign exchange liquidity.

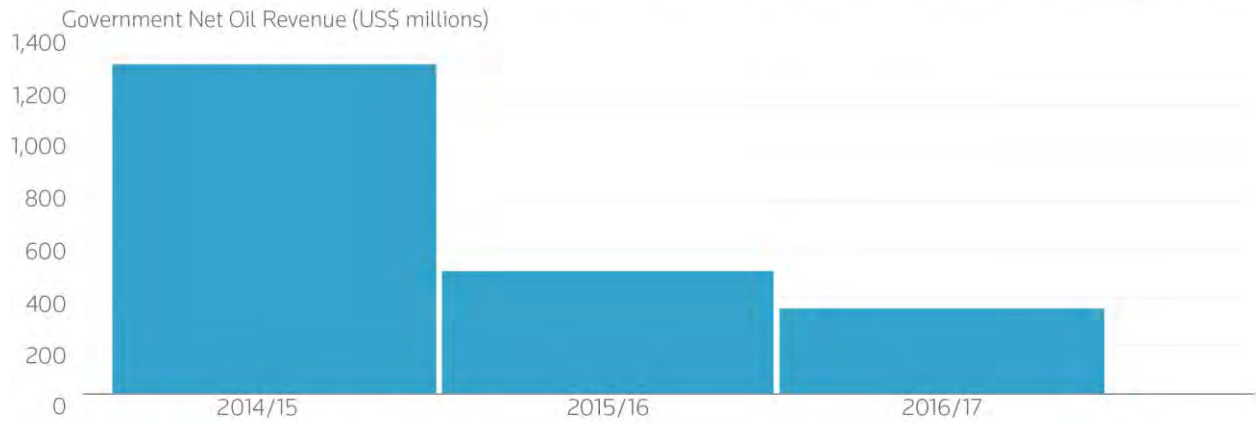
The dependence on oil has tightened the government's budget and banks' liquidity. With the third-largest oil reserves in sub-Saharan Africa,³⁵ South Sudan's oil continues to fuel the economy, even as—according to the IMF—the average export price declined from about \$98 per barrel in 2013–2014 to \$33 in 2015–2016.³⁶ The decrease in oil prices has led many local banks to restrict financial services because the sale of oil is the country's primary access to external credit and foreign exchange liquidity.

South Sudan's economic instability is evident in the country's depreciating currency, which has diminished South Sudanese livelihoods. According to the World Food Programme, a \$1.20 basic meal in New York would cost \$321.70 in South Sudan, or 155 percent of the average daily income.³⁷ The lack of foreign currency in the country and the government's mismanagement of the economy are partly to blame for high inflation. Despite the central bank's move from a fixed rate monetary system to a managed float system,³⁸ the pound slipped against the U.S. dollar (USD) from SSP 18.5/USD in December 2015 to SSP 172/USD in August 2017, according to World Bank figures.³⁹ The unofficial exchange rate in May 2018 reached about SSP 320/USD, according to reporting from Juba.^{40 41}

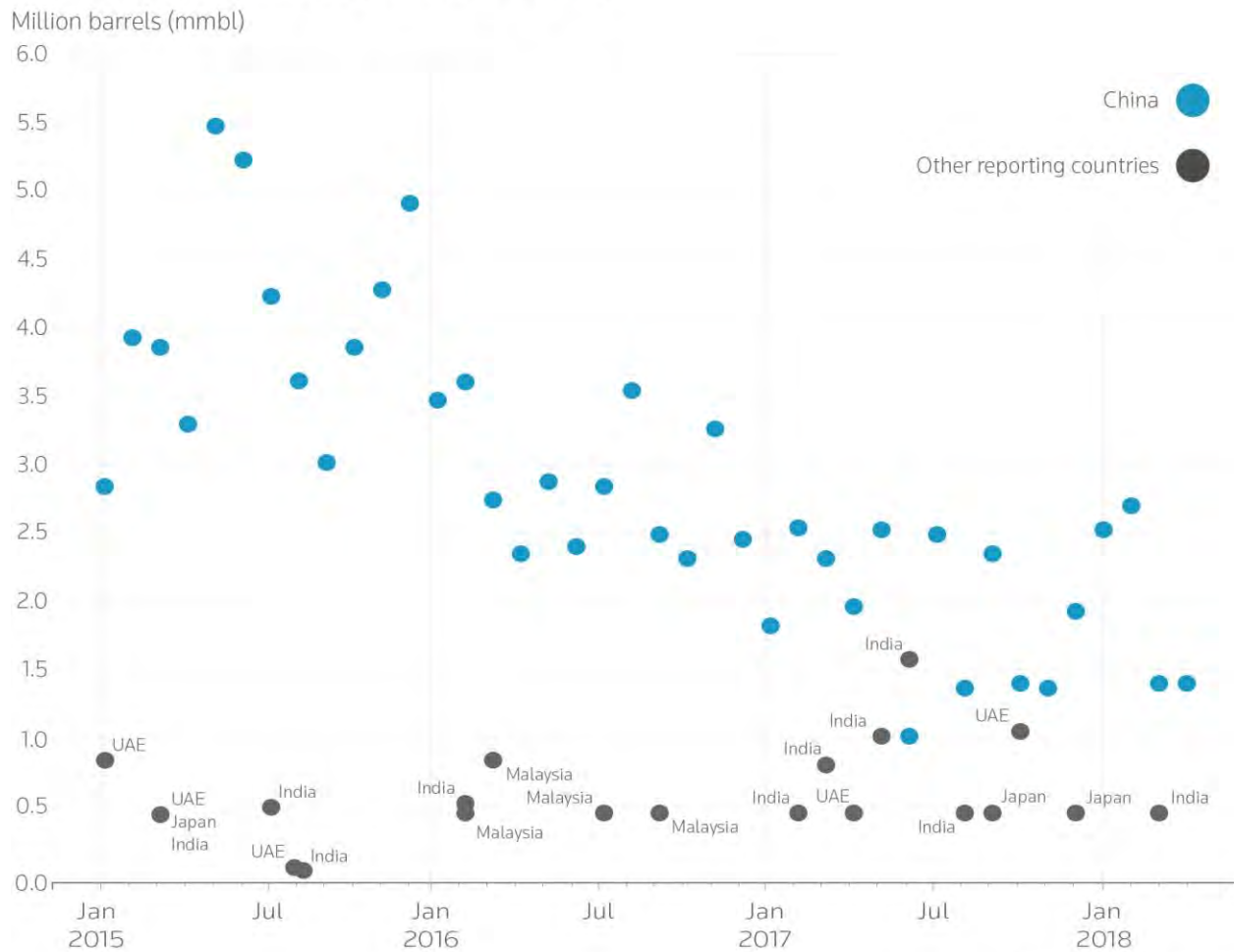


Slowing Oil Output in South Sudan

Throughout the civil war, South Sudan's oil production dipped, consequentially lowering the government's budget and decreasing banks access to the foreign reserves generated from the sale of oil. Without a secure operating environment and the reinvestment to upgrade oil fields, South Sudan's oil output and budget are likely to remain far below pre-war figures.



Destination of South Sudanese Oil



Source: Refinitiv Oil Research
Visualization by Refinitiv Applied Innovation Lab



Banking in Juba with Empty Safes and Few Customers

South Sudan's commercial banks are suffering from the consequences of years of war and financial mismanagement. Local banks appear to service political elites at the expense of providing capital and facilitating trade to enable private investment. PEPs can leverage privileged access to dollars, unenforced banking regulations, and international connections to profit while the country continues to suffer.

Meanwhile, some bank customers must bribe bank tellers to withdraw money and in some cases have **reported having to negotiate exchange rates with the bank's manager.** For most customers, banks act primarily as foreign exchange bureaus and money transfer businesses. Credit and lending are rare and, when available, entail short-term financing on a timeline of weeks or months.⁴² Some international donors convert funds from

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USD to SSP at banks, but the amount does not provide capital for investment or trade, according to a bank expert in South Sudan. Without access to banks, some South Sudanese turn outside the country. According to World Bank reporting on South Sudanese refugees in Australia, most remittances sent to the region are received and spent in Uganda and Kenya.⁴³

The scarcity of the USD in South Sudan amplifies the benefits of having access to hard currency. The USD dominates: global oil markets trade in dollars, lenders finance in dollars, and it is the most attractive reserve currency in South Sudan. According to a banking expert in Juba, most high-value business is conducted in USD, and banks often charge a premium to acquire dollars or tax customers who transact without it. The inability to acquire dollars limits the utility of local banks for South Sudanese and foreign companies alike. Without consistent access to hard currency, foreign companies struggle to exchange SSP into USD or other currencies to repatriate profits.

Breaking Down the Banks

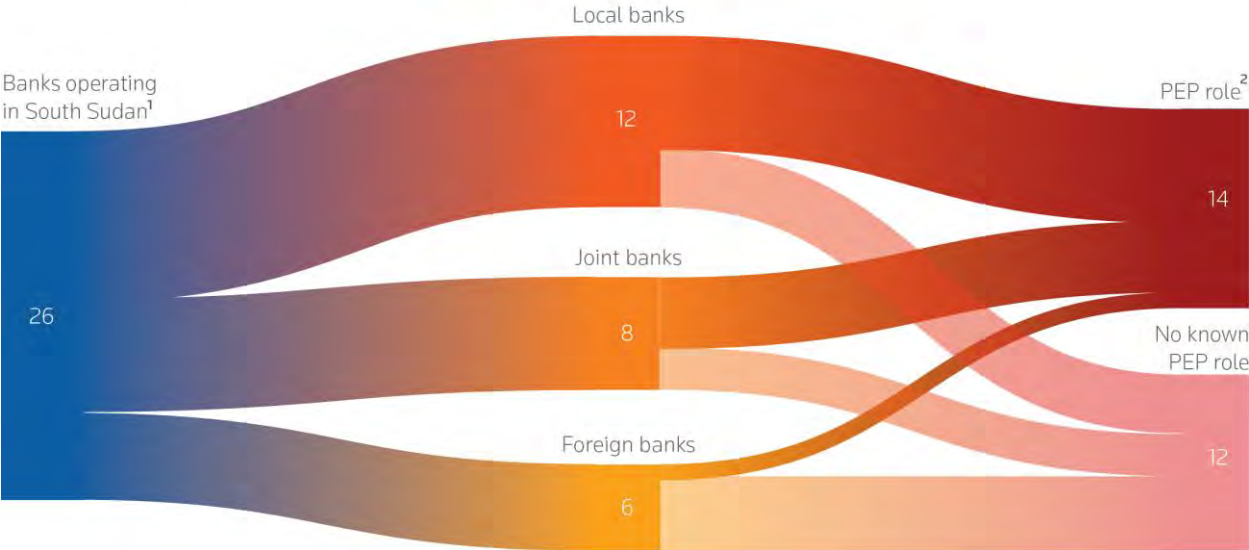
The shrinking and ineffectual banking sector in South Sudan masks corruption built into the system. As of April 2018, there were 26 banks operating in South Sudan, and—according to available data—most of these banks have a foreign owner. The same data shows foreign nationals own 60 percent of the overall banking sector. Foreign-owned banks provide the legitimate foundation of the banking sector while some of South Sudan's local banks are **obscured channels used for financial gain by the elite.** Understanding this distinction between foreign-owned and local banks in Juba is essential to improving the trust and legitimacy of South Sudan's banking sector.

With available data, the landscape of banks in South Sudan can be separated into three groupings: local banks (12); joint banks, often co-owned with East African investors (8); and foreign banks (6) that are generally large African banks with branches around the continent.⁴⁴ For each of these banks, the challenges of operating in a war-torn market with limited investment and financing are uniform. Bank services and customers are limited, and operating costs and financial liabilities are high. But there are important distinctions in how the varied banks that operate in South Sudan are owned and managed, and—consequently—how the banks confront corruption.



Political Control of Banks in South Sudan

Among the 26 banks operating in South Sudan, The Sentry discovered that more than half of all banks are partially owned or controlled by politically-connected South Sudanese, or PEPs.



1. The number of banks operating in South Sudan is based on Bank of South Sudan figures and on-the-ground reporting. The connection of banks to PEPs relies on Refinitiv's internal data.
 2. There is no single and universally agreed upon definition of Politically Exposed Persons (PEPs); Refinitiv relies on the baseline definition developed by the Financial Action Task Force (FATF), available at www.fatf-gafi.org.

Visualization by Refinitiv Applied Innovation Lab

Local Banks

A surge of bank registrations in the **first years of South Sudan's independence and the lack of regulatory controls** enabled some powerful PEPs to penetrate portions of the banking sector. From former central bank officials to military commanders and politicians, PEPs are tied to banks. PEPs own a 58 percent share of South Sudanese local banks, according to available data; the government itself has a stake—and therefore influence—in five of these local banks. This does not presume that all PEPs are involved in corruption; rather, this research highlights the overlap of PEP involvement in local banks that should be examined because of the potential for political corruption in the sector and because of specific FATF recommendations related to PEPs.

Some PEPs exploit their control of local banks to divert state funds for their own benefit. For instance, in 2016, the central bank auctioned off \$56 million to South Sudanese commercial banks by drawing on IMF Special Drawing Rights (SDRs).⁴⁵ The IMF intended to offset the devaluation of the SSP, but instead the auction served as an infusion of cash that flowed to PEP-connected banks.⁴⁶ Based on a review of three separate dollar auctions from December 2015 to January 2016, the three banks that received the largest amount—one-third of the total allocations—were local banks tied to PEPs.⁴⁷ The Juba-based Sudd Institute found that small local banks, as measured by volumes of customer deposits, received more currency at the auctions than joint and foreign banks,⁴⁸ suggesting ties to central bank policymakers resulted in greater access to dollars.⁴⁹



Joint Banks

The centrality of East Africa's neighbors in South Sudan's history has led to eight joint banks in South Sudan with shared control among South Sudanese and foreign owners. These banks are susceptible to South Sudanese PEP influence while benefiting from local insider access and more developed ties to the global financial system. The joint banks often have Kenyan, Sudanese, and Ethiopian investors that provide a more stable and transparent level of management and operation than fully South Sudanese-owned banks. While South Sudanese PEPs own a smaller percentage of joint banks than local banks, half the joint banks are partially owned or controlled by South Sudanese PEPs. The South Sudanese PEP involvement in these four **banks does not indicate corruption but, similar to local banks' overlaps with PEPs, joint banks with a PEP connection should demand further regulatory scrutiny**, as noted in FATF recommendations.

Foreign Banks

The newest entrants to the banking sector in South Sudan are foreign banks with wide African and **international reach. The six foreign banks that operate in South Sudan provide stability to South Sudan's** economy and needed legitimacy and liquidity to the banking sector. These banks are not owned by South Sudanese PEPs or political insiders and have high levels of liquidity and capitalization that could provide long-term stability in the market. These banks likely hold both PEP and government accounts, including oil-generated funds, but there is no evidence that PEPs are influencing the operations of these banks. Today, based on available data, the foreign banks are not providing long-term financing or investments, but rather maintain branches in South Sudan to service the government accounts, maintain a foothold in the market, or avoid the high cost of leaving due to being over-leveraged.



Part II

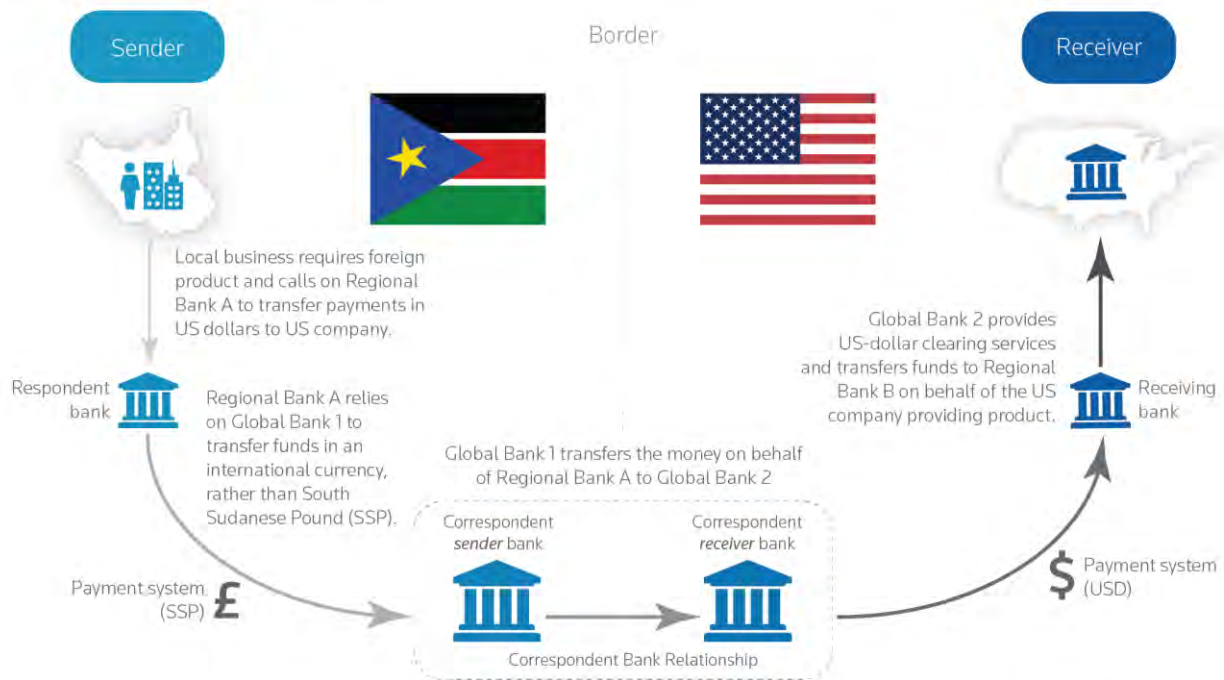
Correspondent Banking: South Sudan Plugs into the International Banking Ecosystem

Channeling Money from Juba to Anywhere

For an economically undeveloped country like South Sudan that is just starting to build its financial infrastructure, international banks provide bedrock bank services to facilitate trade and investment in East Africa. Correspondent banks provide access to the global financial system for a wide array of institutions. Indeed, large international banks function as correspondent banks for thousands of recipient banks—known as respondent or customer banks—around the world, according to FATF.⁵⁰ A single international bank could clear tens of millions of transactions a year on behalf of respondent banks.

Correspondent Banking Relationships in South Sudan

Cross-border payments use correspondent banks acting between local and international banks to transfer funds, often involving four or more banks in a single transaction.



Visualization by Refinitiv Applied Innovation Lab

Since South Sudan is still building its financial infrastructure, to facilitate trade and investment, correspondent banks are indispensable and well-established channels for local banks to access financial services in different countries. Banks in South Sudan rely on two types of correspondent banking relationships: traditional and nested.



Traditional correspondent banking services allow a correspondent bank, such as a large British bank, to execute payments on behalf of another bank, such as a smaller East African regional bank.⁵¹ Correspondent banking relationships amplify the reach of small banks in South Sudan. This financial arrangement creates a dependency on the correspondent banks, which have the discretion to block international transactions.

Larger banks operating in East Africa have a network of correspondent relationships and help connect smaller South Sudanese banks with the global financial system.

Nested accounts provide an alternative banking relationship for South Sudanese banks without formal correspondent relationships. This arrangement allows a South Sudanese bank to hold an account at another larger South Sudanese bank that has a formal correspondent banking relationship. In this process, a larger bank moves funds overseas on behalf of the smaller bank.⁵² Larger banks operating in East Africa have a network of correspondent relationships and help connect smaller South Sudanese banks with the global

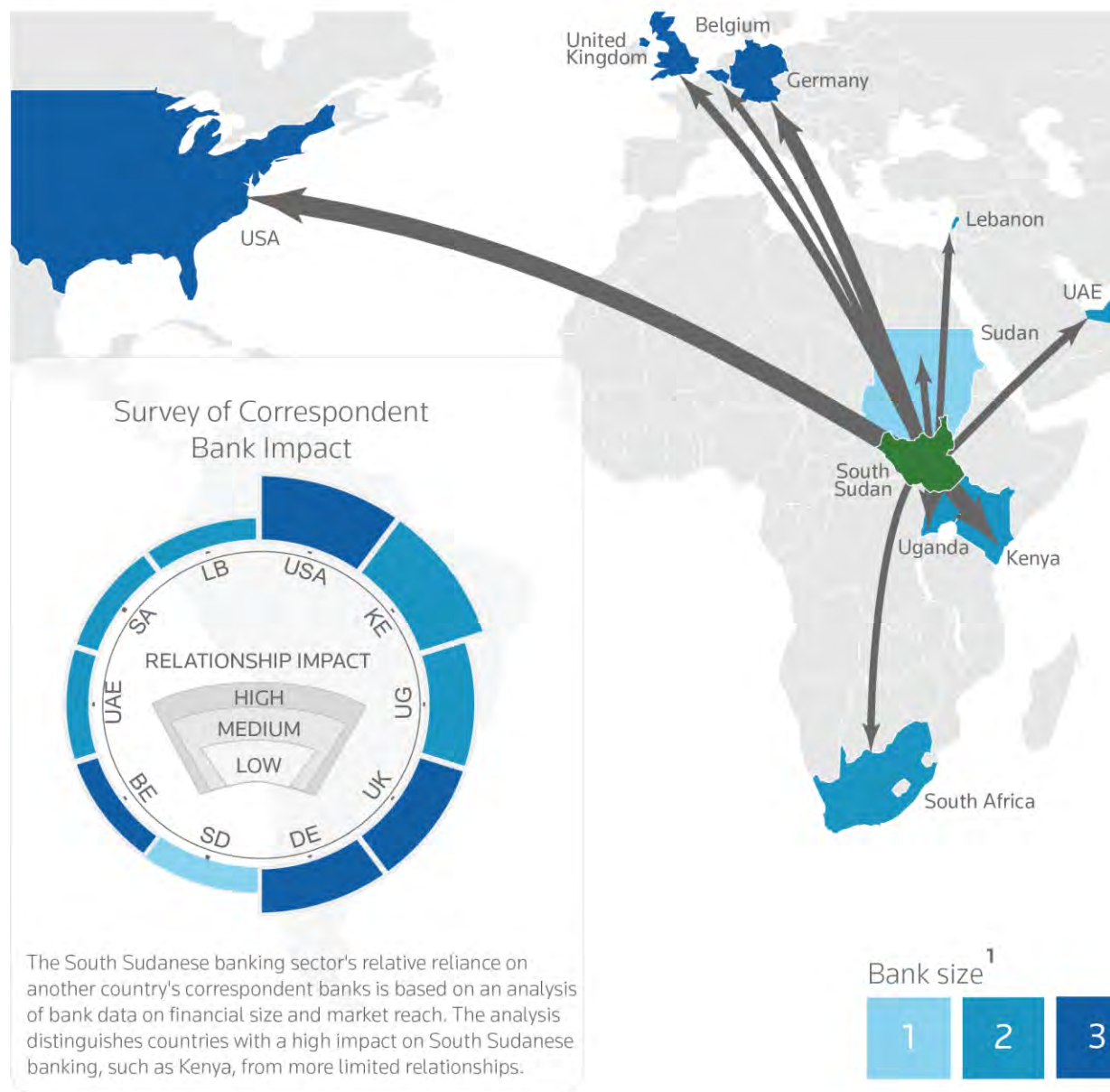
financial system. Because of these ties to the regional correspondent banking network, South Sudanese banks hold nested accounts in Kenya and Uganda. According to a banking compliance officer, a nested account in a neighboring country is a common practice that allows a South Sudanese local or joint bank to transact in USD.

South Sudanese banks operating within the East African banking network have access to the global financial market through correspondent relationships. PEPs leverage access to this network to send money abroad. For example, a financial transaction can instantaneously travel from an SSP bank account in Juba into other currencies abroad.



Banks in South Sudan Rely on Correspondent Banking Relationships to Access Global Financial Markets

Banks in South Sudan are connected to the international financial system through correspondent banking relationships, which provide services including access to hard currency, check clearing, and international payments and transfers. Correspondent banks make it possible for a bank customer in South Sudan to send money to a bank customer abroad even if the bank does not have an international branch. Banks in South Sudan have maintained these relationships with banks in at least ten countries, based on available data.



Note. The geographic distance between Europe and North America has been artificially shortened to allow necessary content to fit the page available. No other scales have been modified.

1. The size of international correspondent banks linked to banks operating in South Sudan is based on available financial data on bank assets. The range of correspondent banks is defined as major multinational bank (size 3), regional bank (size 2), and small local bank (size 1).

Visualization by Refinitiv Applied Innovation Lab



Part III

The Risky Business of Banking in South Sudan

Correspondent banks, the U.S. dollar, oil sales, donor aid, and international investments connect the young country to the global financial system, which exposes banks to financial risks. The risks abound in South Sudan—including reputational concerns, money laundering trends, PEP-related corruption, and regulatory exposure. These risks emanate from the abuse of the banking and capital market sectors by some powerful South Sudanese PEPs, who benefit from their access to the global financial system. The United States identified this trend in September 2017 and issued a regulatory advisory to financial institutions identifying the risk of South Sudanese PEPs using the U.S. financial system to move or hide proceeds of public corruption.⁵³ Banks in South Sudan and their correspondent banks carry risks given the ubiquitous corruption in South Sudan and the ongoing violence.

Correspondent Banks Complying with Regulations and Spotting Risks

International banks that provide correspondent banking services worldwide must manage risk while being far removed from the customer. Because correspondent banks do not directly interact with the end customer—for example, a South Sudanese PEP—the correspondent bank relies on the due diligence efforts of the respondent bank in Juba. These efforts include checking identification and gathering ownership records to determine UBOs to remain compliant with regulations. Information on UBOs in East Africa is notoriously opaque, further increasing the risk of noncompliance for international banks.

Correspondent banks are responsible for due diligence when performing a transaction for a respondent bank, **and should track respondent banks' risk management** and compliance efforts. In practice, however, most banks outsource their compliance research. Respondent banks—for the purposes of this report, mostly located in South Sudan, Kenya, and Uganda—are responsible for normal transaction oversight, including filing SARs to meet reporting requirements. Nested accounts add another layer of separation from the correspondent bank and the customer, further complicating the due diligence process. In South Sudan, nested correspondent accounts pose particular risk in a banking sector riddled with overlapping business interests

In South Sudan, nested correspondent accounts pose particular risk in a banking sector riddled with overlapping business interests among political elites.

among political elites. This nested arrangement is generally considered high risk, as a correspondent bank does not always have information on the underlying customers, which increases regulatory risk.

PEPs benefit from the dispersed nature of due diligence and the complexity of correspondent-respondent banking relationships, which complicate risk management. According to Wolfsberg Group guidelines, correspondent banks should consider the geographical risk of jurisdictions with inadequate AML standards and insufficient regulatory supervision. Correspondent banks should adjust compliance practices to match these risks. The Wolfsberg Group further suggests periodic visits to client or respondent banks and seeking updated corporate ownership records.⁵⁴ This is because a correspondent bank in the United States might not have the local knowledge to spot money laundering in East



Africa. The limited information on ownership structure and UBOs of South Sudanese banks, along with possible risk factors such as PEP management or ownership, creates a high-risk environment.

An Atrocity-Filled War and the Reputational Risk

South Sudan's nearly five-year war included periodic bouts of mass violence that could constitute not only human rights violations, but also war crimes. Complicity with violations of *jus cogens*⁵⁵—such as crimes against humanity and genocide—would damage business or bank reputations and risk international boycott or divestment. The horrific nature of **South Sudan's civil war amplifies the reputational risk of inadvertently** providing financial services to those benefiting from the continued violence. Reputational costs are severe and could lead to civil lawsuits by shareholders, restitution, penalties, and loss in share price and business opportunities. The corruption and capture of state resources in South Sudan is well-documented in public reports by local civil society activists, international human rights organizations, and multilateral organizations, including the IMF and World Bank. Therefore, claims to a lack of awareness of the corruption in the banking sector in South Sudan, in particular, would face significant international scrutiny from the organizations that have exposed the corruption.

Diplomatic Pressures First, Bank Regulations Second

To pressure for peace in South Sudan, diplomatic efforts have turned up financial pressures on South Sudan's warring groups, including sanctions, leading to new regulations that demand bank compliance. Local and international banks are exposed to a patchwork of overlapping, sometimes inconsistent regulations, creating unexpected risk. An uncoordinated international approach to sanctions and diplomacy further complicates efforts to comply. The European Union, United Nations, United States, and Canada have enacted individual, targeted sanctions, but the designations have not been imposed at the same time.

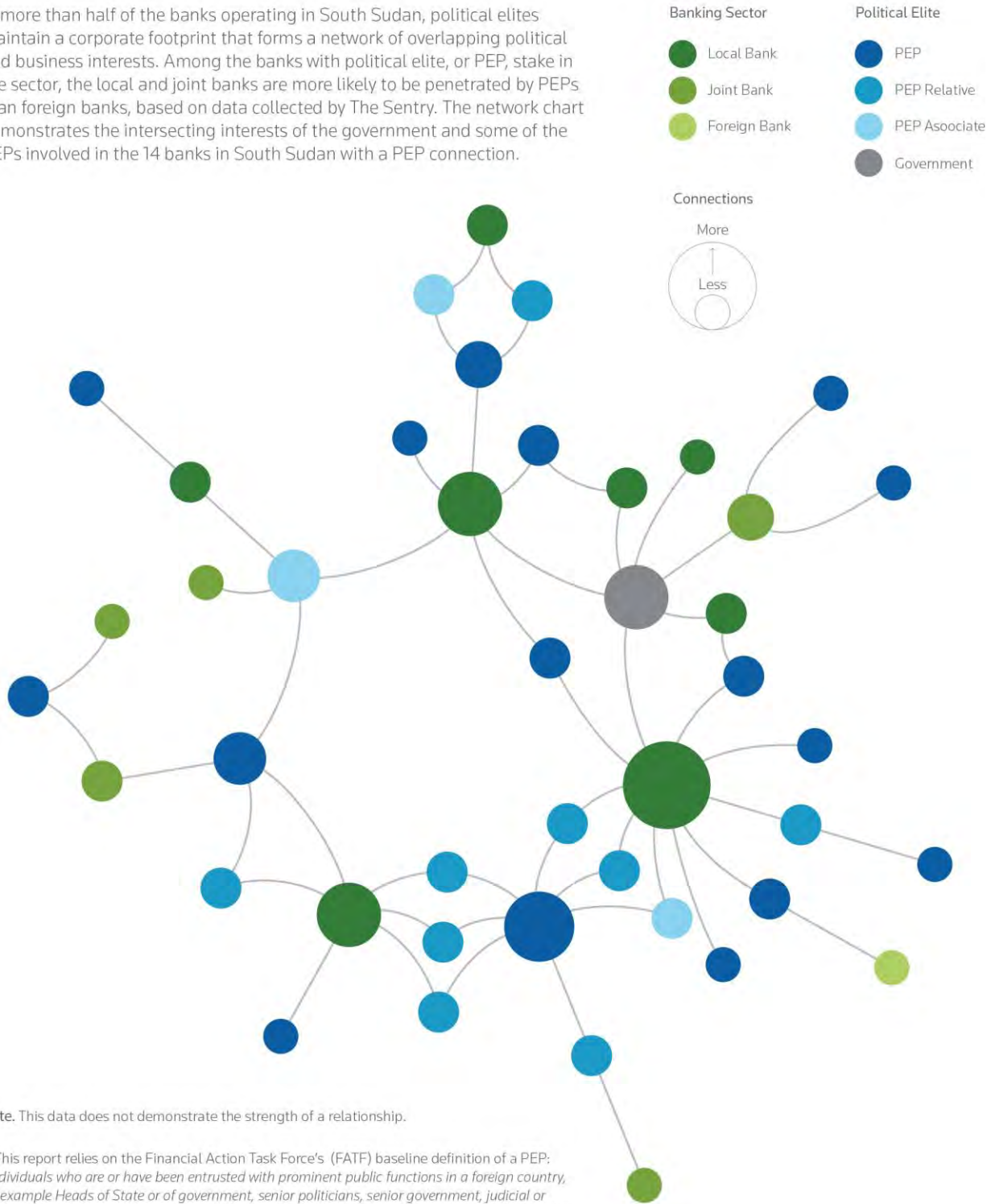
Mounting sanctions and regulations on South Sudan expose correspondent banks to unanticipated risks. As a result, correspondent banks that do not practice effective on-the-ground due diligence in East Africa are at risk of unknowingly violating multiple sanctions regimes given the weak enforcement of such measures in the region. Benign violations for noncompliance can incur steep fines, and in a worst-case scenario, a correspondent bank could be caught in a sanctions evasion scheme leading to significant civil or criminal action.

Financial regulations could further target South Sudan's oil industry. The fight for control of oil revenue has enabled elites to steal state resources and finance militias. In March, the Department of Commerce took action against the oil sector in South Sudan, which poses new risk for correspondent banks. For an oil-dependent country like **South Sudan, the Department of Commerce's announcement to add 15 oil-related entities** to its Entity List served as a warning not only to listed entities, but also to anyone transacting with them, including banks. These entities—including the country's **Ministry of Petroleum and Mining**—have generated funds that corrupt officials use for military equipment, according to the State Department.⁵⁶ To conduct business with the listed entities, investors are required to obtain a license from the Department of Commerce and accept a higher level of scrutiny around business deals and investments.



Network of Political Elites Hold a Stake in South Sudan's Banking Sector

In more than half of the banks operating in South Sudan, political elites maintain a corporate footprint that forms a network of overlapping political and business interests. Among the banks with political elite, or PEP, stake in the sector, the local and joint banks are more likely to be penetrated by PEPs than foreign banks, based on data collected by The Sentry. The network chart demonstrates the intersecting interests of the government and some of the PEPs involved in the 14 banks in South Sudan with a PEP connection.



Note. This data does not demonstrate the strength of a relationship.

1. This report relies on the Financial Action Task Force's (FATF) baseline definition of a PEP: "Individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials." In addition, business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves and are included in this analysis.

Visualization by Refinitiv Applied Innovation Lab



PEPs: Tethered Between Politics and Financial Gain

The breakdown of South Sudanese institutions has enabled corrupt political leaders to exploit government resources for personal gain, largely without penalty. Despite the absence of checks on corruption within South Sudan, global regulatory authorities have recommendations for managing risks associated with PEP involvement in the banking sector. According to the Wolfsberg Group's guidelines for correspondent banking, all PEPs should be under regulatory consideration because of the potential for political corruption.⁵⁷ The **Wolfsberg Group recommends that when a PEP is involved in a bank, correspondent banks should “take steps to understand the person, their role, the appropriateness of that role, and their level of influence.”**⁵⁸

In South Sudan, data point to a level of PEP influence in the banking sector. The overlap between bank ownership or control and PEP involvement in the banking sector suggests an undue amount of political influence, but the war has made calculating the degree of political control of the banking sector complicated.

The majority of South Sudanese do not have access to banking services, while some South Sudanese PEPs and their relatives exploit privileged access to these services. South Sudanese must have a USD or euro-denominated account that can receive money from outside the country, and this ability is restricted to the elite.⁵⁹ This facilitates access to foreign currency through controlling stakes in the sector and theft of state funds, enabling PEPs to transfer money abroad. Without an effective and independent regulatory body in South Sudan, PEPs can abuse the system and divert state resources via banks.

PEP influence on the banking sector has dire consequences for the South Sudanese public. There is evidence some PEPs establish and control banks, either directly or through relatives and associates, which allows the bank to receive preferential access to foreign exchange. The impact of political elites receiving financial resources at the expense of businesses caused inflation, as some PEPs allegedly have moved hard currency out of the South Sudanese economy or pocketed it, based on previous reporting from The Sentry.⁶⁰ Since South Sudan suffers from large foreign currency shortfalls, removing the currency from the market puts upward pressure on the SSP. This in turn has prevented companies from importing goods and making capital investments while increasing the costs of basic goods for the majority of South Sudanese. In 2016, poverty in urban areas—where most South Sudanese who bank live—skyrocketed to 70 percent, up from 49 percent in 2015, according to the World Bank.⁶¹ This instability has made reliance on formal marketplaces and commercial banks riskier for the average South Sudanese.

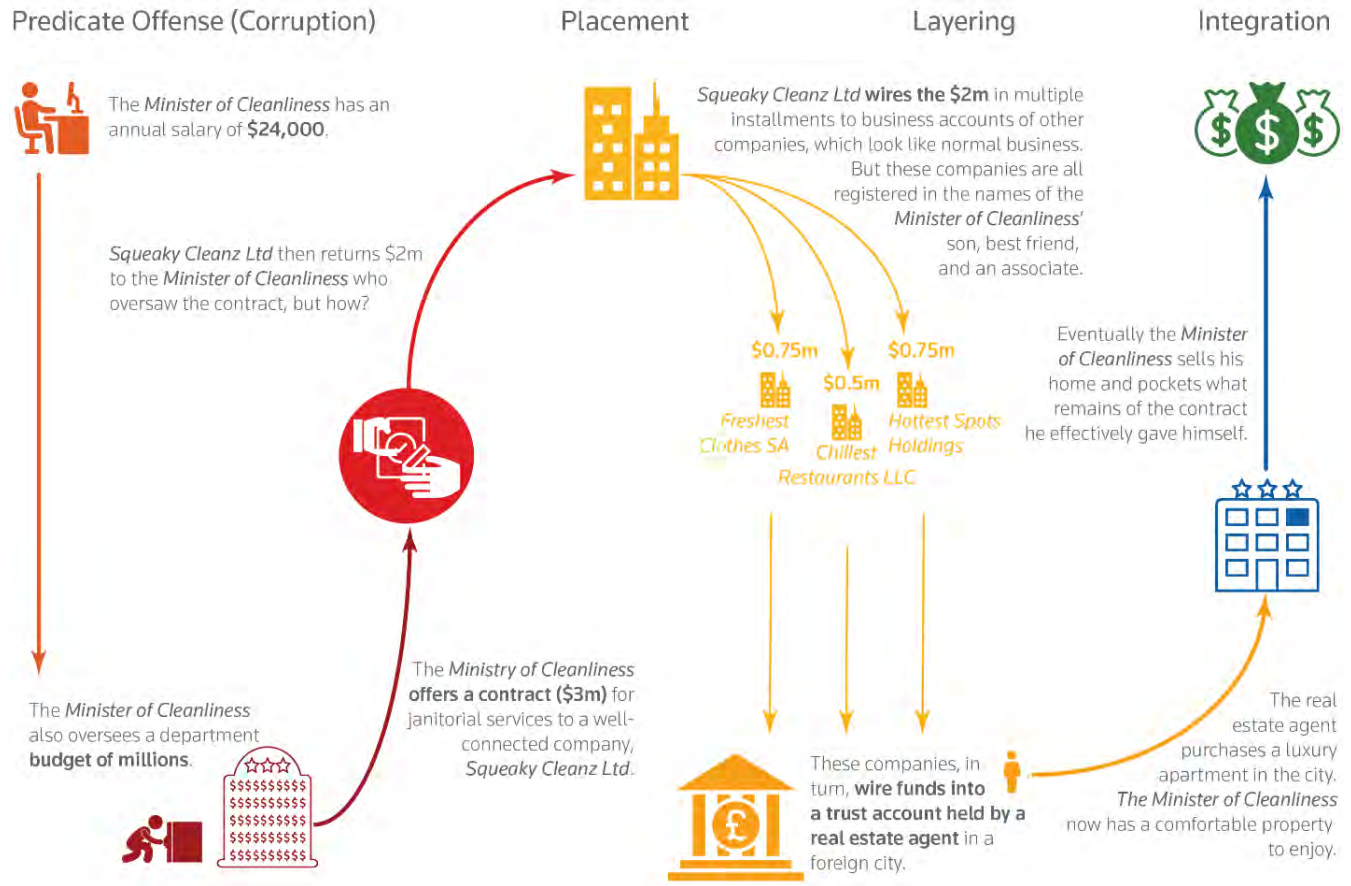
Families and Facilitators Laundering PEP Money

South Sudanese PEPs are a unique money laundering concern for international banks because they are experienced in hiding their financial assets through nominees like family and associates. Such facilitators can help PEPs bypass regulations and conceal their corporate interests from authorities. In June 2018, FinCEN addressed the connections between atrocities and corruption in an Advisory detailing the risk of high-level facilitators.⁶² According to the Advisory, facilitators are integral to how PEPs move or hide illicit proceeds. Previously, the State Department also identified misconduct in how South Sudanese elites exploit money laundering loopholes to move money in bulk cash over land and through property and large purchases abroad.⁶³



What is Money Laundering?: A Global Tool of Abuse

Corruption-driven money laundering worldwide follows a similar process where PEPs place, layer, and integrate ill-gotten funds into the global financial system.



Analysis and visualization by Refinitiv Applied Innovation Lab

In South Sudan, family and associates often do not share similar names or easily identifiable biographical information with their PEP relatives. This makes them ideal business cutouts for PEPs trying to launder money, exposing correspondent banks to additional risk. These familial ties are multilayered and dispersed, allowing powerful PEPs to purchase real estate abroad and conceal illicit funds with relative ease through the correspondent banking system. In South Sudan, even local banks untouched by PEP influence and with deep local knowledge can struggle to spot corruption involving these facilitators.

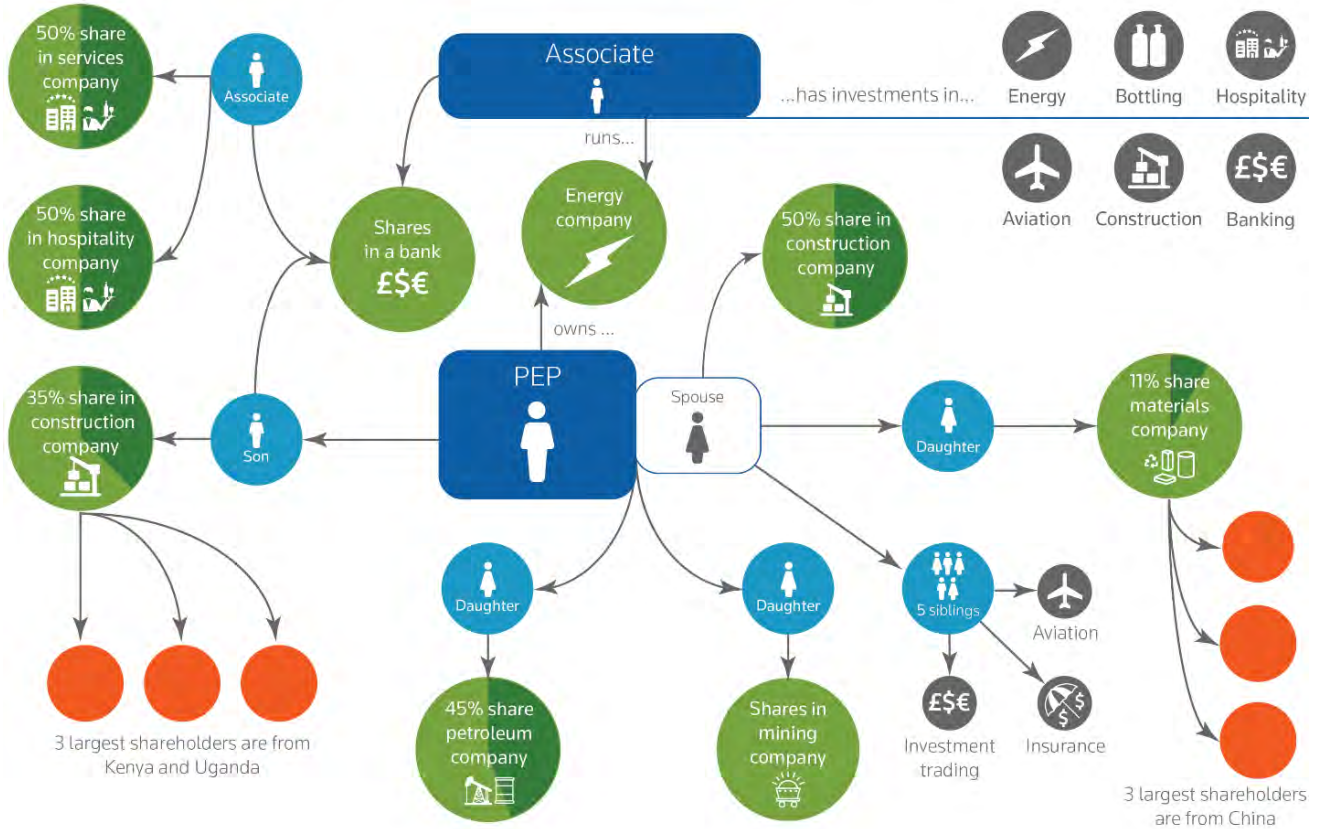
East African banks have demonstrated a willingness to meet global AML regulatory standards. At the onset of the South Sudanese civil war, neighboring Kenya, Sudan, and Uganda were on FATF's monitoring list—sometimes referred to as the “grey list”—for deficiencies in their frameworks for combating money laundering and financing of terrorism. The launch and inception of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) has brought about some noteworthy progress by its members. For instance,



Kenya was removed from FATF's monitoring list in June 2014,⁶⁴ and Sudan—a member of the Middle East and North Africa Financial Action Task Force (MENAFATF)—was delisted in October 2015.⁶⁵ Uganda was removed from the grey list in November 2017.⁶⁶ Based on these efforts, regional banks have taken tentative steps to comply with AML statutes, but gaps still exist.

How Do PEPs Launder Money?: A South Sudanese Trend

In 2017, the United States highlighted the risk of South Sudanese PEPs moving or hiding the proceeds of public corruption in a public advisory to its financial institutions and identified a trend of powerful PEPs using family members and associates to launder money.



Note. The size or length of the arrows does not demonstrate the strength of a relationship. This is a hypothetical mock-up of a family and associates laundering money in South Sudan.

Visualization by Refinitiv Applied Innovation Lab



Part IV

Recommendations: How Banks and Policymakers Can Use the Global Financial System for Sustained Peace

A New Financial Strategy for Policymakers

To help support peace in South Sudan, banks and policymakers—the coalition of regional mediators, local civil society, and international supporters of the peace process—must find joint solutions to the KYC and CDD **deficiencies in East Africa’s correspondent banking network, address regulatory and compliance gaps, and correct PEP influence in South Sudan’s banking sector. Banks in South Sudan will require fundamental** changes in how they operate in order to attract international financing, gain the confidence of investors and donors, and stabilize the economy. A partnership between international banks, policymakers, and others committed to good governance and development in South Sudan could support necessary reforms and align goals of pressuring for peace and improving the banking sector in East Africa.⁶⁷

Because East Africa is a part of the global correspondent banking network and the principal intermediary between South Sudan and the world, it has a critical stake in South Sudanese reforms—and immediate actions are necessary. East African governments, particularly national financial intelligence units (FIUs), **should take steps to support the strengthening of South Sudan’s banking system. Failure to act now might** cause broader de-risking of the East African banking sector, a trend that ESAAMLG and others have noted is already underway, possibly diminishing further investment in the region.

Strategic De-Risking: Cleaning Up South Sudan’s Banks

Correspondent banking offers a lifeline for businesses and humanitarian organizations by facilitating the flow of finance, but it is under threat. In the past decade, large banks have severed correspondent relationships at alarming rates to disengage with jurisdictions that are at high risk of money laundering or terrorist financing. According to the IMF, these moves reflect the risks for correspondent banks of operating in a stricter regulatory and enforcement landscape.^{68 69} According to ESAAMLG, the growing focus on meeting AML requirements

has increased the cost of compliance, leading correspondent banks to terminate relationships with high-risk banks.⁷⁰

In the past decade, large banks have severed correspondent relationships at alarming rates to disengage with jurisdictions that are at high risk of money laundering or terrorist financing.

Given the **heavy PEP influence on South Sudan’s** banking sector, there is a risk that local banks will be cut off entirely from global financial markets. This bank practice known as de-risking—where banks limit their exposure to risk by terminating some business relationships—has complex ripple effects on

international investments, donor support, and remittance flows. ESAAMLG has reported on the significant consequences of **de-risking on correspondent banking. According to an ESAAMLG survey of the region’s** financial sector in 2017, large international banks cut correspondent relationships in Africa because of a range of issues, including fear of regulatory scrutiny and reputational risk.⁷¹ For international banks that provide



correspondent banking services, South Sudan's PEP-captured banks may be seen as a liability, given the unregulated financial market in South Sudan and state corruption in the sector.

To prevent large-scale de-risking and to restore international confidence in the banking sector in South Sudan, international banks and regulators should agree to remove the most compromised local banks out of the global financial system through strategic de-risking. To insulate the legitimate banks, targeted measures against specific PEP-influenced banks would help to prevent a cascade of financial de-risking by correspondent banks. Many local South Sudanese banks are facilitators of corruption, and the purpose of strategic de-risking is to ensure international banks remain engaged in the South Sudanese market rather than assessing the entire country as too high a liability.

How South Sudan Can Take the First Steps

The Bank of South Sudan has the authority to take immediate actions to enhance transparency in the sector and stamp out corruption from banks operating in Juba. For example, the central bank has the authority to revoke bank licenses, and—with a reform-oriented perspective—it could narrow the list of banks receiving foreign exchange and periodically release a public report on which banks are the primary beneficiaries of foreign reserves. The Bank of South Sudan could also release the register of bank ownership to check for UBOs.

The surest path to averting de-risking in South Sudan is to strengthen the regulatory environment in financial institutions in East Africa. Given the risk of a suspension of correspondent relationships, South Sudan should immediately operationalize its AML statutes. For a start, the central bank could investigate—and, where necessary, take action against—banks with political connections, demonstrating to donors and investors a commitment to preventing corrupt activity in the sector.^{72 73} **South Sudan's proactive and aggressive enforcement of CDD, KYC, and SAR reporting would follow ESAAMLG recommendations and demonstrate a commitment to a clean banking system that benefits the economy, not just PEPs.**⁷⁴

How the United States Could Isolate PEP-Influenced Banks

The United States can help South Sudan rid the banking sector of abuse by PEPs with strategic, limited use of Section 311 of the Patriot Act. **This regulation allows the Treasury Department to “prohibit or impose conditions on opening and maintaining correspondent or payable through accounts.”**⁷⁵ This effectively would block specific South Sudanese banks from accessing the U.S. financial system, a move that would alienate a bank from the global market given the interconnectivity of the financial system and dominant role of the USD in financial transactions. Not only would this remove an outlet for PEP ties to the global financial system, it would also put pressure on remaining local banks to strengthen their risk management and compliance to avoid a flood of de-risking by correspondent banks. Based on a study of banking in Yemen, de-risking caused by the war there has encouraged Yemeni banks to professionalize and align operations with international standards of due diligence.⁷⁶

How International Banks Can Manage Risk in the Region

It is necessary for correspondent banks to view their relationships with South Sudanese banks as high-risk. Implementing strong compliance controls to mitigate this risk, rather than relying on the compliance efforts of their East African respondent banks, would ensure that CDD and other relevant regulations are met. This



would allow international banks to act as the first line of defense against PEP-controlled banks in the region. Today, due diligence implementation varies widely across jurisdictions. According to ESAAMLG, banks in the region reported that correspondent banks queried less than 10 percent of international transactions.⁷⁷ International banks must insist on digging into the background of their correspondent banks before clearing transactions to ensure the bank itself is subject to rigorous inquiry on its UBOs, primary customers, reputation, and PEP exposure.

International banks with correspondent relationships can go even further to mitigate high-risk exposure by immediately performing due diligence PEP checks on all correspondent banks prior to any high-value transaction and marking all real estate transactions as high-risk.

How the Region Can Prevent De-Risking

The connections between South Sudan's banks and its closest financial partners, Kenya and Uganda, suggest a high likelihood that any de-risking in South Sudan could spread across borders and limit regional access to finance. Proactive domestic enforcement is the most effective way to prevent de-risking. Regional regulators could prioritize preventing corrupted banks in South Sudan from doing business in East Africa. Proactive policies would prove to correspondent banks, investors, and international regulators that ridding the region of money laundering is a top regional priority. Beyond the prospect of broad East Africa de-risking, failure by Kenya and Uganda to act against the illicit activity in their financial systems could warrant heavy penalties, the loss of foreign investment and access to USD, and higher lending rates from financial institutions. For example, between 2012 and 2015, Sudan lost nearly half its correspondent bank relationships because of such fears.⁷⁸

Identifying Trends in Corruption and Prioritizing PEP Due Diligence

To lower the chances of heavy-handed de-risking, a regulatory strategy pinpointing how South Sudanese PEPs and related corruption infiltrate other markets could kick off transparency and bank reforms. A group of PEPs have penetrated local and joint banks in South Sudan. A risk-based strategy that highlights individuals—rather than focusing simply on the size of transactions—would align more with identified corrupt practices in South Sudan and help confront them. Stakeholders should understand that a segment of South Sudanese elites channel money through banks under the names of their relatives and associates, who act as nominees.⁷⁹

For correspondent banks operating in East Africa, the due diligence process often slips through the cracks because of the complexity of these banking relationships. A correspondent bank must comply with relevant U.S. and international regulations regarding correspondent banking relationships, while navigating a lack of familiarity and high volume of transactions with each correspondent bank. International banks should devote resources to conducting a risk assessment of each foreign bank, its customer profile, the regulatory environment, and other risk factors. In South Sudan, correspondent banks must go beyond the bare minimum of computer searches and filing forms: to ensure financial transparency, correspondent bank officials should **travel to Juba to meet with regulators from the Bank of South Sudan and conduct studies evaluating PEPs' control of the banking sector and their ability to shelter funds in accounts abroad.**⁸⁰



Based on an ESAAMLG report from April 2016, regulators in the region are aware of the risks of PEPs and **“high net worth individuals” from South Sudan buying property with cash.**⁸¹ Recognizing this, targeting real estate procurement by PEPs could be the right starting point for finding illicit transactions. A focus on PEPs would leverage local knowledge and help with analyzing SARs. An ESAAMLG survey in 2011–2016 reported that correspondent banks cut off relationships because of incomplete CDD, an inability to identify UBOs, a lack of payment transparency, and inefficient reporting on the source of funds.⁸² For respondent banks in East Africa, these are correctable deficiencies.

Regulators in the United States should focus on PEP due diligence within respondent banks to uncover patterns of corruption and money laundering. Currently, banks in the United States are not required to share information on South Sudanese PEPs with FinCEN unless a SAR has been filed (e.g. on transfers of amounts over \$10,000). To target these high-risk individuals, FinCEN could mandate new reporting requirements and confidentially collect information from banks dealing with PEPs in South Sudan. Based on enhanced CDD procedures, correspondent banks mandated to share information they collect on PEPs from respondent banks could ensure illicit money does not move through the U.S. financial system. The Treasury Department could begin this process by issuing an Advisory or a more specific records request pursuant to Section 314(a) of the Patriot Act, asking respondent banks to search for PEPs identified by the State Department that have **manipulated South Sudan’s banking sector.**⁸³



Part V

Conclusion: Peacemaking with Bankers

Policymakers must promote incentives for banks to stay invested in South Sudan given the ongoing trend of correspondent banks severing ties as a preventative measure to avoid regulatory fines and reputational harm.⁸⁴ International banks considering exiting the region should focus on the long term, including **East Africa's market potential** and the possible burden of rebuilding relationships. While banks can be a channel **for corruption, the future of South Sudan's peace and development depends on international banks that provide financing to advance peace and stability.** Policymakers must be prepared to advocate for banks that stay in a largely unprofitable and risky market at potential reputational cost.

The Business Case for Social Good

International banks should be a force for good in their commitment to building stability and repairing the fragile financial infrastructures in South Sudan—and policymakers should recognize this social commitment. While these banks are rarely complicit in human rights abuses, the United Nations recommends correspondent banks enhance their business leverage to mitigate these abuses where possible, according to the U.N. Guiding Principles on Business and Human Rights.⁸⁵ In South Sudan, banks should accept a special company-level responsibility and heightened attention to the human rights violations because of potential adverse effects that businesses, such as local South Sudanese banks, could have. International banks can contribute to stability in East Africa with the establishment of a human rights due diligence department, in line with the U.N. Guiding Principles.⁸⁶

The social good of international banks extends to their role in life-saving aid, too. Given the high levels of development and humanitarian funds pouring into the young country, international banks—in close coordination with development organizations—could develop a risk strategy that prioritizes the delivery of life-saving aid while **avoiding risk exposure.** **An assessment of the supply chain risks in South Sudan's banking sector** would ensure continued bank access for nongovernmental organizations (NGOs) while improving due diligence and mitigating third-party risk. According to the Treasury Department, the largest development banks

are increasingly requesting UBOs of the winning bidders of contracts to provide humanitarian aid. This is a good trend. But the due diligence improvements do not take into account how local banks remain central to the delivery of aid. In this regard, international banks should adopt new standards to request data on financial flows—which banks, middlemen, and foreign exchange groups are using this money.⁸⁷

If international banks engage now to help formulate corrective elements of South Sudan's banking sector, the payoff could be a low startup cost for a high-value future.

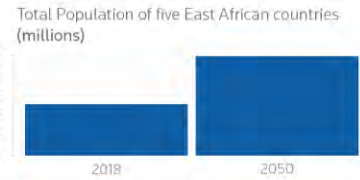
There will be an economic benefit for international banks that maintain ties in East Africa, one of the fastest-growing markets

in the world. **Sub-Saharan Africa's demographic dividend suggests a medium-term economic opportunity for commercial banks and investors to harness the wealth that a growing working-age cohort will generate as they strive to reach middle-income status and begin saving.**⁸⁸ For a market that is quickly developing, **international banks engage now to help formulate corrective elements of South Sudan's banking sector, the**

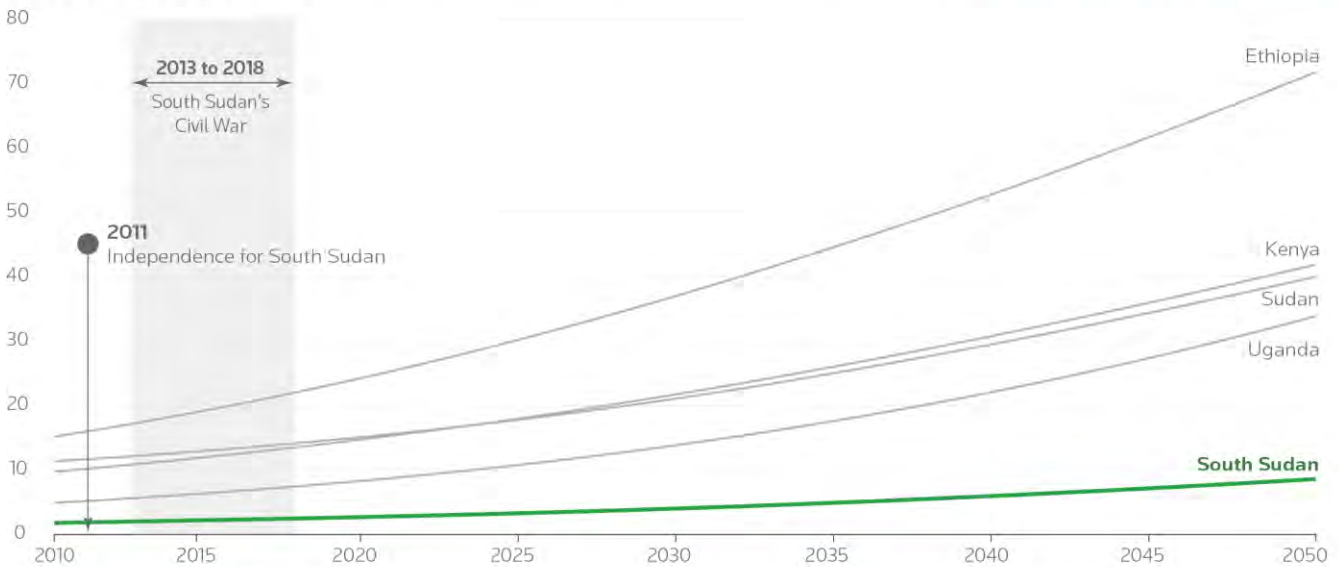


Demographic Pay Off for Bank Investments in East Africa

The populations of East Africa's cities are projected to nearly triple by 2050, suggesting economic opportunity for banks that continue to invest, attract new customers, and establish a financial footprint in the region. Urban population growth is necessary for a country to reach middle-income status, according to the World Bank, in part because residents have greater access to education and health and social services—ingredients for productivity growth. At higher income levels, customers are more likely to require bank services. The overall population of five East African countries—Ethiopia, Kenya, South Sudan, Sudan, and Uganda—is projected to almost double from 257 million this year to 498 million in 2050.



Urban population (millions)



Source: Population Estimates and Projections, The World Bank, April 25, 2018 (<https://datacatalog.worldbank.org/dataset/population-estimates-and-projections>)
Visualization by Refinitiv Applied Innovation Lab

payoff could be a low startup cost for a high-value future. The high costs of money transfer services⁸⁹ that many South Sudanese rely on—such as Dahabshiil—indicate traditional banking has a vibrant future in South Sudan and the rest of the growing region.

Steering South Sudan to a viable economic future will require the right political arrangement under the peace agreement to prevent a recapture of the banking sector. A dialogue between banks and policymakers that keeps the role of PEPs and de-risking at the core of the policy process will have the greatest impact in ensuring a viable way forward in South Sudan. In 2007, amid the crisis in Darfur, international banks met with NGOs to adopt consistent policies in relation to high-risk investment areas, including to ensure banks considered the social benefit of maintaining some bank services when weighing the broad risks in that area of Sudan. A similar initiative under the auspices of preventing de-risking would ensure a level of confidence in the process.

A Coalition Meeting to Bank for Peace

South Sudanese businesses and international organizations—including the IMF, the World Bank, FATF, and ESAAMLG—**should convene a meeting to discuss the ripple effect of South Sudan's corrupted banking sector and identify stabilization steps in East Africa. South Sudan's banking sector requires a firm and engaged approach to address issues arising from economic mismanagement and contingency steps in the event of broader de-risking. With proactive engagement, the public sector could be central to mitigation steps to fulfill**



remittance clearances and humanitarian aid transactions. For example, the IFC could act as a guarantor of select transactions like humanitarian aid to keep the banking sector active under more stringent control. At **the same time, international banks that look to mitigate the risk stemming from South Sudan's banking sector** could reach out directly to East African banks and financial associations, such as the Kenyan Bankers Association, to coordinate due diligence processes. With support, banks in South Sudan could transform into the seed of stability and transparency that will rebuild a system international donors and South Sudanese can trust.

The war in South Sudan, pervasive corruption, institutional mismanagement, political influence, and other **financial mistakes in the past seven years have shattered South Sudan's economy and banking system. A** new system must be assembled—one built on South Sudanese expertise, a dialogue between policymakers and banks, and **South Sudan's support of good governance and development**—to ensure that local banks prove their customers are not politically connected and that day-to-day operations are supporting peace. For the millions of South Sudanese suffering and who want a chance **at prosperity, South Sudan's economic** future depends on cleaning up the banking system and its links to the global financial system.



Citations

¹ The Sentry's investigative partner C4ADS provided important contributions to this research.

² Financial Action Task Force (FATF), available at www.fatf-gafi.org.

³ International Monetary Fund, "Staff Report for 2016 Article IV Consultation—Debt Sustainability Analysis" (March 1, 2017), available at <https://www.imf.org/external/pubs/ft/dsa/pdf/2017/dsacr1773.pdf>. The Bank of South Sudan's outstanding liability to Qatar National Bank stems from a short-term credit that fell into arrears in 2015. The short-term debt was restructured in mid-2016 with an agreement to repay through monthly payments of \$10 million. This figure was reduced to \$5 million later in 2016.

⁴ International Monetary Fund, "Staff Report for the 2016 Article IV Consultation," IMF Country Report No. 17/73 (February 28, 2017), available at <https://www.imf.org/~media/Files/Publications/CR/2017/cr1773.ashx>.

⁵ International Monetary Fund, "Staff Report for the 2016 Article IV Consultation," IMF Country Report No. 17/73 (February 28, 2017), available at <https://www.imf.org/~media/Files/Publications/CR/2017/cr1773.ashx>.

⁶ African Development Bank, "African Economic Outlook" (2018), available at [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African Economic Outlook 2018 - EN.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018_-_EN.pdf).

⁷ African Development Bank, "African Economic Outlook" (2018), available at [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African Economic Outlook 2018 - EN.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018_-_EN.pdf).

⁸ Executive Order 13664, "Blocking Property of Certain Persons With Respect to South Sudan," issued April 3, 2014, authorizes sanctions against persons who threaten the peace, security, or stability of South Sudan, and places them on the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) List of Specially Designated Nationals and Blocked Persons (SDN List). In September 2017, the United States added to the SDN List Paul Malong, former chief of general staff of the Sudan People's Liberation Army (SPLA), Malek Reuben Riak, deputy chief of the Defense Force of the SPLA, and Michael Makeui Lueth, minister of information and broadcasting.

⁹ On July 1, 2015, the Security Council Committee—established pursuant to Resolution 2206 (2015)—approved the addition of six entries to its list of individuals and entities subject to the travel ban and assets freeze set out respectively by paragraphs 9 and 12 of Security Council Resolution 2206 (2015) adopted under Chapter VII of the Charter of the United Nations: Gabriel Jok Riak, Simon Gatwech Dual, James Koang Chuol, Santino Deng Wol, Marial Chanuong Yol Mangok, Peter Gadet. The Committee's Sanctions List is accessible on the Committee's website: http://www.un.org/sc/committees/2206/sanctions_list.shtml.

¹⁰ On July 13, the U.N. added additional sanctions, pursuant to Security Council Resolution 2428 (2018), on Paul Malong, former chief of general staff of the Sudan People's Liberation Army (SPLA) and Malek Reuben Riak, deputy chief of the Defense Force of the SPLA. For more information, see <https://www.securitycouncilreport.org/un-documents/south-sudan/>.

¹¹ Government of Canada, "Justice for Victims of Corrupt Foreign Officials," November 6, 2017, available at https://www.canada.ca/en/global-affairs/news/2017/11/case_1.html.

¹² European Union, "South Sudan: EU Adds 3 Persons Involved in Serious Human Rights Violation to Sanctions List," February 2, 2018, available at <http://www.consilium.europa.eu/en/press/press-releases/2018/02/02/south-sudan-eu-adds-3-persons-involved-in-serious-human-rights-violation-to-sanctions-list/>.

¹³ As part of its enforcement efforts, OFAC publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific. Collectively, such individuals and companies are called Specially Designated Nationals or SDNs. Their assets are blocked, and U.S. persons are generally prohibited from dealing with them.



¹⁴ U.S. Department of the Treasury, “New Executive Order Implements Global Magnitsky Human Rights Accountability Act, Provides for Treasury Sanctions Against Malign Actors Worldwide,” Press release, December 21, 2017, available at <https://home.treasury.gov/news/press-releases/sm0243>. In addition to Bol Mel, OFAC designated ABMC Thai-South Sudan Construction Company Limited and Home and Away LTD.

¹⁵ On February 2, the United States also announced an arms embargo aligned with the European Union’s decades-long restriction on arms supplies to South Sudan. The arms embargo amounts to the U.S. Department of State amending the International Traffic in Arms Regulations to update the defense trade policy toward South Sudan by application of a policy of denial, with limited exceptions, on the export of defense articles and defense services to South Sudan, including all parties involved in the conflict. For more information, see <https://www.state.gov/r/pa/prs/ps/2018/02/277849.htm>. Since 1994, the European Union has embargoed arms supplies to Sudan, and in July 2011, the embargo was amended to cover arms supplies to the new state of South Sudan. For more information, see https://www.sipri.org/databases/embargoes/eu_arms_embargoes/south_sudan.

¹⁶ On July 13, the U.N. imposed an arms embargo on South Sudan and additional targeted sanctions, pursuant to Security Council Resolution 2428 (2018). For more information, see <https://www.securitycouncilreport.org/un-documents/south-sudan/>.

¹⁷ FinCEN Advisory, “Advisory on Political Corruption Risks in South Sudan (FIN-2017-A004),” September 6, 2017, available at <https://www.fincen.gov/resources/advisories/fincen-advisory-fin-2017-a004>. FinCEN issued an Advisory alerting U.S. financial institutions to their potential exposure to AML risks caused by certain South Sudanese senior political figures attempting to use the U.S. financial system to move or hide proceeds of public corruption. FinCEN’s Advisory describes South Sudanese corruption and reminds financial institutions of their due diligence and SAR filing obligations related to senior foreign political figures.

¹⁸ U.S. Department of Commerce, “15 South Sudanese Entities Added to the Entity List” (March 22, 2018), available at <https://www.bis.doc.gov/index.php/regulations/1407-15-south-sudanese-entities-added-to-the-entity-list>. By placing these entities on the Department of Commerce’s Entity List, the United States imposes a license requirement on all exports, re-exports, and transfers of any U.S.-origin items to those entities.

¹⁹ Economist Intelligence Unit, “Banking Sector Risk,” April 2014.

²⁰ Guy Blaise Nkamleu and Frederick Mugisha, “African Development Bank, African Economic Outlook: South Sudan” (2017), available at https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/AEO_2017_Report_Full_English.pdf.

²¹ International Monetary Fund, “Staff Report for the 2016 Article IV Consultation,” IMF Country Report No. 17/73 (February 28, 2017), available at <https://www.imf.org/~media/Files/Publications/CR/2017/cr1773.ashx>.

²² Beneficial ownership refers to the person who enjoys the benefits of ownership even though an asset might be in another name. It also means any individual or group of individuals who, either directly or indirectly, influence the transaction decisions regarding a specific asset.

²³ U.S. Department of State, “2016 International Narcotics Control Strategy Report, Money Laundering and Financial Crimes Country Database” (June 2016), available at <https://www.state.gov/j/inl/rls/nrcrpt/2016>.

²⁴ The legal, administrative, and institutional infrastructure of South Sudan’s banks and economy are well-crafted but mostly unimplemented. For example, the Banking Act of 2012 outlines the registration and beneficial ownership guidelines for commercial banks, the South Sudan Anti-Corruption Commission (SSACC) is designed as an impartial body setup to investigate corruption, and the Anti-Money Laundering and Counter Terrorist Financing Act of 2012 requires financial institutions to report suspicious transactions to a financial intelligence unit. The State Department reported that South Sudan has not implemented many of the provisions to confront money laundering.

²⁵ Laws of South Sudan, Bank of South Sudan Act, 2011.

²⁶ Laws of South Sudan, Banking Act, 2012.



²⁷ International Monetary Fund, “Regional Economic Outlook: Sub-Saharan Africa Domestic Revenue Mobilization and Private Investment” (April 2018), available at <http://www.imf.org/~media/Files/Publications/REO/AFR/2018/May/pdf/sreo0518.ashx?la=en>.

²⁸ In 2017, the IMF recommended a foreign exchange buffer of at least three months of imports, with an ideal of nine months.

²⁹ World Bank, “Taming the Tides of High Inflation,” South Sudan Economic Update (2017), available at <http://blogs.worldbank.org/africacan/taming-the-tides-of-high-inflation-in-south-sudan>.

³⁰ International Monetary Fund, “Staff Report for 2016 Article IV Consultation—Debt Sustainability Analysis” (March 1, 2017), available at <https://www.imf.org/external/pubs/ft/dsa/pdf/2017/dsacr1773.pdf>.

³¹ The independence of the central bank is outlined in the Bank of South Sudan Act 2011, but the central bank does not appear to demonstrate autonomy or adhere to the legal requirement of “serving all people of South Sudan with impartiality.”

³² World Bank, “Macro Poverty Outlook: Country-by-Country Analysis and Projections for the Developing World” (April 2018), available at <http://pubdocs.worldbank.org/en/720441492455091991/mpo-ssa.pdf>.

³³ U.S. Agency for International Development, “South Sudan: Crisis Fact Sheet #7, Fiscal Year 2018” (May 4, 2018), available at <https://www.usaid.gov/crisis/south-sudan>.

³⁴ United Nations Comtrade database, accessed May 30, 2018, available at <https://comtrade.un.org>.

³⁵ International Monetary Fund, “Staff Report for the 2016 Article IV Consultation,” IMF Country Report No. 17/73 (February 28, 2017), available at <https://www.imf.org/~media/Files/Publications/CR/2017/cr1773.ashx>.

³⁶ International Monetary Fund, “Staff Report for the 2016 Article IV Consultation,” IMF Country Report No. 17/73 (February 28, 2017), available at <https://www.imf.org/~media/Files/Publications/CR/2017/cr1773.ashx>.

³⁷ World Food Programme, “Counting the Beans: The True Cost of a Plate of Food Around the World” (2017), available at <https://www.wfp.org/content/2017-counting-beans-true-cost-plate-food-around-world>.

³⁸ Stabilizing South Sudan’s currency has been an unresolved saga since independence. From 2011 until late 2014, South Sudan suffered a wide gap between the official fixed rate and the black-market rate. To stabilize the market, in 2015, the central bank moved from the fixed rate system to a managed float.

³⁹ World Bank, “Macro Poverty Outlook: Country-by-Country Analysis and Projections for the Developing World” (April 2018), available at <http://pubdocs.worldbank.org/en/720441492455091991/mpo-ssa.pdf>.

⁴⁰ Based on conversations with Juba-based contacts, May 2, 2018.

⁴¹ World Bank, “Taming the Tides of High Inflation,” South Sudan Economic Update (2017), available at <http://blogs.worldbank.org/africacan/taming-the-tides-of-high-inflation-in-south-sudan>.

⁴² International Monetary Fund, “Staff Report for 2016 Article IV Consultation—Debt Sustainability Analysis” (March 1, 2017), available at <https://www.imf.org/external/pubs/ft/dsa/pdf/2017/dsacr1773.pdf>.

⁴³ World Bank, “Taming the Tides of High Inflation,” South Sudan Economic Update (2017), available at <http://blogs.worldbank.org/africacan/taming-the-tides-of-high-inflation-in-south-sudan>.

⁴⁴ We group banks in South Sudan into three categories. South Sudan’s local banks are defined as having over 75 percent South Sudanese control. Joint ownership banks are defined as having less than 75 percent South Sudanese or foreign stake. Foreign banks are defined as having over 75 percent of their ownership come from foreign sources.

⁴⁵ SDRs are an international reserve asset created by the IMF to supplement other reserve assets of member countries. The allocation is designed to provide liquidity to the global economic system by supplementing the Fund’s member countries’ foreign exchange reserves.

⁴⁶ Enough Project, “Addressing South Sudan’s Economic and Fiscal Crisis” (February 2016), available at <https://enoughproject.org/reports/addressing-south-sudans-economic-and-fiscal-crisis>.

⁴⁷ Data on Foreign Exchange Auctions by Bank of South Sudan, December 2015–January 2016, available in Ariic David Aguto Reng and Augustino Ting Mayai, “Understanding the Exchange Rate Regimes in South Sudan: A Non-Technical Review,” (Juba, South Sudan: Sudd Institute, February 23, 2016), available at <https://www.suddinstitute.org/publications/show/understanding-the-exchange-rate-regimes-in-south-sudan-a-non-technical-review>.



⁴⁸ Ariic David Aguto Reng and Augustino Ting Mayai, “Understanding the Exchange Rate Regimes in South Sudan: A Non-Technical Review,” (Juba, South Sudan: Sudd Institute, February 23, 2016), available at <https://www.suddinstitute.org/publications/show/understanding-the-exchange-rate-regimes-in-south-sudan-a-non-technical-review>.

⁴⁹ Based on an IMF study, the minimum capital required for domestic banks was the equivalent of \$15 million, which only about half had proven by the beginning of 2017.

⁵⁰ Financial Action Task Force, “Correspondent Banking Services” (October 2016), available at <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Correspondent-Banking-Services.pdf>.

⁵¹ International Monetary Fund, “Recent Trends in Correspondent Banking Relationships—Further Considerations” (March 16, 2017), available at <https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/04/21/recent-trends-in-correspondent-banking-relationships-further-considerations>.

⁵² International Monetary Fund, “Recent Trends in Correspondent Banking Relationships—Further Considerations” (March 16, 2017), available at <https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/04/21/recent-trends-in-correspondent-banking-relationships-further-considerations>.

⁵³ FinCEN Advisory, “Advisory on Political Corruption Risks in South Sudan (FIN-2017-A004),” September 6, 2017, available at <https://www.fincen.gov/resources/advisories/fincen-advisory-fin-2017-a004>. FinCEN issued an Advisory alerting U.S. financial institutions to their potential exposure to AML risks caused by certain South Sudanese senior political figures attempting to use the U.S. financial system to move or hide proceeds of public corruption. FinCEN’s Advisory describes South Sudanese corruption and reminds financial institutions of their due diligence and SAR filing obligations related to senior foreign political figures.

⁵⁴ Wolfsberg Group, “Wolfsberg Anti-Money Laundering Principles for Correspondent Banking” (2014), available at [https://sic.gov.lb/intorg/Wolfsberg%20Correspondent%20Banking%20Principles%20\(2014\).pdf](https://sic.gov.lb/intorg/Wolfsberg%20Correspondent%20Banking%20Principles%20(2014).pdf).

⁵⁵ *Jus cogens* is a Latin phrase meaning “compelling law,” a designation of norms from which no derogation is permitted. For more information, see <http://www.oxfordbibliographies.com/view/document/obo-9780199796953/obo-9780199796953-0124.xml>.

⁵⁶ U.S. Department of State, “U.S. Adds South Sudanese Oil Entities to Department of Commerce Entity List” (March 2018), available at <https://www.state.gov/r/pa/prs/ps/2018/03/279432.htm>

⁵⁷ The Wolfsberg Group—an association of 13 global banks—aims to develop frameworks and guidance for the management of financial crime risks. Wolfsberg Group, “Wolfsberg Group Updates Correspondent Banking Guidelines, June–August 2014,” available at <http://www.acamsriskassessment.com/pdfs/wolfsberg-group-updates-correspondent-banking-guidelines.pdf>.

⁵⁸ Wolfsberg Group, “Wolfsberg Group Updates Correspondent Banking Guidelines, June–August 2014,” available at <http://www.acamsriskassessment.com/pdfs/wolfsberg-group-updates-correspondent-banking-guidelines.pdf>.

⁵⁹ Guy Blaise Nkameu and Frederick Mugisha, “African Development Bank, African Economic Outlook: South Sudan” (2017), available at https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/AEO_2017_Report_Full_English.pdf.

⁶⁰ Please see The Sentry’s “War Crime Shouldn’t Pay: Stopping The Looting and Destruction in South Sudan,” September 2016, available at <https://thesentry.org/reports/warcrimeshouldntpay>. See also, FinCEN Advisory, “Advisory on Political Corruption Risks in South Sudan (FIN-2017-A004),” September 6, 2017, available at <https://www.fincen.gov/resources/advisories/fincen-advisory-fin-2017-a004>.

⁶¹ World Bank, “Macro Poverty Outlook: Country-by-Country Analysis and Projections for the Developing World” (April 2018), available at <http://pubdocs.worldbank.org/en/720441492455091991/mpo-ssa.pdf>.

⁶² FinCEN Advisory, “Advisory on Human Rights Abuses Enabled by Corrupt Senior Foreign Political Figures and their Financial Facilitators,” June 12, 2018, available at <https://www.fincen.gov/resources/advisories/fincen-advisory-fin-2018-a003>.

⁶³ U.S. Department of State, “2016 International Narcotics Control Strategy Report, Money Laundering and Financial Crimes Country Database” (June 2016), available at <https://www.state.gov/j/inl/rls/nrcrpt/2016>.



⁶⁴ Financial Action Task Force, “Improving Global AML/CFT Compliance: On-Going Process” (June 2014), available at <http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-june-2014.html#Kenya>.

⁶⁵ Financial Action Task Force, “Improving Global AML/CFT Compliance: On-Going Process” (October 2015), available at <http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-october-2015.html>.

⁶⁶ Financial Action Task Force, “Outcomes Joint FATF/GAFILAT Plenary” (November 2017), available at <http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-november-2017.html#Uganda>.

⁶⁷ Eastern and Southern Africa Anti-Money Laundering Group, “Survey Report on De-Risking in the ESAAMLG Region, Working Group on Risk, Compliance, and Financial Inclusion” (September 2017), available at http://www.esaamlg.org/index.php/all_news/readmore_news/95.

⁶⁸ International Monetary Fund, “Recent Trends in Correspondent Banking Relationships—Further Considerations” (March 16, 2017), available at <https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/04/21/recent-trends-in-correspondent-banking-relationships-further-considerations>.

⁶⁹ International Monetary Fund, “Recent Trends in Correspondent Banking Relationships—Further Considerations” (March 16, 2017), available at <https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/04/21/recent-trends-in-correspondent-banking-relationships-further-considerations>.

⁷⁰ South Sudan is not a member of ESAAMLG. Eastern and Southern Africa Anti-Money Laundering Group, “Survey Report on De-Risking in the ESAAMLG Region, Working Group on Risk, Compliance, and Financial Inclusion” (September 2017), available at http://www.esaamlg.org/index.php/all_news/readmore_news/95.

⁷¹ Eastern and Southern Africa Anti-Money Laundering Group, “Survey Report on De-Risking in the ESAAMLG Region, Working Group on Risk, Compliance, and Financial Inclusion” (September 2017), available at http://www.esaamlg.org/index.php/all_news/readmore_news/95.

⁷² Laws of South Sudan, Banking Act, 2012.

⁷³ South Sudan’s banking sector has an excess of banks in part because of how the Bank of South Sudan allocated foreign exchange until December 2015. Before then, the Bank of South Sudan would allocate a fixed amount of foreign exchange to each bank, which led to banks operating to focus on arbitrage.

⁷⁴ Eastern and Southern Africa Anti-Money Laundering Group, “Survey Report on De-Risking in the ESAAMLG Region, Working Group on Risk, Compliance, and Financial Inclusion” (September 2017), available at http://www.esaamlg.org/index.php/all_news/readmore_news/95.

⁷⁵ U.S. Department of the Treasury, “Fact Sheet Regarding the Treasury Department’s Use of Sanctions: Authorized Under Section 311 of the USA PATRIOT ACT (December 2002), available at <https://www.treasury.gov/press-center/press-releases/Pages/po3711.aspx>.

⁷⁶ Sherine El Taraboulsi-McCarthy with Camilla Cimatti, “Counter-Terrorism De-Risking and the Humanitarian Response in Yemen: A Call for Action” (London: Overseas Development Institute, February 2018), available at <https://www.odi.org/publications/11020-counter-terrorism-de-risking-and-humanitarian-response-yemen-call-action>.

⁷⁷ Eastern and Southern Africa Anti-Money Laundering Group, “Survey Report on De-Risking in the ESAAMLG Region, Working Group on Risk, Compliance, and Financial Inclusion” (September 2017), available at http://www.esaamlg.org/index.php/all_news/readmore_news/95.

⁷⁸ International Monetary Fund, “Recent Trends in Correspondent Banking Relationships: Further Considerations” (May 2017), available at <https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/04/21/recent-trends-in-correspondent-banking-relationships-further-considerations>.

⁷⁹ Section 1(a)(iv) of E.O. 13664 states that associates involved in hiding finances of sanctions individuals are subject to action: “To be owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to this order.”

⁸⁰ Wolfsberg Group, “Wolfsberg Anti-Money Laundering Principles for Correspondent Banking” (2014), available at [https://sic.gov.lb/intorg/Wolfsberg%20Correspondent%20Banking%20Principles%20\(2014\).pdf](https://sic.gov.lb/intorg/Wolfsberg%20Correspondent%20Banking%20Principles%20(2014).pdf)



⁸¹ Eastern and Southern Africa Anti-Money Laundering Group, “ESAAMLG Mutual Evaluation Report, Anti-Money Laundering and Counter-Terrorist Financing Measures” (April 2016), available at http://esaamlg.org/reports/2ND-ROUND-MUTUAL-EVALUATION-REPORT-OF-THE-REPUBLIC-OF-UGANDA_1.pdf.

⁸² Eastern and Southern Africa Anti-Money Laundering Group, “Survey Report on De-Risking in the ESAAMLG Region, Working Group on Risk, Compliance, and Financial Inclusion” (September 2017), available at http://www.esaamlg.org/index.php/all_news/readmore_news/95.

⁸³ Hudson Institute, “Kleptocratic Regimes and National Security: A Pervasive Threat and How It Can Be Neutralized” (November 15, 2018), available at <https://www.hudson.org/events/1487-kleptocratic-regimes-and-national-security-a-pervasive-threat-and-how-it-can-be-neutralized112017>.

⁸⁴ Ian McKendry, “Banks Face No-Win Scenario on AML ‘De-Risking,’” *American Banker*, November 14, 2014, available at <https://www.americanbanker.com/news/banks-face-no-win-scenario-on-aml-de-risking>.

⁸⁵ United Nations, “Guiding Principles on Business and Human Rights, Implementing the United Nations ‘Protect, Respect and Remedy Framework’” (2011), available at <https://www.unglobalcompact.org/library/2>.

⁸⁶ United Nations, “Guiding Principles on Business and Human Rights, Implementing the United Nations ‘Protect, Respect and Remedy Framework’” (2011), available at <https://www.unglobalcompact.org/library/2>.

⁸⁷ U.S. Department of the Treasury, “Report to Congress on Beneficial Ownership Practices at the Multilateral Development Banks” (August 29, 2017), available at <https://www.treasury.gov/resource-center/international/development-banks/Pages/congress-index.aspx>.

⁸⁸ The demographic dividend refers to the impact of changes in a population’s age structure on economic growth.

⁸⁹ Money transfer services are companies that move money electronically or physically between two individuals, but are not considered banks.

