The Central Bank of Somalia (CBS) has reached important milestones in regularizing the financial sector of Somalia

The Central Bank of Somalia (CBS) recently completed on-site examinations of Hawalas, or Money Transfer Businesses (MTBs), and of banks. This follows a first round of examinations that were completed in 2016. These are significant steps that CBS has taken after the civil war.

Over last two year, the CBS has issued important regulations focusing on know-your-customer (KYC) and anti-money laundering (AML). The examinations of the industry find that the regulations are having an impact. The industry’s active participation in the CBS’ supervision effort is a mark of support for further formalization of the Somali financial sector.

Governor of the CBS, Bashir Isse Ali, indicated that:

“The CBS welcomes the progress shown by the financial industry. The financial industry has done much to ensure improvements in these areas, and have worked together with CBS in examining progress. We are proud of these developments and are looking forward to continued engagement with the industry on these matters”.

The examinations are led by the CBS Licensing and Supervision Department, and are part of the CBS’ strategy to promote trust and transparency in the Somali Financial industry. Examinations are integral to the CBS’ supervision regime, and a key effort to maintain and strengthen remittance flows into Somalia. Number of prominent International Partners have participated the efforts to rebuild Somalia Financial sector by providing direct technical assistances. The World Bank Group, US State respectively contracted Abyrint and Financial Services Volunteering Corps. “FSVC”, and IMF have closely worked to strength the Somalia financial sector.

The Central Bank has built its regulatory functions and supervision of banks and MTBs that are licensed to operate in Somalia. The majority of the money transfer business industry has regularized its activities with the Central Bank. Others are encouraged to apply for licenses.

The examination initiative is part of an effort started with the Central Bank of Somalia Act passed in 2011 and the Financial Institution Act passed in 2012, followed by the Anti-Money-Laundering and Countering the financing of Terrorism Act enacted in 2016.