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FSVC
FINANCIAL SERVICES
VOLUNTEER CORPS

Newsletter

FSVC Hosts Panel Discussion on Financial Sanctions and De-Risking



From left: Tom Easton, American Finance Editor, The Economist; Adam Szubin, Of Counsel, Sullivan & Cromwell; New York, New York, September 26, 2017.

On September 26, FSVC, with the support of Carnegie Corporation of New York, hosted a panel discussion and reception for nearly 200 guests at the Yale Club of New York City. The panel convened top experts from the U.S. and abroad to discuss the intended and unintended consequences of financial sanctions and "de-risking".

The panelists, representing a diverse set of viewpoints, included Adam Szubin, former Acting Under Secretary for Terrorism and Financial

Intelligence, U.S. Department of the Treasury; Ivan Timofeev, Director of Programs, Russian International Affairs Council in Moscow; John B. Reynolds, III, Partner in Davis Polk's Financial Institutions Group and economic sanctions and national security practice; Rob Mosbacher, Jr., former President & CEO of the U.S. Overseas Private Investment Corporation (OPIC); and Andy Spindler, President & CEO of FSVC. Tom Easton, American Finance Editor for *The Economist*, served as moderator.

Also in this Issue:

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- Promoting Access to Finance for Start-Ups in **Lebanon**
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FSVC Panel Discussion cont'd



FSVC hosted nearly 200 participants from the financial, business and legal communities in New York; September 26, 2017.

The lively discussion addressed when financial sanctions are most/least effective, and their impact on targeted countries. Panelists also debated whether other emerging market countries may be hesitant to integrate into the international financial system, knowing that they could be penalized via sanctions in the future.

Another major topic of discussion pertained to the withdrawal of financial institutions from correspondent banking relationships in developing economies due to the fear of money laundering and terrorist finance risks and regulatory penalties. Many banks seem to have determined that the cost and risk of these banking relationships are too high.

An unintended consequence of robust anti-money laundering and combating the financing of terrorism (AML/CFT) regulations has been that many developing economies with limited enforcement capacity are at risk of being cut off from the global financial system.

Panelists acknowledged the need for strong regulatory frameworks, and agreed that capacity building at local institutions is needed to preserve international banking relationships. Technical assistance programs, like those provided by FSVC, can play a critical role in helping developing economies strengthen their AML/CFT frameworks in order to maintain or re-establish their links to the international financial system.

Marshall Islands: Strengthening the Financial Sector and Its Supervision

In late August, FSVC sent a senior-level delegation, including FSVC Board Members John Douglas and John Walker and FSVC President & CEO Andy Spindler, to the Central Pacific to assist the Republic of the Marshall Islands (RMI) in strengthening its financial sector.

One example of the unintended consequences of de-risking is the impact this trend has had on the small Pacific island nation of the RMI. As financial institutions withdraw their correspondent banking services due to the threat of penalties, developing countries like the RMI are increasingly at risk of being isolated from the global economy.

FSVC is working to strengthen the RMI's financial sector and protect the country's principal connection to the international financial system. Simultaneously, FSVC is assisting the RMI Banking Commission to ensure that it has the supervisory policies and procedures necessary to mitigate prudential and money laundering risks.



From left: FSVC President & CEO Andy Spindler; RMI Minister of Foreign Affairs John Silk; RMI Minister of Finance Brenson Wase; FSVC Board Member John Douglas; FSVC Board Member John Walker; Honolulu, HI, August 31, 2017.

Lebanon: Promoting Access to Finance for Women and Youth Start-Ups

As part of the U.S. Agency for International Development (USAID)-funded Livelihoods and Inclusive Finance Expansion Project in Lebanon, FSVC has partnered with Palladium to strengthen livelihoods, advance the microfinance industry and expand inclusive finance throughout Lebanon. Specifically, FSVC is working to help women and youth entrepreneurs and small business owners gain access to microcredit to expand their economic opportunities.

As part of these efforts, FSVC trained staff of the Makhzoumi Foundation (MF) in Lebanon on how to develop a microloan application for start-ups. FSVC volunteer experts also met with more than 25 women and youth entrepreneurs to understand their credit needs, the types of products that would address those needs, and how MF could market these products to women and youth start-ups.

As a result of FSVC's work, MF is adopting new criteria to increase its lending to women and youth start-ups. This approach will help improve access to finance for Lebanon's under-served populations, thereby enabling them to grow their businesses and achieve a better quality of life.



Over 25 women and youth entrepreneurs participated in a workshop by Makhzoumi Foundation; Beirut, Lebanon, August 13, 2017.



FSVC volunteer experts trained over 50 representatives from forex bureaus and money remittance providers in Dar Es Salaam, Tanzania, July 25, 2017.

Tanzania: Protecting Foreign Exchange Bureaus from Money Laundering and Terrorist Financing Risks

With funding from the U.S. Department of State, FSVC has been working to strengthen AML/CFT efforts across East Africa since 2011. As part of this program, FSVC conducted a workshop in August for foreign exchange (forex) bureaus and money remittance providers (MRPs) in Tanzania to improve their ability to thwart criminal financial activity. Forex bureaus and MRPs are often cited as more

vulnerable conduits for money laundering and terrorist finance, in part due to the large amount of cash involved in their operations.

Working with key regulators in Tanzania, including the central bank and Financial Intelligence Unit, FSVC volunteer experts trained more than 50 representatives from forex bureaus and MRPs in how to identify and report suspicious financial activity to the proper authorities. This approach will help block financial channels used by criminal networks, thereby strengthening the front line of defense against money laundering and terrorist finance, and helping to promote greater security and stability in Tanzania.

Moldova: Developing a Financial Inclusion Strategy

In Moldova, only 18 percent of the country's 3.5 million citizens own a financial account, leaving millions of people without access to savings, payments, credit and insurance. Moreover, millions of dollars worth of payments transactions occur outside of the formal financial sector every year, limiting the government's ability to collect revenues and advance economic growth.

FSVC's work is part of a program funded by USAID and administered by Volunteers for Economic Growth Alliance (VEGA) to strengthen the Moldovan financial sector and promote financial inclusion. FSVC is working to help the National Bank of Moldova develop a financial inclusion strategy to bring more people into the formal economy.

Working with stakeholders from both the public and private sectors, FSVC volunteer experts conducted an initial assessment of the current level of financial inclusion and the feasibility of implementing a cashless payments solution in the country. The assessment report will help establish a framework for a strategy to include more Moldovans in the formal economy through traditional and cashless payments accounts. Bringing more people into the formal financial sector will help Moldovan citizens gain access to financial services and products, encourage savings and investment, and promote economic development.



From left: FSVC volunteer experts Nick Sullivan and Deborah Baxley; Chisinau, Moldova, July 15, 2017.



From left: FSVC Mentors Jackson Madzima and Mohamed Adam; Mogadishu, Somalia, September 14, 2017.

Somalia: Training Money Transfer Businesses to Fight Money Laundering and Terrorist Finance

As part of a U.S. State Department-funded program to strengthen the financial sector in Somalia, FSVC Mentors Mohamed Adam and Jackson Madzima are training tellers at local money transfer businesses (MTBs) on how to identify and prevent financial crimes. More than 50% of Somalia's economy depends on remittances from abroad, and MTBs are the main conduit for these remittances. Since MTBs can serve as the front line of defense against money laundering and terrorist financing in Somalia, it is critical that they be aware of red flags associated with criminal financial behavior.

Working with the Central Bank of Somalia (CBS), which is responsible for the oversight of MTBs, FSVC's mentors trained MTB tellers on Know-Your-Customer (KYC) procedures, screening clients against international sanctions lists, monitoring transactions and reporting suspicious behavior. This training is helping to strengthen the capacity of MTBs to identify and report unusual activity, and to encourage greater coordination with the CBS.

FSVC Board Member Randal Quarles Confirmed as Vice Chair of Federal Reserve for Supervision

FSVC Board Member Randal K. Quarles was confirmed by the U.S. Senate on October 5 as Vice Chairman for Supervision of the Federal Reserve Board of Governors. Mr. Quarles is the first individual to hold this position, which was created by the 2010 Dodd-Frank Act.

FSVC Chairman Bill Donaldson stated, "I want to congratulate Randy Quarles on his confirmation as Vice Chairman of the Board of Governors of the Federal Reserve System. Since joining FSVC's Board in 2015, Randy has played an important role in guiding FSVC's strategic mission to strengthen financial sectors in emerging market countries. His expert knowledge of the financial regulatory system has been invaluable to our organization."



FSVC Board Member Randy Quarles (right) is sworn in as Vice Chair of Supervision of the Federal Reserve Board of Governors by Fed Chair Janet Yellen (left), Washington, D.C., October 13, 2017.

FSVC President & CEO Andy Spindler added, "We are deeply grateful for the leadership and support Randy has given FSVC over the years. FSVC has benefited greatly from his strategic judgment in helping to guide our programs to strengthen financial sectors around the emerging market world. We believe he will be an outstanding addition to the Federal Reserve Board of Governors. We thank Randy for his service, and wish him all the best."



The Port of Luanda, Luanda, Angola.

New Grants Awarded for FSVC Work in Morocco, Tunisia, Angola and Swaziland

The U.S. State Department and USAID awarded FSVC several new grants over the summer.

In Morocco, FSVC received a new grant from the Middle East Partnership Initiative (MEPI) at the U.S. State Department to help high-potential start-ups gain access to venture financing that will enable them to grow to the intermediate stage. MEPI also awarded FSVC follow-on funding to strengthen public financial management in Tunisia. Lastly, USAID awarded FSVC a new grant to strengthen anti-corruption efforts in Angola and Swaziland by increasing budget transparency.



Upcoming Volunteer Opportunities

Albania

- Develop Early Warning System and Macroprudential Risk Dashboard for the Bank of Albania (BoA) – Q4 2017
- Assist the General Directorate of Taxation in Campaign against Informal Financial Sector – Q1 2018
- Develop Communications Strategy for the Albanian Deposit Insurance Agency (ADIA) – Q1 2018
- Training to Help the BoA Implement an Internal Liquidity Assessment Process (ILAAP) – Q1 2018
- Training to Enhance the Supervisory Process on Operational Risk for the BoA – Q1 2018

Angola

- Consultations for Civil Society Organizations (CSOs) to Improve Budget Audit Reporting – Q1 2018
- Strengthening Parliamentary Oversight of Budget Cycle and Budget Calendar – Q1 2018
- Consultations for Parliament to Develop Budget Indicators – Q1 2018
- Workshop for Supreme Audit Institution (NCA) on Government Budget Audit Principles – Q1 2018
- Consultations for NCA to Develop Mock Audit of Education and Health – Q1 2018

Moldova

- Present Potential Survey Models for Services Statistics – Q1 2018
- Commentary for NBM on Drafting Regulations for New Central Securities Depository (CSD) – Q1 2018
- Workshop with NBM to Develop a Credit Card Payment System – Q1 2018
- Assess Feasibility of In-Country Domestic Card Switching Capability – Q1 2018
- Assist NBM in Making Newly-Established Single CSD Operational – Q1 2018
- Assist NBM in Developing Membership Requirements and Compliance Framework for CSD – Q1 2018

Morocco

- Workshop for Business Incubators in Structuring Internal Operations – Q4 2017
- Training for Business Incubators on Entrepreneur Selection – Q4 2017

Tunisia

- Assess Open Government Data (OGD) of National Government Institutions and Municipalities – Q4 2017
- Provide Training to National Government and Municipal Staff on Adoption of OGD Standards – Q1 2018
- Advise National Government/Municipalities on Creation of OGD Databases/Web-Templates – Q1 2018
- Empower local CSOs to Advise National Government/Municipalities on OGD Conversion – Q1 2018
- Advise Tunisian e-Government Unit on Creating a National Open Data Charter – Q1 2018

About Us

The Financial Services Volunteer Corps (FSVC) is a not-for-profit, public-private partnership that helps strengthen financial sectors in developing and emerging market countries. It does so with the ultimate aim of promoting job creation, economic growth and a better quality of life. FSVC structures practical technical assistance and training missions staffed by senior financial sector professionals who serve as unpaid volunteer experts. Over the past 27 years, more than 9,500 volunteer experts from the international financial, legal and regulatory communities have taken part in 3,000 missions, helping millions of people in 65 countries.