



**SOMALI BANKERS
ASSOCIATION**

The Importance of Unified National ID for the Banking Sector

Aug 18, 2024





Our Profile

The Somali Banks Association (SBA) is the apex body representing the interests of commercial banks in Somalia. With a membership of 13 banks, the SBA plays a pivotal role in shaping the country's banking landscape.

Key Achievements

01

Advocating for favorable banking regulations

02

Promoting financial literacy and consumer protection

03

Facilitating collaboration among member banks

04

Supporting the development of the payment systems infrastructure

05

Contributing to the stability of the Somali banking system



KYC AND CDD

Know Your Customer (KYC) and Customer Due Diligence (CDD) are essential components of anti-money laundering (AML) and counter-terrorist financing (CTF) compliance. However, implementing these processes effectively in Somalia presents unique challenges:



These obstacles hinder the ability of banks to conduct thorough customer assessments, ultimately increasing the risk of financial crime.

KYC AND CDD CHALLENGES

01

Compliance and Regulatory: implement a robust KYC and CDD and Combat AML/CFT

02

Customer Identification and Verification: unified ID allows banks to accurately identify and verify the identity of their customers, this helps banks to mitigate the risk and others kinds of fraud.

03

Customer Experience: A well implemented unified ID can also enhance the customer experience by providing a smooth and efficient onboarding process.

04

Streamlined Onboarding Due Diligence: A unified ID system can streamline the customer due diligence processes, by having a single, centralized source of customer identification.



Need for a Unified ID

Enhanced Security

A centralized database with strong security measures can significantly reduce identity fraud and forgery.

Improved Customer Onboarding

Streamlined customer verification processes will accelerate account opening and reduce operational costs.

Increased Financial Inclusion

A unified ID can facilitate access to financial services for the unbanked and underbanked population.

Efficient Service Delivery

A reliable ID system can enable the government to deliver public services more effectively and transparently.

Economic Growth

A well-functioning ID system can contribute to economic development by fostering trust and transparency in the marketplace.

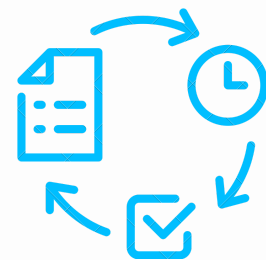
Collaboration with NIRA

The Somali Banks Association (SBA) recognizes the critical role of the National Identity and Registration Authority (NIRA) in establishing a robust national ID system.



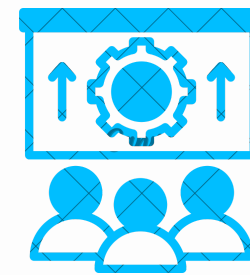
Data Sharing

Establish secure protocols for the exchange of relevant customer data between banks and NIRA, ensuring data privacy and security.



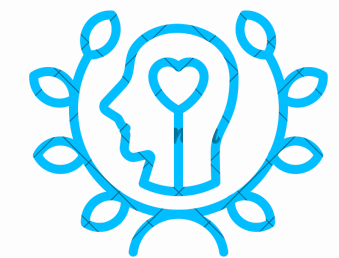
Joint Projects

Collaborate on initiatives to enhance ID system infrastructure, such as biometric authentication and digital ID wallets.



Capacity Building

Provide technical expertise and training to NIRA staff on KYC/CDD best practices and fraud prevention.



Advocacy

Jointly advocate for policies and regulations that support the development and adoption of a unified ID system.

By working together, the SBA and NIRA can create a secure, efficient, and inclusive ID ecosystem that benefits both the banking sector and the general public.

CORRESPONDENT BANKING AND ID CHALLENGES

Correspondent banking plays a crucial role in facilitating international trade and remittances for Somalia. However, the lack of a robust ID system poses significant challenges for correspondent banks:



INCREASED RISK ASSESSMENT

Correspondent banks face difficulties in assessing the risk profiles of Somali banks due to limited customer information.



COMPLIANCE BURDEN

Stringent KYC/CDD requirements imposed by correspondent banks can be burdensome for Somali banks without reliable ID data.



LIMITED ACCESS TO FINANCIAL SERVICES

Correspondent bank relationships are essential for economic growth, but ID-related challenges can restrict access for Somali businesses.



REPUTATIONAL RISK

Correspondent banks may face reputational damage if associated with Somali banks that have weak KYC/CDD controls.

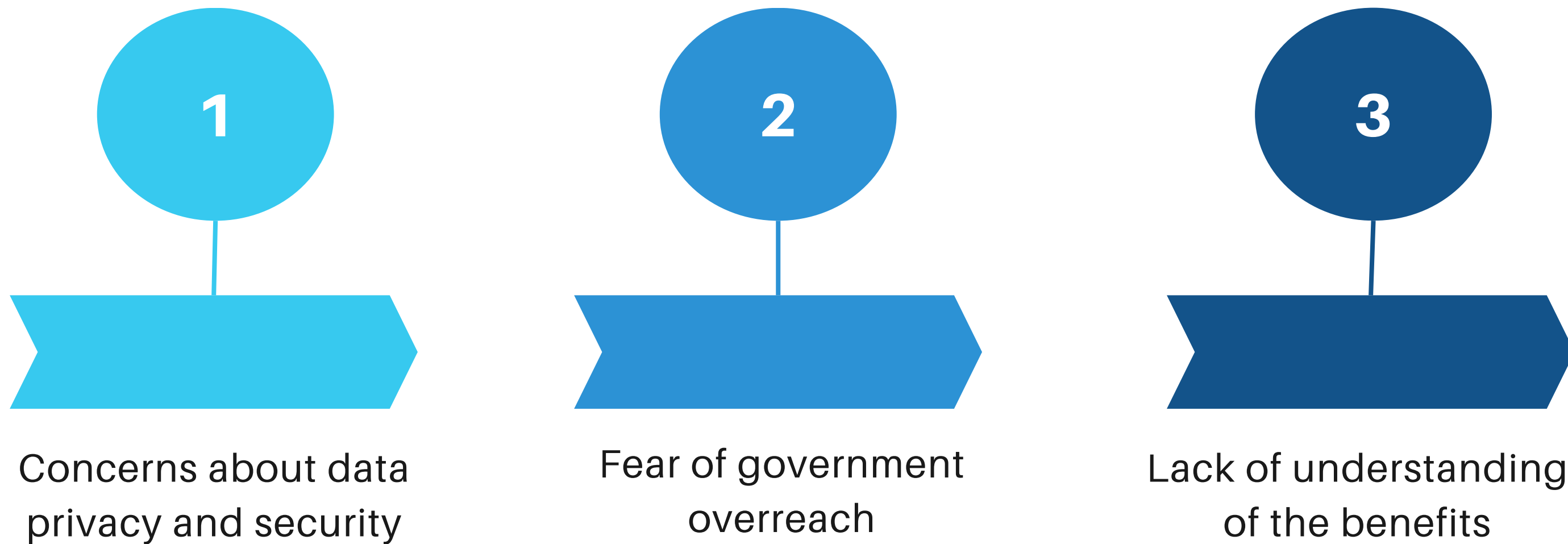


Implementing a unified ID system can mitigate these challenges by providing correspondent banks with reliable and standardized customer data, thereby improving trust and facilitating cross-border transactions.

PERCEPTION ISSUES AND TRUST BUILDING

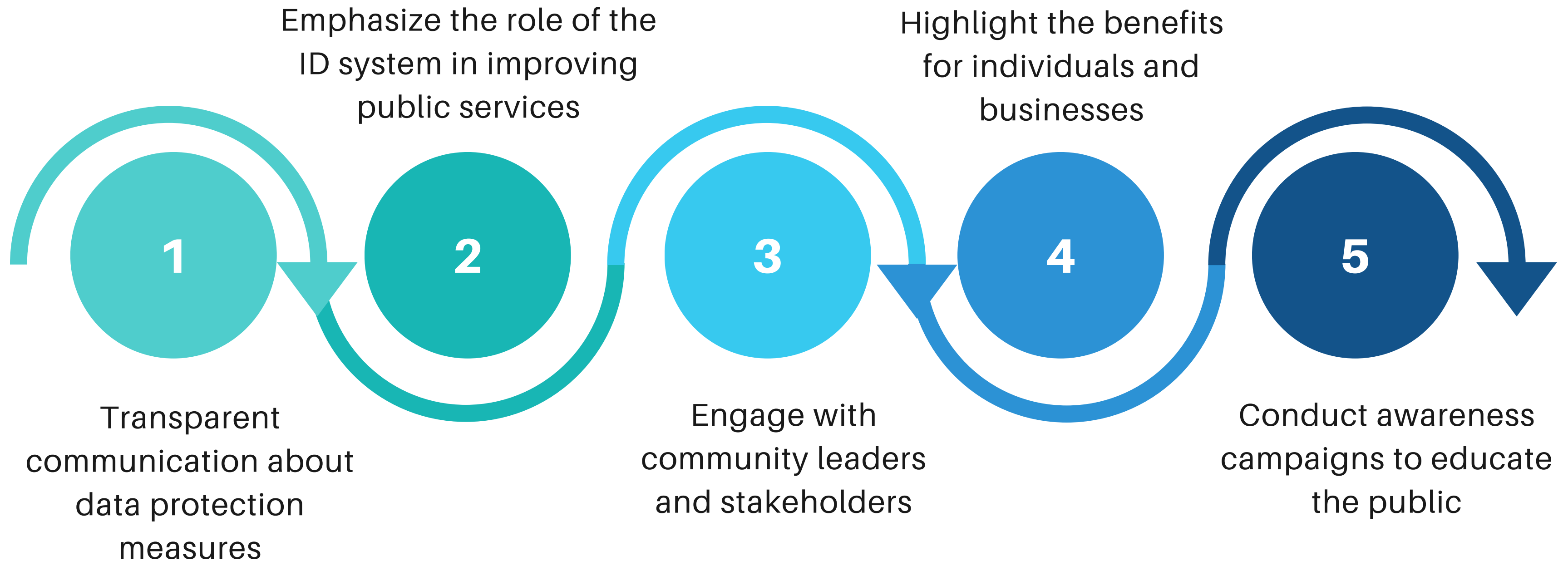
Public perception and trust are critical factors in the successful implementation of a unified ID system. Addressing common misconceptions and building confidence is essential.

Common Misconceptions



BUILDING TRUST

5-essential points to build the trust





Conclusion

The establishment of a robust and unified National Identity and Registration Authority (NIRA) system is imperative for the growth and stability of Somalia. By addressing the challenges posed by the current fragmented ID landscape, we can unlock significant opportunities for the banking sector and the broader economy.

The Somali Banks Association (SBA) is committed to collaborating with NIRA to achieve this shared vision. Through data sharing, joint projects, capacity building, and advocacy, we can create a secure, efficient, and inclusive ID ecosystem.

A unified ID system will not only enhance the banking sector's ability to serve its customers but will also contribute to broader socio-economic development. By working together, we can build a brighter future for Somalia.



SOMALI BANKERS
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THANK YOU.