



# THE SENTRY

WAR CRIMES SHOULDN'T PAY

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## Together on the Front Lines

### Working With Banks to Stop the Flow of Dirty Money Funding Africa's Deadliest Conflicts

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By Josh White and Megha Swamy  
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#### Kleptocrats' Need for Western Currencies

Access to Western currencies such as the U.S. dollar, euro, and pound sterling is critically important to kleptocrats in East and Central Africa looking to move and store the proceeds of corruption. There are several reasons for the primacy of these currencies:

- They are insulated from the wild swings in value that can affect local currencies, providing kleptocrats with the ability to securely store value.
- They are widely accepted as the preferred currencies of choice in the global financial system, making them easy to move across borders.
- The sheer size of the U.S. economy, its dominance globally, and the dollar's prevalence mean that alternative currencies such as the Chinese renminbi and Russian ruble are more difficult to use and less appealing as viable alternatives.

#### Limited Access to Western Currencies

U.S. and European banks that provide access to these currencies and the broader international financial system have limited incentives to do business in countries such as the Central African Republic, Democratic Republic of Congo, South Sudan, and Sudan because of low profit margins and the heightened risk of financial crimes.



## Banks with Outsized Influence

Consequently, the number of multinational banks that maintain correspondent banking relationships<sup>1</sup> with regional financial institutions or maintain a physical presence in these countries is small when compared to other parts of the world. The banks that continue to be active in East and Central Africa therefore have outsized importance and influence in affecting the financial behavior of the elites in those countries.

## The Resulting Opportunity

This niche market of Western banks willing to provide global financial connectivity to East and Central Africa presents a tremendous opportunity for The Sentry to employ a targeted approach to cutting off kleptocrats' access to the international financial system. With the support of The Sentry's investigative findings and expertise in the typologies of illicit finance in the region, banks have begun to:

- strengthen their scrutiny of transactions originating from these countries,
- bolster their monitoring of accounts for suspicious activity, and
- terminate relationships with individuals and entities in the immediate networks of those exposed by The Sentry's work.

## Bad Actors Left with Bad Alternatives

Access to the global financial system through these international banks is difficult to regain once lost. For the kleptocrats that are targets of The Sentry's investigations, this leaves only two alternatives, both of which significantly hinder their illicit activities:

1. To hide their financial dealings, they must resort to complicated evasion tactics that can be difficult and more expensive to execute.
2. They may have to rely on the use of Western currencies in cash, which is more difficult to obtain in large quantities, keep physically secure, move across borders, and re-integrate into the financial system.

## Helping Build a Better Financial System

The Sentry's crucial engagement with international banks also helps to reduce the possibility that these institutions will cease all financial services, including those tied to legitimate business, in high-risk countries. Such complete de-risking, as this decision is known, typically occurs in jurisdictions with heightened money laundering and terrorist financing risks but can also devastate development efforts in struggling economies. Recognizing this, The Sentry has worked with banks to help them identify bad actors while not compromising the overall ability of these countries' financial systems to operate.

The Sentry's engagement with international banks, supported by our investigative findings, is aimed at disrupting a system that currently incentivizes theft and corruption. With scarce alternative avenues through which to move their profits, corrupt elites and their financial facilitators are increasingly finding it difficult to conduct business as usual. Maintaining this pressure should be a priority for policymakers and financial institutions operating in East and Central Africa.



## Endnote

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<sup>1</sup> *Correspondent banking* is the provision of banking services by one bank (the “correspondent bank”) to another bank (the “respondent bank”). Large international banks typically act as correspondents for thousands of other banks around the world. Respondent banks may be provided with a wide range of services, including cash management (e.g. interest-bearing accounts in a variety of currencies), international wire transfers, check clearing, payable-through accounts, and foreign exchange services. (Source: Financial Action Task Force, <http://www.fatf-gafi.org/glossary/>)

