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FOLLOWING THE MONEY

The use of the *hawala*
remittance system in the
Yemen–Somalia arms trade



JAY BAHADUR

SEPTEMBER 2020



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ABOUT THE AUTHOR

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Cover: A cache of AK-pattern rifles seized following the interdiction of the Iranian dhow *Samer* by the HMAS *Darwin* on 27 February 2016.
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CONTENTS

Acronyms and abbreviations.....	iv
Executive summary	1
Methodology	2
Background	5
The Yemen–Somalia arms trade	5
What is the <i>hawala</i> system?.....	8
Major persons of interest	11
Somalia	11
Yemen.....	12
Financial regulation in Somalia.....	18
Compliance gaps among MTOs.....	19
Responses by MTOs to this study’s findings	24
Case study: The anatomy of an (abortive) arms deal	25
Straight to business	26
Type 56-1 rifles show tentative link to Iran.....	29
Insufficient quantities.....	30
A <i>hawala</i> proxy is designated.....	31
The ‘arms deal’ falls apart.....	32
Reforming the <i>hawala</i> system.....	34
Recommendations	35
Notes	37

ACRONYMS

AML	anti-money laundering
AQAP	al-Qaeda in the Arabian Peninsula
CBS	Central Bank of Somalia
CFT	countering the financing of terrorism
EUNAVFOR	EU Naval Force
FCA	Financial Conduct Authority
FRC	Financial Reporting Center
GI-TOC	Global Initiative Against Transnational Organized Crime
ISIL	Islamic State of Iraq and the Levant, also known as Islamic State/ISIS
KYC	know your customer
MTO	money-transfer operator
OFAC	US Office of Foreign Assets Control
SALW	small arms and light weapons
UNSEMG	United Nations Somalia and Eritrea Monitoring Group

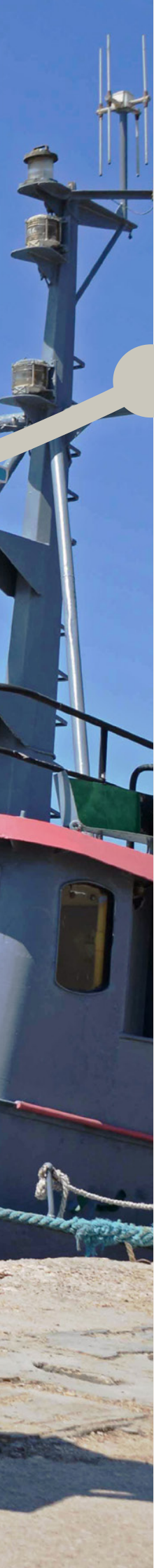
Armed Yemeni men gather near the capital, Sana'a, in support of the Shiite Houthi movement against the Saudi-led intervention. ►

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EXECUTIVE SUMMARY



The ubiquity of small arms and light weapons (SALW) in Yemen, as well as centuries-old cultural and commercial ties with Somalia, has made Yemen the primary source for illicit arms among Somali importers. Consignments of small arms and ammunition from Yemen cross the Gulf of Aden in a matter of hours to the northern coast of Puntland, a semi-autonomous region in northern Somalia. The port city of Bosaso, Puntland's largest city and commercial capital, is the financial epicentre of the illicit trade. Arms from Yemen fuel the ongoing civil conflict in Somalia, and many are believed to be transported on throughout the broader East Africa region.

A semi-informal system of international money transfer – commonly referred to as '*hawala*' – underpins the financing of the arms trade. This study focuses on the use of four Somali *hawala* money-transfer operators (MTOs) by six prominent arms dealers (or financial proxies) based in Yemen and Somalia. GI-TOC analyzed data from hundreds of remittance transactions involving these individuals, dating between 2014 and 2020.

These arms dealers all exploited the widespread gaps in anti-money laundering/countering the financing of terrorism (AML/CFT) controls, including the principle of 'know your customer' (KYC), to facilitate arms deals between Yemen and Somalia. The arms traffickers highlighted in this study routinely used dozens of aliases, names and spelling variations. The use of proxy agents to conduct transactions on their behalf was common. This climate of loose or non-existent oversight allowed arms dealers to make large transactions – often in excess of federally mandated AML/CFT limits – without fear of detection or investigation. Most notably, a prominent Yemeni arms supplier was able to receive hundreds of thousands of dollars in remittances while under US sanction.

Both Somalia and Yemen are embroiled in prolonged civil wars, and MTOs operating in such environments face considerable challenges in implementing AML/CFT measures. With the exception of two instances in which MTOs facilitated the direct transfer of funds to a sanctioned individual, this study does not attribute wrongdoing to any particular operator. Rather, it aims to identify systematic obstacles to financial compliance faced by all MTOs operating in Somalia and Yemen. This paper makes a number of recommendations aimed at addressing these gaps, while remaining cognizant of the critical importance of *hawala* remittances to livelihoods and humanitarian operations in Somalia.

◀ **A Somali soldier walks past foreign vessels in Bosaso harbour, Puntland.**

© Mohamed Abdiwahab/AFP via Getty Images

Methodology

For this study, GI-TOC focused on remittances transferred through the four primary MTOs operating in Puntland: Amal Express, Dahabshiil, Iftin Express and Taaj. While there is no accurate data on their respective market shares, industry representatives interviewed by GI-TOC confirmed that the vast majority of remittances from Puntland are transacted through these four companies.

GI-TOC is highly indebted to a third-party researcher, Peter Kirechu, for providing data on hundreds of MTO remittance transactions from Somalia to Yemen dating between 2014 and 2020. This data forms the crux of GI-TOC's present study.

Kirechu began gathering data in August 2018, initially focusing on four Yemen-based arms suppliers or financial proxies identified by the United Nations Somalia and Eritrea Monitoring Group (UNSEMG): Mohamed Hussein Salad, Bashir Naaji Abdullahi Shujac, Mohammed Ali Mohamed Hadi and Sayf Abdulrab Salem Al-Hayashi (also known as Sayf Al-Baydani). The relevant remittance records were collected based on the individuals' names or variants thereof, as well as known affiliated mobile-phone numbers. Initially, Kirechu focused solely on two of the larger MTOs operating in Puntland, amassing remittance records dating as far back as 2014. Beginning in January 2019, he expanded the collection of remittance data to include all four aforementioned MTOs, as well as any transaction over US\$5 000 remitted from the MTO branches in Bosaso to any location in Yemen. In practice, all documented remittances had been sent from Bosaso either to Sana'a, the capital of Yemen, or Al Mukalla, a major arms-smuggling hub located on the Gulf of Aden.

Yemen is the primary source for illicit arms among Somali importers.

Of the hundreds of remittance records provided by Kirechu, GI-TOC identified a total of 176 individual transactions that had been either remitted or received by known arms dealers in Somalia and Yemen. The transactions dated between July 2014 and May 2020 and totalled just over US\$3.7 million, with individual transactions ranging in value from US\$400 to US\$71 000.¹ The average transaction amount was US\$21 105. The remittances were universally transacted in cash.

In its identification and profiling of arms traffickers in Somalia and Yemen, the present study draws heavily on the reports of the UNSEMG and its successor, the Panel of Experts on Somalia, of which the author was a member from 2015 to 2019.

With assistance from local security sources, GI-TOC also obtained Somali mobile-phone records dating from between 2016 and 2020 in order to identify relationships between Puntland-based arms importers and their suppliers in Yemen. The non-profit research organization C4ADS greatly assisted GI-TOC with a network analysis of this phone data.

Using contact information gleaned from the remittance records, GI-TOC also initiated communications with several known or suspected arms traffickers in Somalia and Yemen. The result of one of these interactions is presented as a case study below.

GI-TOC reached out to representatives of the four MTOs discussed in this study for their responses to the findings, as well as recommendations for addressing gaps in AML/CFT compliance. Dahabshiil, Amal Express and Taaj agreed to be interviewed. Iftin Express did not respond to GI-TOC's multiple interview requests. With the

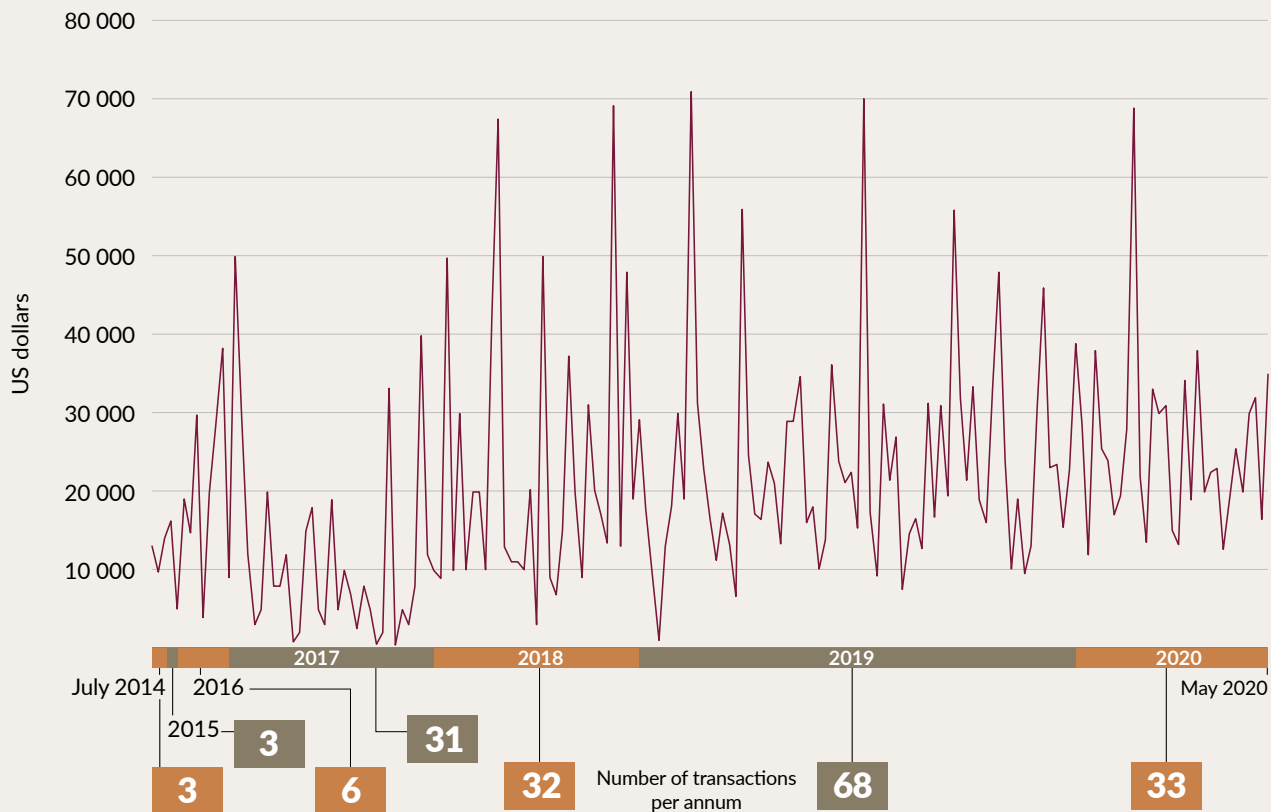


FIGURE 1 Number and dollar value of *hawala* transactions identified from Somalia to Yemen, July 2014 to May 2020.

exception of Bashir Naaji Abdullahi Shujac, the alleged arms traffickers named in this study also failed to respond to GI-TOC's requests to provide comment.

Gaps in methodology

It should be emphasized that this study offers only a glimpse into the illicit economy of the Yemen–Somalia arms trade. The financial flows underpinning the trade are certainly of a far greater magnitude than those captured in the present report.

As noted above, the collection of remittance records was initially focused on only two MTOs. As a result, these two companies are disproportionately represented in the data set analyzed by GI-TOC. Resource constraints also limited the data-gathering to one location in Puntland, namely the city of Bosaso; remittances sent from elsewhere in the region are therefore not reflected in the data set. From January 2019 onwards, data-gathering efforts focused exclusively on transactions over US\$5 000. Consequently, transactions below this threshold were not captured in the data set; the calculation of the average transaction value will consequently be skewed upwards. As GI-TOC was not directly involved in the data-gathering process, it was not possible to accurately assess to what extent relevant transactions may have been underreported or overlooked.

Finally, while GI-TOC was able to independently verify the authenticity of a significant number of the MTO transactions, it was not possible to do so for all 176 transactions analyzed for this study.



BACKGROUND



The Yemen–Somalia arms trade

Somalia has been under a UN arms embargo since 1992, making all imports of military equipment into the country, outside of specified Security Council exemptions, violations of international law. Since that time, Somali importers have looked to Yemen as the primary source for illicit arms, utilizing the long-standing cultural and commercial ties between the two countries and the widespread availability of SALW and ammunition in Yemen. (Even before the outbreak of the current civil war in 2015, Yemen had the greatest per capita ownership of weapons after the United States.)² And it is a lucrative business: SALW and ammunition from Yemen typically command a price mark-up of at least 50% in Somalia, providing a strong economic incentive for arms dealers in spite of the transportation costs.³

Puntland, a semi-autonomous region in northern Somalia, is the primary point of entry for illicit arms into the country. Illicit arms imports into Puntland typically consist of SALW such as pistols, AK-pattern assault rifles, light (7.62 mm) and heavy (12.7 mm) Soviet-pattern machine guns and rocket-propelled-grenade launchers, together with their corresponding ammunition.

Arms are typically trafficked to Puntland's northern coast in two ways (see Figure 2). The first and more common method involves small-scale shipments being brought by speed-boat across the Gulf of Aden from the Yemeni coast, most often from the vicinity of the littoral towns of Al Mukalla, B'ir Ali, Balhaf and Ash Shihr. The second method is more convoluted and piggybacks off the state supply of arms from Iran to the rebel Houthi administration, in which ocean-faring dhows transport larger weapons shipments – often including surface-to-air missiles and other sophisticated weaponry – from Iran's Makran Coast to Yemen. Seizures of several Iranian dhows by international naval forces since late 2015 have yielded evidence that suggests it may be common practice for SALW and ammunition to be transhipped to Somalia using smaller vessels before the dhows' arrivals in Yemen.⁴ However, it is likely that such 'leakage' from shipments intended for the Houthis represents opportunistic profit-seeking on the part of arms traffickers, rather than the state-sanctioned provision of arms by Iran to Somalia.

- ◀ **The Puntland port police patrol off the coast of Bosaso. Puntland is the primary point of entry for illicit arms into the country.** © Mohamed Abdiwahab/AFP via Getty Images



	DATE	INTERDICTING AUTHORITY	LOCATION	MATERIAL SEIZED
1	27 Sep 2015	HMAS <i>Melbourne</i>	Arabian Sea, off the coast of Oman*	75 anti-tank guided missiles (Toophan/ M113 Konkurs/ 9M133 Kornet variants).
2	30 Sep 2015	Saudi-led coalition forces	Arabian Sea, off the coast of Oman*	Anti-tank missiles; guidance systems; launchers; batteries for binoculars.
3	27 Feb 2016	HMAS <i>Darwin</i>	Arabian Sea, off the coast of Oman*	1 989 AK-pattern assault rifles; 49 PKM light machine guns; 100 RPG launchers; 20 60-mm mortars tubes.
4	20 Mar 2016	FS <i>La Provence</i>	Gulf of Aden*	1 998 AK-pattern assault rifles; six PKM light machine guns; 64 Hoshdar-M sniper rifles; 100 PRG launchers; 20 60-mm mortars; nine 9M113 Konkurs or 9M133 Kornet variant anti-tank guided missiles.
5	28 Mar 2016	USS <i>Sirocco</i>	Persian Gulf or Arabian Sea	1 500 AK-pattern assault rifles; 21 DShK-pattern heavy machine guns; 200 RPG launchers.
6	28 Aug 2018	USS <i>Jason Dunham</i>	Gulf of Aden*	Over 2 522 AK-pattern (Type 56-1) assault rifles.
7	25 Jun 2019	HMAS <i>Ballarat</i>	Gulf of Oman*	697 bags ammonium nitrate fertilizer; 475 000 rounds small calibre ammunition.
8	25 Nov 2019	USS <i>Forrest Sherman</i>	Arabian Sea	21 "Dehlavieh" anti-tank guided missiles; components for the Quds-1 land attack cruise missile, for a C802 anti-ship cruise missile and for a third, unidentified cruise missile; two previously unknown surface-to-air missiles.
9	9 Feb 2020	USS <i>Normandy</i>	Arabian Sea	150 'Dehlavieh' anti-tank guided missiles; three 358 surface-to-air missiles.
10	17 Apr 2020	Saudi-led coalition forces	Gulf of Aden	3 002 Type 56-1 rifles, other unknown materiel.
11	24 Jun 2020	Saudi-led coalition forces	Gulf of Aden*	1 293 AK-pattern rifles (mostly Type 56-1s); RPG-29 variants; 'Dehlavieh' anti-tank guided missiles; PKM-pattern light machine guns; DShK-pattern heavy machine guns, optical sights; 12.7x99-mm sniper rifles; Walther air rifles.

FIGURE 2 Smuggling routes from Yemen and Iran, as well as locations of prominent seizures of Iranian/Yemeni dhows.

* Indicates seizures shown on the accompanying map.

SOURCE: Reports of the UN Panel of Experts on Yemen, US Central Command, Australian Navy, the GI-TOC.



Photograph from a maritime-patrol aircraft of a skiff transporting a consignment of arms and ammunition from Yemen to Puntland, 22 September 2017. The consignment was subsequently seized by Puntland authorities.

SOURCE: UNSEMG

Due to the short distances involved – skiffs equipped with powerful outboard engines can make the maritime crossing in as little as seven hours – arms shipments from Yemen to Somalia are extremely difficult to detect and intercept. A rare real-time interdiction occurred in September 2017, when a maritime-patrol aircraft captured imagery of a weapons-laden skiff transiting the Gulf of Aden (see the photo).⁵ Acting on information relayed by the EU Naval Force (EUNAVFOR) mission, Puntland authorities seized the consignment as it was being offloaded in the vicinity of Bosaso.⁶

But the Puntland regional administration is also a major customer for illicit arms and ammunition, as the UN embargo on Somalia generally precludes it from obtaining materiel through legal channels. The administration's need for weapons arises from the fact that it faces multiple security challenges: Puntland's north-eastern Bari region is host to ISIL's largest presence in Somalia, comprising more than 300 fighters,⁷ while another Islamist group, Al-Shabaab, maintains a similarly sized presence in the Golis Mountains in the north-west. In addition, Puntland is embroiled in a long-running territorial dispute with its neighbour to the west, the self-declared republic of Somaliland. In January 2018, fresh hostilities between the two administrations erupted over the strategic revenue-collection town of Tukaraq.⁸ Low-level conflict between Puntland and the regional administration of Galmudug to the south also periodically occurs. UN monitors reported that an outbreak of fighting between the two regions in late 2016 led to a surge in arms imports into Puntland, facilitated by a senior administration official.⁹

According to the Jamestown Foundation, the illicit trade in weapons and materiel between Yemen and the Horn of Africa has 'rarely been more lucrative'.¹⁰ The ongoing Yemeni civil war may have resulted in an increase in arms and ammunition entering the illicit sphere, partially due to the diversion of material supplied to the anti-Houthi coalition by various external partners. Indeed, the UNSEMG has reported evidence that machine guns and 7.62 mm ammunition of Emirati, Saudi Arabian and US origin had



Houthi followers brandish their weapons, Sana'a, October 2019. © Mohammed Hamoud/Getty Images

formed part the shipment interdicted by Puntland authorities in September 2017 (see above).¹¹

While the current study examines the arms trade exclusively from the perspective of Somalia, it should be noted that likely only some of the weapons and materiel trafficked from Yemen remain in the Horn of Africa. It is commonly believed that many of the smuggled weapons are sold on by middlemen to countries such as Kenya, Mozambique, Tanzania, South Sudan and Central African Republic,¹² though more research is needed to verify these putative onward flows.¹³ However, the broader implications of the Yemen–Somalia arms trade for regional security – particularly in light of the current civil instability in Ethiopia – are potentially significant and should not be discounted.

What is the *hawala* system?

There is no universal definition of what constitutes a *hawala* money-transfer service. *Hawala* (Arabic for 'trade' or sometimes 'trust') can refer to many kinds of informal money-transfer systems that do not involve the physical transfer of cash.¹⁴ Customers use brokers based in their respective locations to send and receive money, with the senders paying a small commission and the receivers sometimes using a password to release the funds.¹⁵ Traditional *hawala* networks are based on trust and the honour system, meaning they can function in areas that lack a functioning banking system.¹⁶

In addition to being necessary in environments without access to the formal banking system, the *hawala* system offers a number of other advantages. These include the system's competitive pricing, faster money transmission and suitability to specific cultural contexts, as well as deliberate transfer or concealment of criminal proceeds and evasion of currency controls, sanctions and taxes.¹⁷ *Hawala* operators often fail to enforce AML/CFT controls, making the system attractive to criminals and terrorist financiers.¹⁸

While such 'pure' *hawala* operations still exist, most MTOs serving Somalia are now closely affiliated or have partnered with the growing Somali domestic banking sector, as well as with Gulf-based financial institutions.¹⁹ Nonetheless, the majority of remittance companies serving Somalia are still excluded from access to the international banking system. To transfer remittances from Europe, for instance, most Somali MTOs use private security companies to collect cash from their agents and physically transport it to Dubai, which effectively functions as a financial clearing house for remittance companies transacting business in Somalia.

In evaluating the role of the *hawala* remittance system in facilitating the Yemen-Somalia arms trade, it is important to remain cognizant that (semi-) informal financial systems such as *hawala* are critical to the functioning of the economy as well as to humanitarian aid agencies operating in Somalia.²⁰ Therefore, any measures taken to address the abuses of the *hawala* system by criminal elements must be carefully calibrated to avoid driving *hawala* operators underground, with potentially damaging humanitarian consequences.

A customer waits to collect cash at a money-transfer branch in Mogadishu. While MTOs in Somalia maintain that they are compliant with anti-money-laundering regulations, it seems arms importers have found compliance gaps.

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MAJOR PERSONS OF INTEREST



This study focuses on the activities of six individuals widely regarded as prominent arms dealers (or proxies for arms dealers): three importers located in Somalia (Abdirahman Mohamed Omar ‘Dhofaye’, Mahad Isse Aden ‘Laboballe’ and Abshir Barre Samatar) and three suppliers/proxies in Yemen (Sayf Abdulrab Salem Al-Hayashi, Bashir Naaji Abdullahi Shujac and Mohamed Hussein Salad). Collectively, the three Puntland-based importers were responsible for 84% of the arms-related remittances identified by GI-TOC (approximately US\$3.1 million out of the total US\$3.7 million).

SOMALIA

Abdirahman Mohamed Omar (aka ‘Dhofaye’)

Abdirahman Mohamed Omar, also known as Dhofaye, is arguably the most active illicit-arms importer in Puntland. Of the 176 arms-related remittance transactions analyzed by GI-TOC, 98 were executed by Dhofaye between October 2016 and April 2020. The value of these 98 transactions totalled more than US\$2.1 million, or approximately 57% of the total financial flows examined by GI-TOC.

According to the UNSEMG, Dhofaye was one of two individuals identified by Puntland security forces aboard a skiff that was transporting a consignment of arms when it was interdicted by Puntland authorities in September 2017 (see above).²¹ In April of the same year, Dhofaye allegedly facilitated a shipment of weapons to the ISIL faction based in north-eastern Puntland.²² Information provided to GI-TOC by Puntland-based security sources, as well as analysis of phone and financial records, strongly indicates that Dhofaye remains active in the illicit arms trade at the time of writing.

◀ **Brothers in arms.** The war in Yemen escalated in 2015 when the Saudi-led coalition launched a military campaign to push back the Houthi rebels. © Mohammed Huwais/AFP via Getty Images

Mahad Isse Aden (aka 'Laboballe')

Mahad Isse Aden, also known as Laboballe ('Two Wings'), was born in 1971 in Dhaadar, in Puntland's Bari region, and attended primary school in the littoral town of Qandala.²³ Laboballe has worked in the frankincense trade since his youth and owns a frankincense-export business in Bosaso under the name 'Guure Store', which reportedly serves as a front for his commercial arms-trafficking operation.²⁴ He also operates an arms storehouse in Bosaso. He is widely reported to be at least partially blind.

Laboballe has been implicated in multiple arms imports into Puntland, including shipments destined for the ISIL faction operating in the north-east of the region.²⁵ He has also been reported to partner with Abdirahman 'Dhofaye' in the arms trade.²⁶

Remittance records analyzed by GI-TOC indicate that Laboballe transferred a total of at least US\$783 147 to known or suspected arms suppliers in Yemen between January 2015 and March 2020.

Abshir Mohamed Barre Samatar

Abshir Mohamed Barre Samatar is believed to be a prolific trafficker of arms between Yemen and Puntland. In October and November 2016, Barre reportedly sourced multiple small-arms and ammunition shipments from Yemen on behalf of the Puntland administration,

in conjunction with a senior official.²⁷ One of these shipments took place on 25 October 2016, and Barre met with senior Puntland officials in Bosaso to organize delivery and receive payment. The arms were apparently intended to replenish stocks depleted during the fighting between Puntland and forces affiliated with the regional Galmudug administration, which reached its highest intensity between 7 October and 1 November 2016.²⁸ Barre's mobile-phone activity corroborates his alleged involvement in arms smuggling over this period; between late October and mid-November 2016, Barre exchanged 179 calls with a phone number belonging to a Yemeni arms dealer.²⁹

On 29 November 2016, Barre was arrested in Marero, an illicit-smuggling point roughly 15 kilometres east of Bosaso, in connection with a small shipment of ammunition and light machine guns that had arrived the same night.³⁰ However, police released Barre shortly thereafter, reportedly because they had learned that the shipment was intended to be delivered to the Puntland administration.³¹

The arms-related remittance records analyzed by GI-TOC indicate that Barre has been active in the illicit trade since at least 2016. He transferred a total of at least US\$269 690 to known or suspected arms suppliers in Yemen between August 2016 and April 2020.

YEMEN

Sayf Abdulrab Salem Al-Hayashi (aka Sayf Al-Baydani)

A Yemeni national, Sayf Abdulrab Salem Al-Hayashi, also known as Sayf Al-Baydani, was born in January 1978. According to the US Treasury Department, Al-Hayashi established himself in Yemen's Azzan Governorate in 1994, where he subsequently began to engage in the arms trade. In 2005, Al-Hayashi began to deal in other contraband, including narcotics, and expanded his business to Al Mukalla, Sana'a and other areas of Yemen. According to the US Office of Foreign Assets Control (OFAC), in mid-2015 Al-Hayashi facilitated a weapons deal on behalf of the ISIL faction in Yemen. Since at least 2016 Al-Hayashi has worked as a weapons dealer and

financier for al-Qaeda in the Arabian Peninsula (AQAP), handling funds for the group's senior leaders.³²

Mobile-phone records obtained by GI-TOC establish that Al-Hayashi has also been in frequent communication with Puntland-based arms dealers since at least May 2016. Remittance records obtained by GI-TOC show that Al-Hayashi received more than US\$1.2 million between October 2016 and April 2020 – almost exclusively from the arms dealer Abdirahman 'Dhofaye'.

On 25 October 2017, Al-Hayashi was listed by the OFAC as a Specially Designated Global Terrorist (SDGT) for 'assisting in, sponsoring, or providing financial, material, or technological support for, or financial or other services to or in support of [AQAP]'.³³ OFAC

also sanctioned an entity controlled by Al-Hayashi, Al Khayr Supermarket, which has locations in Azzan and Fuwwah, Yemen. The UNSEMG also reported in 2018 that Al-Hayashi is an associate of Fares Mohammed Mana'a, an internationally sanctioned arms dealer and current state minister in the Houthi administration in Yemen.³⁴

Despite his OFAC designation, Al-Hayashi has apparently continued to be an active participant in the international arms trade. In addition to money received

via his proxy (see 'Bashir Naaji Abdullahi Shujac: Al-Hayashi's proxy', below), remittance records indicate at least two instances of Al-Hayashi receiving funds directly from Dhofaye, in violation of his OFAC designation. In October 2019, Dhofaye sent US\$19 546 to Al-Hayashi (under the name Abdirabi Abdirabi Salim Al Baydani) using Amal Express, while in March 2020, he transferred US\$18 900 to Al-Hayashi (under the name Abdiraba Abdirab Salim) via Iftin Express (see figures 3 and 4).

IFTIN EXPRESS
<http://www.iftinuk.com/sendmoney/receivemoneyworldwide>

IFTIN BOSSASO: mobiles/landlines: 2525827859/827/ 252907798791/ IFTINBSS@HOTMAIL.COM

Sender name: Abdirahman Mohamed Omer
 Cell phone: 252907798791
 Address: Bss
 Date: 03/2020
 Teller: [Redacted]
 Purpose: N/A

GNC:	[Redacted]
Beneficiary name:	Abdiraba Abdirab Salim
Mobile:	00967 [Redacted]
Destination:	Mukalla/Ye
Amount:	\$18900
Charge	\$78
Rate:	1.1.0000000
Total:	\$18978
Total in words:	Eighteen thousand nine hundred and seventy eight dollars

DECLARATION:
 I'm here to declare that the money sent here was not intended for illegal issues, and will take full responsibility on

FIGURE 3 Remittance from Abdirahman 'Dhofaye' to Al-Hayashi, March 2020.

AMAL EXPRESS
 Bossaso branch, xarunta dhexe tell: 00 05823100, 252907794087

Sender details	
Name	Abdirahman Mohamed Omer
Mobile	2529077 [Redacted]
Address	Bossaso, Puntland, Somalia
Beneficiary Details	
Name	Abdirabi Abdirabi Salim Al Baydani
Mobile	009677 [Redacted]
Address	MKLYEM
Sender remarks	Call [Redacted]

Trans ID	[Redacted]
Date	2019-10- [Redacted]
mode	Cash
Purpose	N/A
Sent amount	19500USD
Ex.Rate	1.1.000
Commission	46USD
Total amount	19546USD
User	AMALBANKBSS
Amount in words	Nineteen thousand five hundred and forty six dollars

Duplicate invoice: I certify that I'm transmitting funds on my behalf or on behalf of entity for which I am providing identification of affiliation, that the information I have provided is accurate that my intended receipt is not a specially designated national (SDN) of blocked person or otherwise prohibited by Somalia government to receive funds and that the transfer illegal purpose including money laundering or the financing of terrorist activity, note: this is the only official receipt of Amal Express Bari region. This authorized to take any deposit from any customer

Agent signature [Redacted] Customer signature [Redacted]

FIGURE 4 Remittance from Abdirahman 'Dhofaye' to Al-Hayashi, October 2019.

A representative of Amal Express told GI-TOC that it is standard practice for its agents to check the names of remittees against a sanctions database provided by the Central Bank of Somalia (CBS).³⁵ The decision to refer a transaction to the MTO's compliance department is at the individual discretion of the teller.³⁶ Iftin Express did not respond to GI-TOC's request for comment. GI-TOC is not aware of arms dealers using either Dahabshiil or Taaj to circumvent OFAC or other sanctions listings.

GI-TOC has also established that Al-Hayashi employs multiple SIM cards to communicate and receive funds, likely indicating an attempt to circumvent signals surveillance. As the time of writing, GI-TOC had identified eight mobile-phone numbers associated with Al-Hayashi.

Bashir Naaji Abdullahi Shujac: Al-Hayashi's proxy

Between October 2016 and October 2017, Al-Hayashi received a total of US\$317 404 directly from Dhofaye. The last transaction occurred on 10 October 2017, about two weeks before Al-Hayashi's designation by OFAC.

Following Al-Hayashi's OFAC designation, Dhofaye began a string of transfers to Bashir Naaji Abdullahi Shujac, an individual identified by GI-TOC as a proxy acting on behalf of Al-Hayashi. On 18 December 2017, Dhofaye transferred the relatively small sum of US2 991 to Shujac, which may have constituted a test of the new financing arrangement with Al-Hayashi. Phone records obtained by GI-TOC indicate that Dhofaye made three calls to Al-Hayashi in the afternoon and evening that same day, perhaps in order to verify whether the funds had been successfully received. In the wake of this hypothesized test remittance, Dhofaye subsequently proceeded to make 11 further transfers to Shujac/Al-Hayashi between 25 December 2017 and 5 February 2018, for a total of US\$243 681 (see Figure 5).

According to a close family relative, Bashir Shujac handles the money for all of Al-Hayashi's arms deals in Somalia, but is not directly involved in the arms trade.³⁷ Shujac claimed that he had only worked as a taxi driver for Al-Hayashi in Sana'a and had collected funds on his behalf without being aware of the nature of his activities.³⁸

Date of transfer from Dhofaye to Shujac	Amount (US\$)
18 December 2017	2 991
25 December 2017	7 970
26 December 2017	39 840
1 January 2018	11 960
4 January 2018	9 970
13 January 2018	8 960
16 January 2018	49 800
24 January 2018	9 950
27 January 2018	30 000
29 January 2018	10 000
30 January 2018	19 940
5 February 2018	42 300
	243 681

FIGURE 5 Transfers from Abdirahman 'Dhofaye' to Shujac/Al-Hayashi.

Mohamed Hussein Salad: The middleman

Mohamed Hussein Salad is an Arabic-speaking Somali national currently residing in the vicinity of Al Mukalla, Yemen. According to an identity document obtained by GI-TOC, Salad was born January 1965 in Bargal, Puntland. GI-TOC has also established that as of June 2017, Salad was classified as a refugee by the Yemeni government.

Between August 2015 and May 2020, Salad received a total of US\$728 141 in remittances from known Puntland arms importers. These financial flows – as well as information provided by Yemen-based arms smugglers and analysis of mobile-phone records – strongly indicate that Salad functions as a key intermediary in facilitating the transport of arms consignments from Yemeni suppliers to their Puntland end clients.

Using mobile-phone records dating between 2016 and 2020, GI-TOC was able to map communications between the six arms importers and suppliers detailed above. Figure 7 provides a basic visual schematic of the relationships between these key persons of interest.

MATCHING ARMS WITH MONEY

According to information provided by a former official in the Puntland security forces, the beginning of Dhofaye's series of remittances to Shujac/Al-Hayashi coincided with the arrival of a shipment of arms and ammunition on Puntland's northern coast. On 19 December 2017, a consignment consisting of AK-pattern rifles, machine guns, pistols and ammunition reportedly arrived by speedboat at Buruc village, located on a promontory approximately 60 kilometres north-east of Bosaso.³⁹ According to the source, Dhofaye had partnered with another known Puntland arms importer in purchasing the shipment. Dhofaye subsequently transported the materiel to Bosaso by lorry for onward sale.⁴⁰

The Puntland security source provided GI-TOC with a rough description of the contents of the consignment, as well as approximate corresponding wholesale prices in Yemen, from which it is possible to construct an estimate of the total value the shipment (see Figure 6).

Description	Quantity	Approximate unit wholesale cost in Yemen (US\$)	Total value (US\$)
AK-pattern rifle	70	600	42 000
PK-pattern light machine gun	40	6 000	240 000
DShK heavy machine gun	11	13 000	143 000
Glock pistols	15	1 300	19 500
Ammunition	3 400 rounds of AK-pattern 7.62×39 mm 3 400 rounds of DShK 12.7×108 mm 5 700 rounds of PK-pattern 7.62×54 mm	0.70 per round 2.30 per round 1.50 per round	18 750
			463 250

FIGURE 6 Approximate inventory of arms shipment landed at Buruc village, Puntland, in December 2017.

SOURCE: Former Puntland security official/ Yemeni arms dealer.

Dhofaye's aggregate payments to Al-Hayashi from December 2017 to February 2018 (US\$243 681) roughly correspond to half the total estimated value of the December 2017 arms shipment (US\$463 250). One might speculate that the remaining balance was paid by Dhofaye's business partner, either in cash or in transactions not captured in the financial data obtained by GI-TOC.

If Dhofaye's series of remittances were indeed linked to the December 2017 shipment, it might indicate a trust-based relationship between Dhofaye and Al-Hayashi, whereby payment was sent in instalments following the receipt of the illicit consignment. It may also suggest a limited cash flow on the part of Dhofaye, such that he needed to sell on the shipment before he was able to fully pay his supplier. ■

MOBILE PHONE CONTACT BETWEEN SOMALI AND YEMENI ARMS TRAFFICKERS, 2016-2020

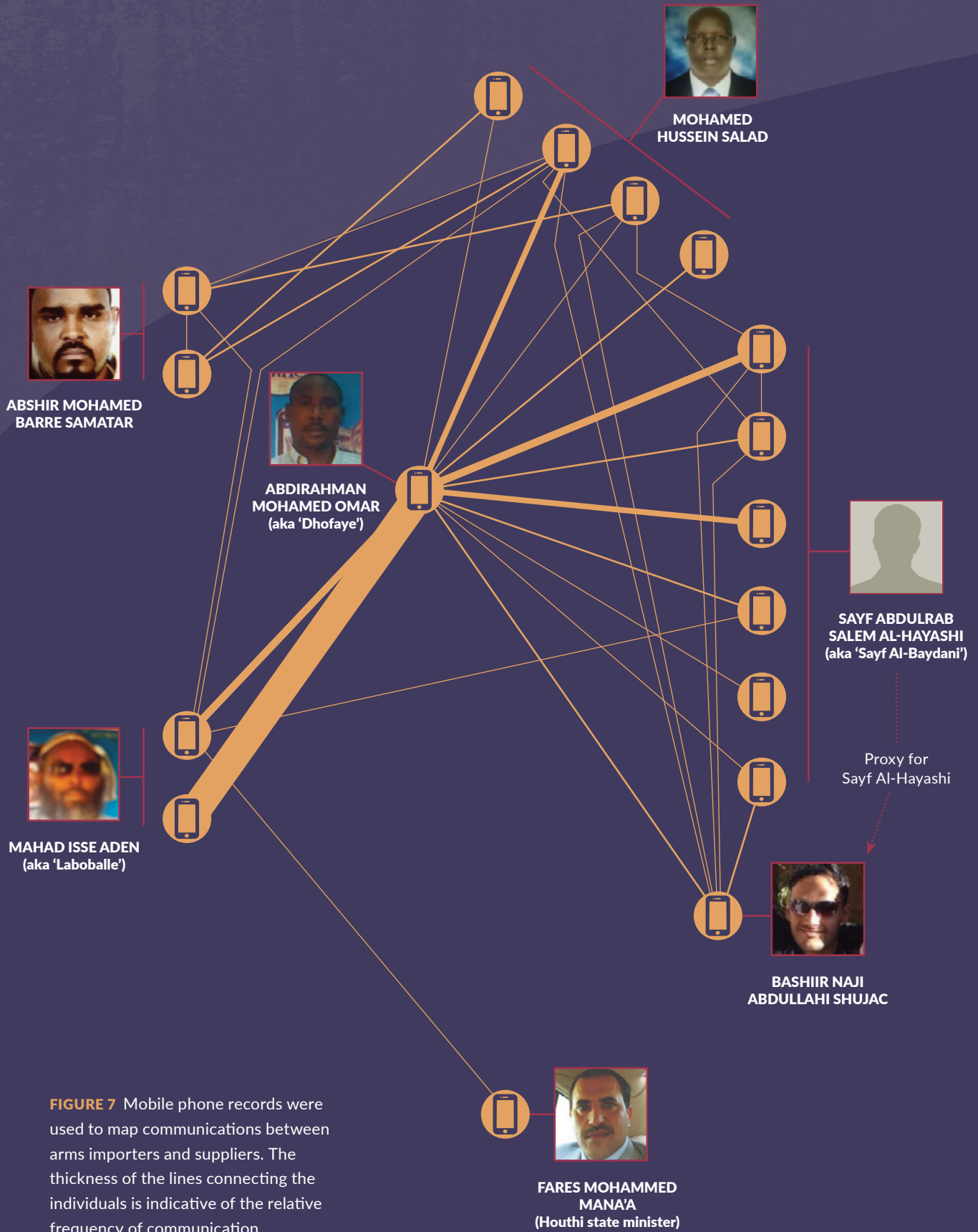


FIGURE 7 Mobile phone records were used to map communications between arms importers and suppliers. The thickness of the lines connecting the individuals is indicative of the relative frequency of communication.

A photograph of the Somali flag flying from a pole on the facade of a white building. The building has a decorative cornice with a row of small, white, stylized figures. The sky is clear and blue. In the foreground, there are some dark, silhouetted shapes, possibly trees or parts of a structure. The overall image has a slightly grainy texture and is overlaid with a semi-transparent white geometric shape in the top left corner.

BANKIGA DHEXE EE SOOMAAL

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FINANCIAL REGULATION IN SOMALIA



Somalia has recently entered its fourth decade of civil war and is routinely categorized as a 'failed state'. Government institutions are extremely underdeveloped, human capital is limited and the Islamist militant group Al-Shabaab controls vast swathes of the country. In such an environment, implementing effective AML/CFT controls is a considerable challenge.

In 2016, the Somali federal government passed the Anti-Money Laundering and Countering the Financing of Terrorism Act, aimed at bringing the country in line with international financial standards. Article 5 (2) (b) of the act required reporting entities to 'identify and verify the identity of their customers' in instances where transactions are equal to or exceed US\$10 000. With international donor assistance, the Somali government created the Mogadishu-based Financial Reporting Center (FRC), a financial intelligence and investigative unit that became operational in November 2018.⁴¹

However, the effectiveness of the FRC has been undermined by understaffing, its perceived lack of legal legitimacy and an ongoing turf war with the CBS, as well as the belief among Somali financial institutions that there are insufficient data-protection controls in place.⁴² The FRC has also reportedly failed to secure the buy-in of many Somali government stakeholders.⁴³ GI-TOC understands that financial entities in Somalia do not regularly comply with the FRC's reporting requirements, nor does the institution have the bandwidth to process the limited data that it does receive.

Moreover, the fractured nature of the Somali political landscape – the country comprises five semi-autonomous federal member states and a breakaway region – makes the enforcement of a standardized set of financial regulations almost impossible.

The Somali federal government is weak and is often incapable of enforcing its edicts beyond the capital itself, while its relationships with some of its regional administrations are highly adversarial. An MTO may report financial data from its operations in the capital to federal institutions in Mogadishu, but it may not do so when it comes to its operations in federal member states.⁴⁴

◀ The Central Bank of Somalia building in Mogadishu. The CBS was reconstituted in 2007 after a prolonged closure due to the ongoing civil war in the country. © Central Bank of Somalia via social media

The lack of a credible national identification system in Somalia poses another challenge to AML compliance, especially in the context of KYC regulations that require financial institutions to verify the identities of their clients and periodically assess the risks they may pose. Senders and (more frequently) receivers of remittances in Somalia often do not possess formal, government-issued identity documents, while even Somali passports are unreliable in terms of identification, as counterfeits are readily obtainable across the country. A representative of the MTO Taaj informed GI-TOC that the company requires its Puntland customers to present identification documents wherever possible, but that a customer who lacks a formal document may have his or her identity confirmed by a 'reputable person' who accompanies them to a teller and agrees to assume liability for the transaction.⁴⁵ A similar practice is employed by the MTO Dahabshiil.⁴⁶

Spelling and naming conventions in Somalia also result in numerous renderings of an individual's name across financial records. Over the course of this study, GI-TOC found that the most reliable identifier for a remitter was usually a mobile-phone number. However, the extent to which mobile-phone numbers may be relied upon for identification is also limited due to the lack of formal identity documents in Somalia. Despite federal legislation passed in 2017 that requires each SIM card to be registered, most SIM cards in Somalia continue to be obtained anonymously. Even in cases where SIM cards are registered – usually when the subscriber wishes to use mobile money and/or banking services – telecommunications companies are not in a position to definitively identify the user. Accordingly, the frequent changing of mobile-phone numbers offers a simple solution for arms dealers seeking to evade detection by authorities.

In an environment such as Somalia, biometric identification (such as fingerprint-scan technology) offers a potential cost-effective solution to the challenges in complying with KYC regulations. Yet to date no MTO in Somalia has implemented any form of biometric identification system, beyond (in some cases) registering customer photos.

One MTO representative told GI-TOC that its attempts to implement fingerprint-scan technology had failed due to customers' resistance to providing personal information, which he attributed to Somali cultural proclivities.⁴⁷ Another major impediment to implementing biometric technology is Al-Shabaab, which uses Somali financial services and resists any measures to improve transparency, including by routinely carrying out attacks against MTO employees and property. 'Effective AML/CFT cannot be delivered in an environment where financial institutions encounter the threat of violence on a regular basis', an MTO representative told GI-TOC.⁴⁸

Exploiting MTO compliance gaps

MTOs operating in Somalia routinely maintain that they are compliant with national AML/CFT regulations.⁴⁹ One senior MTO executive told GI-TOC that if his company did not have a proper KYC system in place, it would no longer be in business.⁵⁰ 'We know all our customers and we have a system of verifying each and every one of them', he wrote.⁵¹

The 176 arms-related transactions analyzed by GI-TOC suggest a different conclusion. For the six arms importers and suppliers highlighted in this study, GI-TOC found dozens of name variants, spelling variations and spelling errors across transactions conducted through the four MTOs (Figure 8). In numerous instances, GI-TOC found the names of entirely different

Implementing biometric identity capturing technology in Somalia's financial sector has been met with resistance.

© Daniel Berehulak/Getty Images



individuals listed on remittances transacted under the mobile-phone numbers of known arms dealers. For instance, Dhofaye's identity was rendered in 24 distinct ways – including nine entirely dissimilar names – across the 98 transactions associated with him.

A senior MTO executive told GI-TOC that the company required its agents to exclusively use customer name spellings that followed official identification documents such as passports or driving licenses.⁵² While he acknowledged that there were cases when this practice might not be followed, he stated that these were due to a lack of due diligence on the part of the company's licensed agents – behaviour that would be corrected should the company become aware of it.⁵³

GI-TOC also found instances of individuals apparently using several different phone numbers when transferring funds. Dhofaye, for instance, has provided at least five distinct phone numbers to MTO tellers when sending remittances. GI-TOC has

determined that only one of these phone numbers was registered to Dhofaye himself; two others were registered to unknown individuals and the remaining two were unregistered.

According to representatives of MTOs interviewed by GI-TOC, it is company policy to require clients to physically present themselves at a branch in order to remit funds.⁵⁴ However, GI-TOC cross-referenced the 98 transactions attributed to Dhofaye with tower location data for the primary mobile-phone number affiliated to Dhofaye. The analysis revealed that Dhofaye was not physically present in Bosaso on at least 29 occasions on the dates of the transfers.⁵⁵ In most of these instances, he was not within hundreds of kilometres of the city. Whether Dhofaye had sent proxies to transact the remittances on his behalf or whether he had provided instructions to the MTO agents remotely was not possible for GI-TOC to determine.⁵⁶

Arms dealer or proxy	Abdirahman Mohamed Omar (aka 'Dhofaye')	Mahad Isse Aden (aka 'Laboballe')	Abshir Mohamed Barre Samatar	Sayf Abdulrab Salem Al-Hayashi (aka Sayf Al-Baydani)	Bashiir Naji Abdullahi Shujac (proxy for Sayf Al-Hayashi)	Mohamed Hussein Salad
Aliases, proxies, name variations, spelling variations or spelling errors in the names of remitters or remitees	1. Abdi Ismail Mohamud	1. Aadam Mohamed Abdulle	1. Abshir Mohamed Barre	1. Abdiraba Abdirab Salim	1. Bashiir Naaji Abdullahi	1. Hassan Mohamed Hussein Salad
	2. Abdi-Raxman Mohamed Salah	2. Abdikafi Mahad Issa Labobale	2. Abshir Mohamed Mohamud	2. Abdiraba Abdirab Salim Al Baydaani	2. Bashiir Naaji Abdullahi Shujac	2. Mohahmed Salad
	3. Abdikadir Abshir Abdi	3. Abdulkadir Aaden Mohamed	3. Maxamed Yusuf Salad	3. Abdiraba Abdirab Salim Al Baydanni	3. Baashi Naaji Abdullahi Shujac	3. Mohamed Husein Salad
	4. Abdirahmaan Mohamed Omer	4. Ahmed Jama Mohamed Adan Labobale	4. Abdikariim Mohamud Farah	4. Abdiraba Abdirab Salim Baydaani	4. Bashiir Abdullahi Shujac	4. Mohamed Hussein Salad
	5. Abdirahman Abdi Mohamed Dhofaye	5. Hassan Ali Isxaq	5. Abdullahi Ahmed Salaad	5. Abdirabi Abdirabi Salim Al Baydani	5. Bashiir Naaji Abdulahi Shujac	5. Mohamed Mussein Salad
	6. Abdirahman Abdi Mohamed Omer	6. Jama Mahad Ciise		6. Abdi Rabh Abdi Rabi Saalim Beydaani	6. Bashir Abdullahi Shujac	6. Mohamed Salad Hussein
	7. Abdirahman Ahmed Abdirahman Dhofaye	7. Jama Mahad Ciise Aadan			7. Bashir Naaji Abdulahi Shujac	7. Salad Mohamed Abdi
	8. Abdirahman Jama Abdille Abdi	8. Jama Mahad Issa			8. Bashir Naaji Abdullah	8. Mohamed Hussen Salad
	9. Abdirahman Moahmed Omer	9. Jamac Mahad Issa Aadan			9. Bashir Naaji Abdullahi	9. Mahamed Hussen Salad
	10. Abdirahman Mohamed Dhofaye	10. Mahad Ciise Aadan			10. Bashir Naji Abdullahi	10. Mohamed Hussein Hussein
	11. Abdirahman Mohamed Mohamud Dhofaye	11. Mahad Ciise Aadan Nur			11. Bashir Naji Abdullahi Shujac	
	12. Abdirahman Mohamed Omar	12. Mahad Ciise Adan			12. Mohamed Salad Ahmad	
	13. Abdirahman Mohamed Omer	13. Mahad Issa Aadan			13. Saalim Saciid Abdullahi	
	14. Abdirahman Mohamed Omer Dhofaye	14. Mahad Issa Aadan Guure			14. Bashiir Naji Abdallah Shujac	
	15. Abdirahman Oman Abdi-Quwe	15. Mahad Issa Labobale				
	16. Abdiraxham Mohamed Omar	16. Mahad Issa Salad				
	17. Cabdi Mohamed Cumar Dhofaye	17. Mahad Isse Aadan Labobale				
	18. Daud Mohamud Sakria	18. Mahad Isse Adan				
	19. Hussein Abdullahi Nadif	19. Mohamed Hassan Hussein				
	20. Khalif Shek Ali	20. Mohamed Rashiid Hussein				
	21. Mohamed Abdi Ibrahim Ali	21. Mustafe Mahad Issa				
	22. Mohamed Mohamud Dhofaye	22. Sa'ed Jama Abdi				
	23. Mohamed Omer Salim					
	24. Said Abdalla Mohamed					
Distinct mobile-phone numbers employed	5	2	2	2	1	2

FIGURE 8 Variations in names and mobile-phone numbers of remitters or remitees

No need to 'smurf'

Of the 176 transactions analyzed by GI-TOC, 139 were larger than the US\$10 000 threshold that often necessitates the financial institution to submit a currency-transaction report to an oversight authority. The largest single transaction assessed by GI-TOC amounted to US\$71 000. It therefore appears that Puntland arms dealers do not regularly engage in 'smurfing', or the practice of structuring financial transfers in amounts less than US\$10 000 in order to avoid AML scrutiny.

According to a representative of Amal Express, Somali MTOs are required to transmit quarterly reports to the CBS that include details on any transactions of US\$2 000 or more – far below the US\$10 000 threshold.⁵⁷ It is not clear, however, what action, if any, the CBS takes with the data.⁵⁸ A representative of another MTO, however, wrote to GI-TOC that the CBS has yet to extend its jurisdiction to Puntland.⁵⁹

In any case, the apparent willingness of Puntland arms traffickers to transact large sums in single transfers would suggest that suspicious transactions are rarely investigated (or rarely have consequences), at least in Puntland.

Customer self-declarations

As evidenced by the remittance slips analyzed by GI-TOC, one form of standard due diligence performed by MTOs is to solicit a self-declaration from the remitter. The customer is required to attest that the remitted funds do not derive from an illicit source and/or are not intended for an illegal purpose (Figure 9). Amal Express's customer declaration is unique in making reference to preventing transfers to individuals under sanction, though the focus is on those designated by the Somali government rather than by international authorities.

Duplicate invoice: I certify that I'm transmitting funds on my behalf or on behalf of entity for which I am providing identification of affiliation, that the information I have provided is accurate that my intended receipt is not a specially designated national (SDN) of blocked person or otherwise prohibited by Somalia government to receive funds and that the transfer is not for any illegal purpose including money laundering or the financing of terrorist activity, note: this is the only official receipt of Amal Express Bari region. This Agent is not authorized to take any deposit from any customer

Cashier Signature Remitter Signature
I hereby declare that the money paid to you was not derived or obtained by or intended to be used for illegal means

DECLARATION:
I'm here to declare that the money sent here was not intended for illegal issues, and will take full responsibility on it

Customer signature: Teller sign:

Thank you for using TAAJ SERVICES
DECLARATION: The Company is/will not be responsible for delays resulting from incorrect information as provided. Only the amount (not the service charge) is refundable. The rate of the exchange will be set at the time the recipient (s) picks up the funds. The customer hereby declares that the funds transferred were not from illegal source or activities including but not limited to money laundering, terrorist, etc. I hereby fully release the company all claims or liability of this transaction after 14 days without complaint.

FIGURE 9 Standard customer declaration statements for Amal Express, Dahabshiil, Iftin Express and Taaj (from top to bottom).

Sender details		Trans ID	
Name	Cabdi Maxamed Cumar Dhofaye	Date	20/07/2019
Mobile	2529	mode	Cash
Adress	Bossaso, Puntland, Somalia	Purpose	Family support
Beneficiary Details		Sent amount	38,230 USD
Name	Bashiir Naji Abdullahi	Ex.Rate	1.0000000
Mobile	9677	Commission	430 USD

FIGURE 10 A remittance slip for a US\$38 230 remittance sent by arms dealer Abdirahman 'Dhofaye' purportedly for 'family support'.

In the case of transactions conducted by Dahabshiil, Amal Express and Iftin Express, a field is provided to record the purpose of the transaction, although in practice this is often left blank or marked 'N/A'. Where the purpose field is completed, it is typically categorized as 'family support' (Figure 10), 'consumption/family support', or simply 'consumption'. On a single occasion, the purpose of the transaction was described as 'business', and on another as 'paying debt'.

Of the 176 remittance transactions analyzed by GI-TOC, 147 were carried out by either Abdirahman 'Dhofaye' (98), Mahad Isse 'Laboballe' (31) or Abshir Barre (18). Of these 147 transactions, GI-TOC noted 86 instances in which the transacting customer had signed his name on the corresponding remittance slip.⁶⁰

Upon a superficial visual inspection, the signatures appeared to have been signed by a wide array of different hands. In order to verify this supposition, GI-TOC submitted the 86 signatures to a forensic handwriting expert for analysis.⁶¹ The forensic expert identified nine distinct handwriting patterns among 26 of the 86 signatures, indicating that those 26 had likely been produced by at least nine separate signees. The expert was unable to extrapolate any definitive pattern from the remaining 60 signatures. He additionally determined that deliberate disguise of some of the signatures was 'highly probable' and some appeared to be 'scribbled', thereby precluding any definite conclusions.

Moreover, among the signatures that displayed forensic similarities, there were four cases in which similar signatures appeared on remittance slips associated with more than one arms dealer. For instance, the signature on two remittance slips for transactions carried out by Abshir Barre in July 2019 and March 2020 bore similarities to the signature on a slip attributed to Mahad Isse 'Laboballe' in February 2020 (Figure 11).

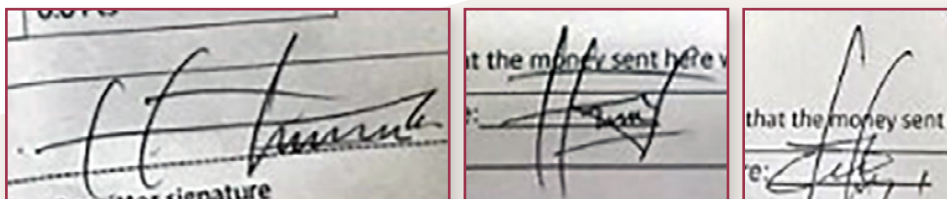


FIGURE 11 Signatures with forensic similarities appearing on remittance slips associated with Abshir Barre (left and centre) and with Mahad Isse 'Laboballe' (right).

The similarity in handwriting across transaction slips associated with different individuals suggests the possible existence of proxy agents who conduct financial transactions on behalf of more than one arms dealer. However, additional handwriting samples or corroborating evidence would be required to substantiate the existence or identities of such agents.

As GI-TOC did not possess any verified handwriting samples from Dhofaye, Laboballe or Barre, it was also not possible to determine how many of the signatures may have been produced by their hands. However, at a minimum the forensic handwriting analysis indicates a high probability that multiple individuals – at least nine – signed off on transactions carried out under the names (or phone numbers) of only three arms dealers. The handwriting study therefore corroborates the analysis of Dhofaye’s phone-location data presented above, namely that individuals do not need to be physically present at a remittance branch in order to conduct transactions, which sometimes amount to tens of thousands of dollars.

Responses by MTOs to this study’s findings

During its research process, GI-TOC actively engaged with representatives from the MTOs Amal Express, Dahabshiil, and Taaj, apprising the companies of the findings and seeking their input. In August 2020, Dahabshiil provided a statement to GI-TOC in which it announced that, in response to GI-TOC’s findings, the company would cease to provide remittance services between Somalia and Yemen:

“Whilst recognising the vital importance of remittances to Yemen, especially during its current desperate humanitarian crisis, Dahabshiil recognises that this remittance corridor poses a particular risk of being abused. Dahabshiil would therefore like to confirm that it is no longer sending or receiving funds via the Somalia–Yemen corridor. ... Compliance is a number one priority for Dahabshiil and it has to constantly review its activities in the face of frequently changing global dynamics to ensure it always remains fully compliant.”⁶²

The MTO Taaj also informed GI-TOC that the company was considering closing its Yemen–Somalia financial corridor due to the ongoing civil war and the risks of facilitating illicit trade.⁶³

THE ANATOMY OF AN (ABORTIVE) ARMS DEAL



Using contact information gleaned from remittance transaction records, GI-TOC began communicating with Jabir Al-Haadi, a suspected arms dealer based in Sana'a.⁶⁴ Al-Haadi had received a transfer of US\$10 094 from Puntland arms dealer Abdirahman 'Dhofaye' in June 2019, but nothing further was known about the relationship between the two individuals.

On 27 June 2020, GI-TOC contacted Al-Haadi using the fictitious identity 'Jama': an Arabic-speaking Somali national living in Nairobi who was attempting to broker an arms sale on behalf of an unspecified security agency in South Sudan.⁶⁵ Communications were conducted via recorded voice messages on the WhatsApp messaging platform. (The excerpts below are transcripts of Al-Haadi's voice messages received by Jama.)

Between 27 June and 5 July 2020, Al-Haadi and Jama exchanged dozens of recorded messages. Over the course of these exchanges, Al-Haadi shared detailed information about his operation, including his current weapons stock, his associates and preferred means of receiving financial transfers. He also provided several photographs of weapons held at his storehouse in Sana'a, including detailed photos of the markings of Bulgarian-and Chinese-manufactured assault rifles.

A cache of AK-pattern rifles seized following the interdiction of a stateless dhow by the USS *Sirocco* on 28 March 2016.

© US Navy

Straight to business

Following a brief introduction, Al-Haadi began to inform Jama of the types of weapons in his possession and asked him to provide details of the requirements of the South Sudanese security officials.

Hi Sheikh Jama, Italian or Israeli type [weapons], I have all that ... Since you communicated with me, then it means you can trust me. We trust in God and we work together. Write for me what is required, the types and quantities in a list and I'll bring you the prices in two days' time. So if you trust me as a person and deal with me, just tell me the various types you want.

In response, Jama sent Al-Haadi a list of small arms and ammunition supposedly requested by his fictitious South Sudanese clients. The list was formulated to contain materiel commonly available in Yemen but in quantities far greater than the typical size of small-scale shipments routinely smuggled to Somalia. The requested consignment – worth at a minimum several million dollars – was calibrated to test whether a Yemen arms dealer would be capable of scaling up his operation to meet significantly increased demand:

- 500 × AK-pattern rifles
- 50 × DShk heavy machine guns
- 200 × PKM-pattern light machine guns
- 2 000 × Type 69 rocket-propelled-grenade rounds
- 2 million rounds × AK-pattern rifle ammunition (7.62×39 mm)
- 500 000 rounds × DShk ammunition (12.7×108 mm)
- 1 million rounds × PKM ammunition (7.62×54 mm)

Within two days, Al-Haadi sent a list of prices for the requested weapons and ammunition, not all of which was currently available to him. GI-TOC's understanding is that the figures he quoted were considerably higher than typical wholesale prices in Yemen.

Assalamu aleikum [Peace be upon you], Sheikh Jama. Please check WhatsApp and see what I've sent ... So we can gather both new ones and used ones which are in good condition, that's for the weapons and equipment. However, for the ammunition, they are all new and in their boxes.

- | | |
|---|----------------|
| ■ Type 56-1 assault rifle: | US\$1 900 |
| ■ DShk heavy machine gun: not currently available | |
| ■ AR-M9F assault rifle: | US\$2 400 |
| ■ PKM-pattern rifle: | US\$6 000/unit |
| ■ Type 69 rocket-propelled-grenade rounds: | US\$90/round |
| ■ AK-pattern rifle ammunition (7.62×39 mm): | US\$0.70/round |
| ■ DShk ammunition (12.7×108 mm): | US\$2.30/round |
| ■ PKM ammunition (7.62×54 mm): | US\$1.50/round |



Bulgarian-manufactured AR-M9F assault rifles and accessories photographed at Jabir Al-Haadi's storehouse in Sana'a, June 2020. The '45' marking indicates that the rifle had been manufactured in 2005.

SOURCE: GI-TOC

Al-Haadi also sent Jama photographs of his available stock from his storehouse in Sana'a. Several of these photographs depicted weapons with characteristics and markings consistent with AR-M9F assault rifles manufactured in Bulgaria in 2005. The AR-M9F is an analogue weapon to the AK-74 assault rifle, though it is chambered in standard NATO issue 5.56x45 mm rounds instead of Soviet-origin 7.62x39 mm ammunition standard in AK-pattern rifles. Al-Haadi quoted a unit price of US\$2 400 for the rifle, although he stated that this price was negotiable.

There is a strong possibility that the AR-M9F rifles in Al-Haadi's storehouse had been diverted from stocks supplied by the UAE to anti-Houthi coalition forces in Yemen. Bulgaria has exported significant numbers of SALW to the UAE since at least 2007; in 2010, for instance, approximately 30 000 assault rifles formed part of a sales agreement between Bulgaria and the UAE.⁶⁶ AR-M9F rifles have been documented in the hands of coalition forces in Yemen, who had likely received them from the UAE.⁶⁷ While not conclusive, the samples provided by Al-Haadi appear to be freshly issued weapons that had not been used in combat, suggesting that they had been diverted into the illicit sphere before reaching the intended end users.



Posts on social media furnish evidence of similar AR-M9F rifles available for sale in Yemeni markets. For instance, an AR-M9F and its accessories, reportedly being offered at a price of 8 000 Saudi riyals (US\$2 130), was posted to Twitter in late June 2020.⁶⁸ A similar rifle, also in near new condition, was photographed for sale in Sana'a in late 2019.⁶⁹

- ▶ Yemen coalition soldiers brandishing what appear to be AR-M9F assault rifles reportedly supplied by the UAE.

SOURCE: Social media.⁷⁰



- ▶ AR-M9F and accessories on sale in Yemen at a reported price of 8 000 Saudi riyals (US\$2 130), June 2020.

SOURCE: Social media

- ▶ Apparent AR-M9F assault rifle for sale in Sana'a, late 2019.

SOURCE: Social media





Type 56-1 rifles show tentative link to Iran

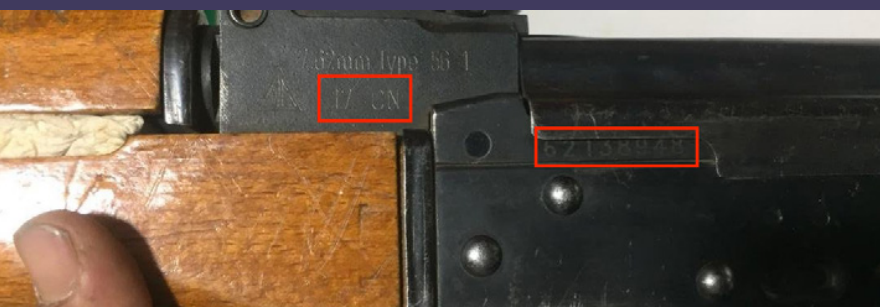
Al-Haadi also provided Jama with several photographs of AK-pattern rifles that appeared to be Chinese-manufactured Type 56-1s.

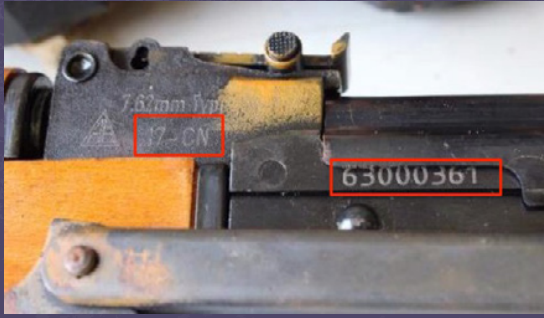
The serial number on one of these rifles – 62138948 – allowed GI-TOC to trace a telling link to two Type 56-1s found in Somalia in 2019. In April 2019, another rifle bearing the ‘621’ sequence was documented with an arms dealer in the central city of Galkayo.⁷¹ In July 2020, a 56-1 rifle with a serial number also beginning with the sequence ‘621’ was documented in the private ownership of a civilian in the northern Somali town of Badhan.⁷² The close proximity of the serial numbers strongly suggests that the three rifles – including the Type 56-1 documented in Al-Haadi’s storehouse – had belonged to the same illicit consignment originating in Yemen.

How the rifles had reached Yemen in the first place is also open to speculation, but there are indications that they may have originated in deliveries from Iran intended for the Houthi administration. Type 56-1 rifles bearing the markings 17 CN and 18 CN – such as the one in the photograph provided by Al-Haadi above – are frequently documented in Yemen and are believed to derive from Iranian shipments.⁷³ Indeed, the UN Panel of Experts on Yemen, a Security Council body tasked with monitoring the arms embargo on the country, documented similar Type 56-1 rifles that had been seized from a vessel interdicted by the USS *Jason Dunham* in August 2018.⁷⁴ Numerous Type 56-1 rifles with serial numbers beginning with the sequence ‘621’ were also seized from a Yemen-bound dhow interdicted by Saudi-led coalition forces in the Gulf of Aden on 17 April 2020.⁷⁵

Australian naval forces from the HMAS *Darwin* board the Iranian dhow *Samer* in the Arabian Sea on 27 February 2016. © Australian Navy

Type 56-1 rifles in Jabir Al-Haadi’s storehouse in Sana’a, July 2020. One rifle bears the marking 17 CN – indicating that it was manufactured in 2017 – and the serial number 62138948.





Type 56-1 rifles recovered from a dhow interdicted in the Gulf of Aden in August 2018 by the USS *Jason Dunham*. The sample factory markings, date of manufacture and serial number are similar to the rifle documented in Jabir Al-Haadi's storehouse, above.

SOURCE: UN Panel of Experts on Yemen

The Type 56-1 rifles in Al-Haadi's storehouse in Sana'a provide compelling, albeit very preliminary, evidence of the existence of illicit-arms smuggling networks that see Iranian arms intended for Yemen end up in Somalia, and potentially beyond.

Insufficient quantities

Al-Haadi was upfront with Jama that he did not personally have the capacity to fill the order but would have to source the materiel from various arms dealers located throughout Yemen:

Look, the quantities of the equipment are not available but we can gather them. So, if you're serious, and now that you have the prices, prepare yourself, and send me a deposit tomorrow afternoon ... I'll send you the name of the receiver and I'll tell you the *hawala* you'll use to send, so that we can start going to the provinces and regions and gather from the traders, giving each of them some deposit, until we get all the quantities. You contact me and I'll tell you where to transfer the money to ... God willing.

Al-Haadi also told Jama that arms and ammunition were in such demand in Yemen itself that if he hesitated to finalize the order, it would no longer be possible to source the desired quantities. While this may have been a negotiation tactic, it is also possible that the civil war in Yemen had reduced the excess supply available to Somalia-based importers. If so, Al-Haadi's assertion may belie the common argument that the conflict has led to a glut of arms available for export (see 'Background: the Yemen-Somalia arms trade,' above).⁷⁶

The problem now is that we can't get the weapons in one place. If I need to move to get it, then I have to be ready with a deposit for the traders. You won't find what you can find today in another week. Yemen needs weapons more than any other country in the world. We use them daily. These weapons and ammunition are our breakfast, lunch and dinner. We consume them more than food. So I fear that by the time your guys agree, they may not find anything, so I need to start moving and give deposits to these traders and start preparing, 100 [weapons] from this one, 200 from another. That's if we can trust each other ... I need to get something in my hands so I can start moving.

A financial proxy is designated

Al-Haadi subsequently transmitted the name of an individual, 'Khaliil Abduh Abduh Muqbil al-Kamil', who would collect the funds at the MTO branch on his behalf. He requested that Jama facilitate a transfer of US\$100 000 from the South Sudanese officials to Khaliil as a down payment for the requested consignment. Notably, the mobile-phone number Al-Haadi provided for Khaliil was identical to his own:

“This is the name of the receiver through which you will transfer the deposit.”

This name [Khaliil Abduh Abduh Muqbil al-Kamil] is known ... the person with this name and phone number receives money daily through [a Somali MTO]... This is the name of the receiver through which you will transfer the deposit, US\$100 000, then I'll start moving and send direct pictures from the areas where we can get the quantities, and if the [South Sudanese] guys say no, then we stop. I'm ready to stop all other work and start working for them directly. When we get the required quantities, they send the remaining amount of money. So, let them send the deposit, so I can start moving and start serious work. I'll work on this as if it's mine.

The remittance records analyzed by GI-TOC show that a 'Khaliil Abdow Muqbil' had previously received a total of US\$55 150 over the course of three transfers to Sana'a in 2019, sent by the Puntland arms dealers Dhofaye and Laboballe (Figure 12). In two of these cases, Khaliil received the funds using Al-Haadi's mobile-phone number as an identifier. The overlap in mobile numbers strongly suggests the possibility that Khaliil functions as a cash courier for Al-Haadi, a proxy relationship analogous to that between Bashir Shujac and Sayf Al-Hayashi (see 'Bashir Naaji Abdullahi Shujac: Al-Hayashi's proxy', above).⁷⁷

Date	Sender	Receiver	Amount (US\$)
21 May 2019	Aadam Mohamed Abdulle (a proxy for Mahad Isse, aka 'Laboballe')	Daliil [sic] Muqbil Abdo	29 000
11 September 2019	Abdirahman Mohamed Omer (aka 'Dhofaye')	Khaliil Abdow Muqbil	16 050
21 November 2019	Mohamed Rashiid Hussein (a proxy for Mahad Isse, aka 'Laboballe')	Khaliil Abdow Muqbil	10 100
			55 150

FIGURE 12 2019 financial transfers to Khaliil Abdow Muqbil, Al-Haadi's proxy.

One might speculate that Al-Haadi's business relationship with Dhofaye and Laboballe was similar to many low-level suppliers who sourced small quantities of arms and ammunition for onward delivery to Somalia. The approximately US\$65 000 he received in 2019 – both directly and through Khaliil Muqbil – from the two Puntland dealers is consistent with his presumed status as a low-level dealer.

This low-level status is perhaps also reflected by Al-Haadi's focus on sourcing, not delivery. While Al-Haadi was willing to attempt to source the requested materiel from a network of suppliers around Yemen, he was evidently unfamiliar with the modalities of transporting the consignment onwards to Somalia.

Sheikh Jama, the delivery will be in Yemen, but if you don't have the ability to receive the commodities in Yemen, I can do some research for you on how they can be shipped to you and [the] way of delivering it to you ... I'll do a study of the routes, then you let me know where you want to get the delivery, if it's the Bosaso port or other areas outside the port. I can tell you the best places for delivery if you make your order. I can give you the details, the routes to pass, if you want the delivery to take place in the sea. So after placing the order and agreeing on the prices I can give you all the details. This will be done in a confidential manner.

To arrange transportation of the materiel to Somalia, it is likely that the services of an intermediary such as Mohamed Hussein Salad would be required (see 'Mohamed Hussein Salad: The middleman,' above).

The 'arms deal' falls apart

Over the course of their communications, Al-Haadi became increasingly frustrated that Jama had failed to transfer the US\$100 000 down payment:

Jama, assalamu aleikum and good morning. Frankly, we have worked and we got tired. We did our part. Now, the deadline for these guys is 12:00 p.m ... if they don't respond, tell them we will cancel and there will be no need to disturb us anymore. We are not idle, so let's not waste time.

Ultimately, on 5 July 2020 Al-Haadi informed Jama that he was unable to supply the requested quantities, and ceased his communications:

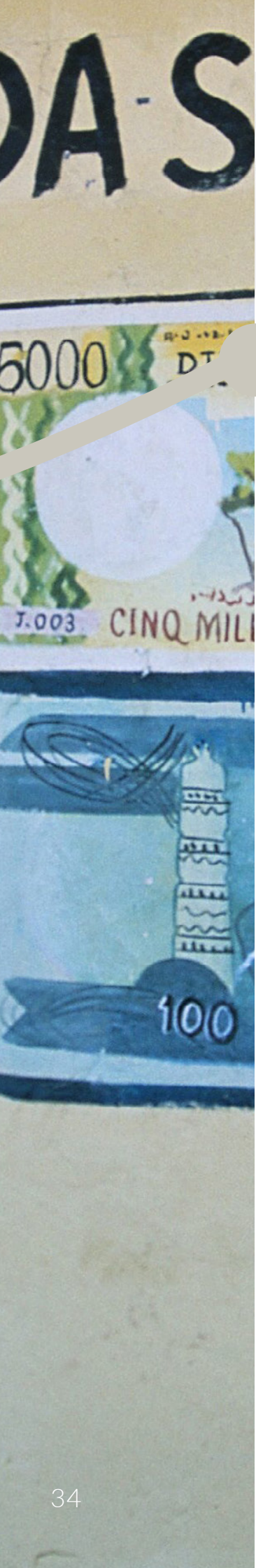
Assalamu aleikum Sheikh Jama. I tried to get the quantities. It was very difficult to get such large quantities. Very difficult to get these quantities in Yemen. We could not get enough quantities. So it's impossible to provide your order. Moreover, I was very enthusiastic to work with you, but your people have some kind of fear or something like that and to add to that the quantities are not available. So frankly, we cancel this, the quantity is not available. I would have liked that we work together but I can't [anymore]. My greetings and may God be with you.

Al-Haadi's willingness to communicate openly over a messenger application and furnish detailed information about the nature of his arms business to a new acquaintance was suggestive of the environment of impunity in which he operates. His business dealings with Puntland-based arms importers such as Abdirahman 'Dhofaye' and Mahad Isse 'Laboballe' appear likely to have been secondary to his servicing of domestic demand in Yemen. Yet the centrality of the *hawala* system in underpinning the Yemen–Somalia arms trade was made apparent in the fact that even a small-volume dealer such as Al-Haadi had a proxy at his disposal willing to collect funds on his behalf from a Somali MTO. ■

A SARIFKA



REFORMING THE HAWALA SYSTEM



As shown above, the gaps in compliance in the *hawala* system in the areas of AML/CFT have been exploited by arms dealers in Yemen and Somalia, who have used the system to make transfers which sometimes far exceed federally mandated limits for regulatory scrutiny and to persons under international sanction. Regulatory bodies in Europe are starting to crack down more heavily on MTOs, while banks are gradually reducing their involvement with 'risky' MTOs by withdrawing banking services. In the UK – where many of the companies are headquartered – the Financial Conduct Authority (FCA) issued a 'Dear CEO' letter in July 2020 addressed to 'payment service providers' (including remittance companies) that outlined a number of weaknesses in the industry and concluded with the warning that it would 'act swiftly and decisively' if the companies failed to meet their expectations.⁷⁸ These alleged weaknesses ranged from a failure to establish sufficient safeguarding measures and implement effective AML procedures to simple record-management and reporting deficiencies.⁷⁹ The FCA's letter prompted a rapid acceleration of account closures among the few remaining formal UK banking institutions willing to serve MTOs operating in Somalia.⁸⁰

International humanitarian organizations have argued that the loss of banking arrangements may reduce remittances to Somalia and force funding flows underground, encouraging the growth of criminal networks.⁸¹ According to the Royal United Services Institute, MTOs' declining access to banking services has forced them to turn to alternative channels that lack AML/CFT supervision, exacerbating the financial-crime risks associated with the *hawala* sector.⁸²

For their part, representatives of MTOs interviewed by GI-TOC argued that AML/CFT compliance breaches typically result from a lack of due diligence by their agents and franchisees, rather than from failures of company policy. Indeed, the *hawala* sector might suffer from a version of the principal-agent problem, whereby

◀ **An informal hawala and money exchange business in Hargeisa, Somaliland.**

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franchisees are incentivized towards behaviours that harm the parent organization. Therefore, any measures aimed at improving AML/CFT compliance must be calibrated to realign incentives for the vast network of independent agents making up *hawala* networks.

Some MTOs, however, have a more antipathic stance regarding AML/CFT controls, with a representative of Taaj arguing that AML/CFT measures were fundamentally unsuited to the Somali context, where 90% of the population does not have access to banking services, the economy is largely cash-based and where no reliable national identification system exists.⁸³ The representative suggested that the rising costs of AML/CFT compliance and uncertainty about customer due diligence have made it increasingly difficult for Somali financial institutions to provide services, with potentially damaging consequences for their customers.⁸⁴ 'AML/CFT policy provisions should not lead to further financial exclusion' for the Somali population, he wrote.⁸⁵ Likewise, Dahabshil was of the view that existing AML/CFT measures punish Somali MTOs for complying with them (as the MTOs lose customers who prefer easier options) while providing little benefit in terms of improved access to international financial services.⁸⁶ The company called for all stakeholders, including the Somali government, international community, international banks and Somali MTOs, to work together to address compliance challenges while preserving the remittance lifeline.⁸⁷

There is no doubt that the *hawala* remittance system provides the financial underpinning for the Yemen–Somalia arms trade, an illicit economy that has grave security ramifications not only for Somalia but also for the broader East Africa region. The *hawala* system is also abused by other criminal networks and terrorist organizations operating in the region. Yet in seeking to address these problems, one must not lose sight of the fact that *hawala* remittances, on the whole, do far more good than harm. The continued presence of remittance systems in both countries is a humanitarian necessity,⁸⁸ and is critical to the functioning of their respective national economies. Any efforts to address the behaviour of *hawala* operators must therefore focus on reforming the system, not destroying it.

Recommendations

- International financial watchdogs such as the Financial Action Task Force (FATF) should consider providing training and capacity support to *hawala* MTOs in Somalia and Yemen on strengthening the implementation of FATF standards related to money laundering and terrorist financing, including sanctions monitoring.
- The UN Security Council Committee established pursuant to resolution 2140 (2014) as well as the Committee pursuant to resolution 751 (1992) concerning Somalia should consider imposing sanctions measures on major players in the Yemen–Somalia arms trade. Bilateral sanctions bodies such as the Office of Foreign Assets Control (OFAC) should also consider targeting these individuals for listings.

Gaps in compliance in the hawala system have been exploited by arms dealers in Yemen and Somalia.

- FATF and Somalia's international partners should urge MTOs serving Somalia to adopt biometric identification systems, while remaining sensitive to the cultural and security challenges that the introduction of such technology may face. Successful implementation of biometric systems should form part of roadmaps for Somali MTOs to be granted access to international banking services.
- Banking institutions and regulators in the UK – and other European countries where MTOs serving Somali and Yemen are registered – should encourage MTOs to move away from cash-based models and towards more transparent digital/mobile money transactions, with access to international banking services contingent on successful implementation.
- Somalia's international donor partners should support efforts to develop a national identification system in Somalia, such as the World Bank's SCALED-UP project.⁸⁹
- MTOs serving Somalia should consider developing and strengthening internal disciplinary mechanisms to take action against their agents and franchisees who fail to implement AML/CFT controls.
- International naval missions operating off the coast of Somalia, such as EUNAVFOR and Combined Task Force 150, should consider expanding their mandates or their existing efforts to interdict arms shipments from Yemen to Somalia, in coordination with the relevant national authorities.

NOTES

- 1 Remittance flows from Somalia to Yemen are of relatively minor value and have fallen considerably since the onset of the Yemeni civil war. A representative of a major Somali MTO told GI-TOC in August 2020 that total remittances from Somalia to Yemen over the preceding 12-month period had only amounted to approximately US\$350 000.
- 2 Michael Horton, Yemen: A dangerous regional arms bazaar, *Terrorism Monitor*, 18, 8, 17 June 2017, <https://jamestown.org/program/yemen-dangerous-regional-arms-bazaar/>.
- 3 UN Panel of Experts on Yemen, Final report of the Panel of Experts in accordance with paragraph 6 of resolution 2266 (2016), 27 January 2017, <https://www.undocs.org/S/2018/193>; and United Nations Monitoring Group on Somalia and Eritrea, Somalia report of the Monitoring Group on Somalia and Eritrea submitted in accordance with resolution 2317 (2016), 8 November 2017, <https://www.undocs.org/S/2017/924>.
- 4 Ibid.
- 5 Ibid.
- 6 Ibid.
- 7 Ibid.
- 8 United Nations Monitoring Group on Somalia and Eritrea, Somalia report of the Monitoring Group on Somalia and Eritrea submitted in accordance with resolution 2385 (2017), 9 November 2018, <https://undocs.org/S/2018/1002>.
- 9 Ibid.
- 10 Michael Horton, Arms from Yemen will fuel conflict in the Horn of Africa, *Terrorism Monitor*, 18, 8, 17 April 2020, <https://jamestown.org/program/arms-from-yemen-will-fuel-conflict-in-the-horn-of-africa/>.
- 11 United Nations Monitoring Group on Somalia and Eritrea, Somalia report of the Monitoring Group on Somalia and Eritrea submitted in accordance with resolution 2385 (2017), 9 November 2018, <https://undocs.org/S/2018/1002>.
- 12 Michael Horton, Arms from Yemen will fuel conflict in the Horn of Africa, *Terrorism Monitor*, 18, 8, 17 April 2020, <https://jamestown.org/program/arms-from-yemen-will-fuel-conflict-in-the-horn-of-africa/>.
- 13 Interviews with two international arms experts, 7 and 8 August 2020, by phone.
- 14 Roger Dean, Remittances to Syria: what works, where and how, Norwegian Refugee Council, July 2015, <https://reliefweb.int/sites/reliefweb.int/files/resources/2015-07-nrc---remittances-to-syria---report-final-%281%29.pdf>.
- 15 John Bryant, Remittances in humanitarian crises, Overseas Development Institute, March 2019, <https://www.odi.org/sites/odi.org.uk/files/resource-documents/12638.pdf>.
- 16 Ibid.
- 17 Financial Action Task Force (FATF), The role of hawala and other similar service providers in money laundering and terrorist financing, October 2013, <https://www.fatf-gafi.org/documents/documents/role-hawalas-in-ml-tf.html>.
- 18 Ibid.

- 19 The Global Initiative Against Transnational Organized Crime, Civil Society Observatory of Illicit Economies in Eastern and Southern Africa Risk Bulletin, Issue 10, July–August 2020, <https://globalinitiative.net/wp-content/uploads/2020/08/Civil-Society-Observatory-of-Illicit-Economies-in-Eastern-and-Southern-Africa-Risk-Bulletin-10.pdf>.
- 20 Sherine El Taraboulsi-McCarthy, The challenge of informality: Counter-terrorism, bank de-risking and financial access for humanitarian organisations in Somalia, Overseas Development Institute, June 2018, <https://www.odi.org/sites/odi.org.uk/files/resource-documents/12258.pdf>. While some remittance companies operating in Somalia no longer describe themselves as 'hawalas', the term is still widely used both inside and outside the industry.
- 21 United Nations Monitoring Group on Somalia and Eritrea, Somalia report of the Monitoring Group on Somalia and Eritrea submitted in accordance with resolution 2317 (2016), 8 November 2017, <https://www.undocs.org/S/2017/924>.
- 22 Ibid.
- 23 Profile of 'Laboballe' provided to the author by a Puntland intelligence source.
- 24 Ibid.
- 25 United Nations Monitoring Group on Somalia and Eritrea, Somalia report of the Monitoring Group on Somalia and Eritrea submitted in accordance with resolution 2244 (2015), 31 October 2016, <https://www.undocs.org/S/2016/919>.
- 26 Ibid.
- 27 United Nations Monitoring Group on Somalia and Eritrea, Somalia report of the Monitoring Group on Somalia and Eritrea submitted in accordance with resolution 2317 (2016), 8 November 2017, <https://www.undocs.org/S/2017/924>.
- 28 Ibid.
- 29 Ibid.
- 30 Ibid.
- 31 Ibid.
- 32 United States Department of the Treasury, Treasury and Terrorist Financing Targeting Center partners issue first joint sanctions against key terrorists and supporters, 25 October 2017, treasury.gov/press-center/press-releases/Pages/sm0187.aspx.
- 33 Ibid.
- 34 United Nations Monitoring Group on Somalia and Eritrea, Somalia report of the Monitoring Group on Somalia and Eritrea submitted in accordance with resolution 2385 (2017), 9 November 2018, <https://undocs.org/S/2018/1002>. In April 2010, Mana'a was placed on a UN sanctions list established pursuant to resolution 1844 (2008) for violations of the arms embargo on Somalia.
- 35 Interview with a senior manager at Amal Express, 11 July 2020, by phone.
- 36 Ibid.
- 37 Information obtained by the author from a close relative of Bashir Naaji Abdullahi Shujac.
- 38 Information obtained by the author from Bashir Naaji Abdullahi Shujac.
- 39 Information received by the author from a former Puntland security official.
- 40 Ibid.
- 41 United Nations Panel of Experts on Somalia, Report of the Panel of Experts on Somalia submitted in accordance with resolution 2444 (2018), 1 November 2019, <https://undocs.org/S/2019/858>.
- 42 Interview with a legal representative of the parent company of a Somali MTO, 7 July 2020, by phone.
- 43 Interview with an international legal adviser to the Somali government, Nairobi, 10 July 2020.
- 44 Interview with a legal representative of the parent company of a Somali MTO, 7 July 2020, by phone.
- 45 Written responses from Taaj to questions submitted by GI-TOC, 8 August 2020. Documents typically presented in Puntland include driving license, student ID, employment ID, passport and Puntland government ID (which can be obtained for US\$15).
- 46 Written responses from Dahabshiil to questions submitted by GI-TOC, 10 August 2020.
- 47 Interview with a legal representative of the parent company of a Somali MTO, 8 August 2020, by phone.
- 48 Written responses from Taaj to questions submitted by GI-TOC, 8 August 2020. A representative of Dahabshiil wrote to GI-TOC on 10 August 2020 that though not without its risks, the biometric registration of voters – as has been achieved in the self-declared republic of Somaliland – 'offers opportunities to strengthen AML/CFT compliance in Somalia, Yemen, and beyond'.

- 49 In a written submission to GI-TOC on 8 August 2020, Taaj outlined a number of its compliance measures, including the reporting of all transactions over US\$10 000 in southern Somalia to the Central Bank, biannual compliance training for its agents and the presence of money-laundering reporting officers in Puntland, Somaliland and central Somalia. The company also employs the Thomson Reuters sanctions-tracking service to screen its clients, which incorporates UN, OFAC, EU and UK sanctions lists. In its written submission to GI-TOC on 10 August 2020, Dahabshiil stated that the company's staff and agents all receive initial AML/CFT training and are subsequently required to undergo mandatory annual refresher courses. Dahabshiil agents possess unique credentials that are associated with each transaction they process, and in the UK the company has developed a biometric login process to further strengthen agent accountability, which may be rolled out more widely in the near future. Any agents found to have breached the company's policies, Dahabshiil stated, are de-registered immediately. Dahabshiil also employs 'integrated third-party software' to screen all transactions against relevant sanctions lists. The complete AML/CFT compliance policies for the four MTOs discussed in this study are available through the following: Amal Express, Compliance, <http://www.iftinuk.com/Compliance.php>; Dahabshiil, Anti-money laundering, <https://www.dahabshiil.com/anti-money-laundering>; Iftin Express, Compliance, <http://www.iftinuk.com/Compliance.php>; Taaj, Money laundering controls, <https://taajmoneytransfer.co.ke/money-laundering-controls/> (websites last accessed on 10 July 2020).
- 50 Statement from a senior Somali MTO executive, 30 June 2020.
- 51 Ibid.
- 52 Interview with a senior manager at Amal Express, 11 July 2020, by phone.
- 53 Ibid.
- 54 Interview with a senior manager at Amal Express, 11 July 2020, by phone; with a representative of Taaj, 8 August 2020, by phone; and a written submission from Dahabshiil, 10 August 2020.
- 55 Only in the case of Dahabshiil remittances was Dhofaye known to be in Bosaso on the each of the days the transactions were carried out under his name and/or mobile-phone number.
- 56 It is also possible that Abdirahman 'Dhofaye' was physically present at a given location, while his mobile-phone was elsewhere.
- 57 Interview with a senior manager at Amal Express, 11 July 2020, by phone.
- 58 Ibid.
- 59 Written submission from a Somali MTO, 8 August 2020.
- 60 Fifty signatures were associated with remittances transacted by Abdirahman 'Dhofaye', 26 by Mahad Isse 'Laboballe' and 10 by Abshir Barre.
- 61 The analysis was conducted by Lieutenant Colonel Karel Landman, a forensic handwriting and questioned document expert and former South African police officer. Landman's report was received by GI-TOC on 28 July 2020.
- 62 Email from a senior Dahabshiil executive, 25 August 2020.
- 63 Written responses from Taaj to questions submitted by GI-TOC, 8 August 2020.
- 64 Name has been changed.
- 65 Name has been changed.
- 66 N.R. Jenzen-Jones, Bulgarian AR-M9 & AR-M9F rifles supplied by UAE to allied forces, Armament Research Services, 31 January 2016, <https://armamentresearch.com/bulgarian-ar-m9-ar-m9f-rifles-supplied-by-uae-to-allied-forces/>.
- 67 Ibid.
- 68 Calibre Obscura, A Bulgarian Arsenal AR-M9F in 5.56x45mm..., Twitter post, 6.58 p.m., 27 June 2020, <https://twitter.com/CalibreObscura/status/1276937959632240641>.
- 69 Calibre Obscura, A pristine Arsenal AR-M9F AK on sale..., Twitter post, 12.27 p.m., 3 May 2020, <https://twitter.com/CalibreObscura/status/1256908109211148289>.
- 70 Yemen Fights Back, #Bulgarian AR-M9 & AR-M9F rifles supplied by #UAE..., Twitter post, 8.11 p.m., 24 February 2016, <https://twitter.com/YemenFightsBack/status/702586629270032384>.
- 71 Information provided to GI-TOC by a confidential source, 14 July 2020.

- 72 Information provided to GI-TOC by a confidential source, 13 August 2020.
- 73 Interviews with two international arms experts, 14 July 2020, by text message.
- 74 UN Panel of Experts on Yemen, Final report of the Panel of Experts in accordance with paragraph 6 of resolution 2402 (2018), 25 January 2019, <https://undocs.org/en/S/2019/83>.
- 75 Interview with an international arms expert, 14 July 2020, by text message.
- 76 According to the Small Arms Survey, increased conflict in Yemen typically leads to higher ammunition prices in Somalia. Nicolas Florquin, Price Watch: Arms and ammunition at illicit markets, Small Arms Survey, 2013, <http://www.smallarmssurvey.org/fileadmin/docs/A-Yearbook/2013/en/Small-Arms-Survey-2013-Chapter-11-EN.pdf>.
- 77 A second individual, speaking in English, identified himself as Khaliil Abdow Muqbil al-Kamil on a WhatsApp voice message to Jama, encouraging him to initiate the US\$100 000 transfer. GI-TOC was not able to independently verify the identity of this individual.
- 78 UK Financial Conduct Authority, Portfolio strategy letter for payment services firms and e-money issuers, 9 July 2020, <https://www.fca.org.uk/publication/correspondence/payment-services-firms-e-money-issuers-portfolio-letter.pdf>.
- 79 The Global Initiative Against Transnational Organized Crime, Civil Society Observatory of Illicit Economies in Eastern and Southern Africa Risk Bulletin, Issue 10, July–August 2020, <https://globalinitiative.net/wp-content/uploads/2020/08/Civil-Society-Observatory-of-Illicit-Economies-in-Eastern-and-Southern-Africa-Risk-Bulletin-10.pdf>.
- 80 Ibid. One possible consequence of this heightened regulatory pressure, at least in the UK, may be that remittance companies split their operations among smaller subsidiaries that are held to less rigorous regulatory standards.
- 81 Sherine El Taraboulsi-McCarthy, The challenge of informality: Counter-terrorism, bank de-risking and financial access for humanitarian organisations in Somalia, Overseas Development Institute, June 2018, <https://www.odi.org/sites/odi.org.uk/files/resource-documents/12258.pdf>.
- 82 Oliver Kraft, Money service businesses in the UK: Improving the conditions for effective financial crime supervision and investigations, Royal United Services Institute, January 2018, <https://rusi.org/publication/occasional-papers/money-service-businesses-uk-improving-conditions-effective-financial>.
- 83 Written responses from Taaj to questions submitted by GI-TOC, 8 August 2020.
- 84 Ibid.
- 85 Ibid.
- 86 Written responses from Dahabshiiil to questions submitted by GI-TOC, 10 August 2020.
- 87 Written submission from a representative of Dahabshiiil, 4 September 2020.
- 88 Sherine El Taraboulsi-McCarthy, The challenge of informality: Counter-terrorism, bank de-risking and financial access for humanitarian organisations in Somalia, Overseas Development Institute, June 2018, <https://www.odi.org/sites/odi.org.uk/files/resource-documents/12258.pdf>.
- 89 For information on this project, see The World Bank, Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project (SCALED-UP), <https://projects.worldbank.org/en/projects-operations/project-detail/P168115>.



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