

STATEMENT OF ISAK WARSAME

PRESIDENT OF DAHABSHIL, INC.

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES
UNITED STATES HOUSE OF REPRESENTATIVE

SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
AND CONSUMER CREDIT

JUNE 21, 2006

Mr. Chairman and Members of the Committee, my name is Isak Warsame. I am the President and Chief Executive Officer of Dahabshil, Inc, which is a money remittance company headquartered in Columbus, Ohio. Dahabshil, Inc. specializes in providing money transfer services to the growing population of Somali immigrants to the US. These immigrants use Dahabshil to send money to relatives in Somalia and in other countries on the Horn of Africa, including Kenya, Ethiopia, and Djibouti.

Dahabshil collects money from its customers in the United States and in most cases delivers it to their relatives in Somalia within 24 hours. Like many other remittance companies, the vast majority of Dahabshil's customers are immigrants. They are employed in manual and unskilled labor in industries like construction, health care, janitorial and maintenance services, and fast food. Virtually to a person, Dahabshil's customers are African and African-American. I am a US citizen, an immigrant from Somalia, as are almost all of my employees and agents.

Importance of Dahabshil's Services

I'd like to take the opportunity to tell you a little about Somalia and the importance of remittances there.

Somalia has suffered through more than fifteen years of civil war and lawlessness. Despite the efforts of the international community to bring peace and unity to Somalia, Somalia still has no functioning central government and no banking system. Because of this, Somalia is excluded from the international economy and receives little foreign aid and no World Bank/IMF assistance. There is prevalent violence in the South around Mogadishu, and you may have read recently about the violence there.

With no government and no banking system, Somalia has essentially no employment, no commercial economy, and no means of developing them without substantial assistance from the outside.

At present remittances from abroad – from Somali expatriate communities and from international development and charitable organizations such as the United Nations, Save the Children, the Red Cross and CARE – are the principal source of funds in Somalia. All of these remittances, all of this charitable aid, is delivered to Somalia by remittance companies like Dahabshil. This is a very important point. In the absence of a banking system, even international relief organization like the Red Cross and CARE must use remittance companies such as Dahabshil to fund their projects, meet their payroll and pay their rent. If remittance companies are unable to do business because of actions of the banking community in the US, it affects not only private remittances between family members, but also large-scale charitable efforts of the world-wide community.

It is impossible to overemphasize the importance of remittances from abroad to the Somali people. According to a 2003 study (the most recent data available), more than 73% of persons in Somalia live on less than \$2.00 per day and more than 43% live on less than \$1.00 per day. A recent United Nations and European Commission study on the Feasibility of Financial Services in Somalia concluded that remittances are by far the single largest source of hard currency in Somalia and annually account for some 22.5% of total family income. Remittances from the Somali diaspora ameliorate the crippling effects of Somalia's civil war, which include pervasive unemployment, hunger, disease, and poverty. In Somalia, the receipt of remittances from abroad means the difference between eating and starving, between having a roof over one's head and being on the street, between clothing and not clothing one's children and between health and sickness.

Challenges to Maintaining Dahabshil's Services

Despite the importance of its services to the country of Somalia and to the community of Somali immigrants here in the United States, Dahabshil's business is threatened because of actions of US banks, which are seeking to close the bank accounts of money service businesses on a systemic basis.

Dahabshil is a cash business and depends on banking services to stay in business. Customers come into Dahabshil offices with cash, usually between \$50 and \$300, and instructions on how it should be delivered. Dahabshil uses the US banking system at every stage of its transfers. Each of its offices deposits its daily receipts into local bank accounts and Dahabshil uses wire transfer services of large US banks to transfer funds through international accounts to Dahabshil's Somali partner for distribution to the designated recipients. If Dahabshil cannot maintain its bank accounts, it cannot continue to provide its services.

Unfortunately, bank after bank has closed Dahabshil's account or has refused to speak with Dahabshil about opening an account. And Dahabshil's experience is not unique. I have spoken with numerous other remittance companies over the past few years. Every one has reported bank account closures and threats of closure that imperil the company's business. Over the past year, Dahabshil has received letters from its banks in Ohio, Massachusetts, Georgia and Tennessee, announcing that the banks intended to close its accounts. Three of the banks refused to meet with Dahabshil to discuss the decision. Two of the banks, including Chase Bank which is Dahabshil's main banking relationship, referred specifically to the fact that Dahabshil is a money service business as the reason for the account closures. The other two failed to give any reason at all.

Dahabshil operates entirely in compliance with the law. It is registered with FinCen, and is licensed in [9] states, including Ohio, Tennessee, Georgia, Washington, Virginia, Utah and Massachusetts. Dahabshil operates in full compliance with the Bank Secrecy Act. Over the past four years, Dahabshil has invested hundreds of thousands of dollars in its Bank Secrecy Act and anti-money laundering compliance programs. It has proprietary software that automatically screens transactions in order to prevent payment to anyone identified as a terrorist or other international criminal. It submits reports required by the BSA like suspicious activity reports and currency transaction reports electronically. Dahabshil provides training and support for each of its agents and employees in identifying suspicious transactions. For the last three years, Dahabshil has hired an independent audit firm to assess its Bank Secrecy Act compliance program and suggest improvements. These audits have concluded that Dahabshil's management has a commitment to compliance, that Dahabshil has invested significant sums in compliance, and that there have been no transactions violating state or federal law. In short, Dahabshil has made every effort to assure that its services are used solely for personal and charitable remittances and not for any illegal or dangerous purposes. And it has been successful. But neither its efforts, its commitment nor its success has mattered to the banks that closed Dahabshil's accounts. All that matters to the banks is that Dahabshil is a money service business.

In conclusion, I would ask this Committee to consider whether it can take steps to slow or stop the bank account closures that threaten Dahabshil's business and the business of other reputable money service businesses operating in the United States. Last year, we saw some relief when FinCen held a series of public hearing and issued regulatory guidelines directing that Banks should undertake an MSB by MSB analysis before closing any account. The banks that have undertaken such analysis have found Dahabshil and other MSBs to be worthy partners and have maintained their relationship. Unfortunately, if recent trends continue, Dahabshil and other MSBs will be forced to close their doors and eliminate the financial lifeline we provide to Somalia and other developing countries. We are certain that the money will find alternative means to reach the needy but these means are the informal, unregulated and unsafe pathways that the BSA and related legislation were meant to close.

Thank you for your time and attention to this matter.

