



THE
CAMSTOLL
GROUP

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SANCTIONS INTELLIGENCE UPDATE

YEMEN: ASSESSING RISK TO
THE FINANCIAL SYSTEM



OVERVIEW

The Houthi group and forces aligned with Yemen's ex-President Ali Abdullah Saleh have exercised control over several Yemeni financial institutions, including the Central Bank, since seizing Yemen's capital city of Sanaa in late 2014. During the same period, Al Qaida's local affiliate "AQAP" also expanded its presence in Yemen, increasing the group's exploitation of the Yemeni financial system to raise and move funds.

HOUTHİ GROUP CONTROL OF YEMEN'S CENTRAL BANK

After seizing Yemen's capital city in late 2014, the Houthi group took control of State institutions—including the Central Bank of Yemen—to gain access to financial resources, according to a January 2016 UN Security Council report. Despite the Houthi group takeover, the Central Bank has sought to stay neutral in the conflict and the Central Bank Governor has been allowed to stay on to perform technical functions.

- In May 2016, Yemen's Foreign Minister Abdel-Malek al-Mekhlafi accused the Houthi group of "plundering" approximately \$4 billion in reserves held at the Central Bank in Sanaa.
- In May 2016, Yemen's finance minister stated that the Central Bank allowed \$100 million a month to be used to finance the war effort of the Houthi group and pro-Saleh forces.
- The Central Bank, attempting to stay neutral in the conflict, "regularly disburses riyals to pay soldiers loyal to the Houthis and other state employees on ministry payrolls in territory held by the group," according to a June 2016 Reuters report.



Central Bank of Yemen in Sanaa. Reuters

In November 2014, the US, EU, and UN established sanctions programs in response to the violent ouster of the Yemeni government by ex-President Ali Abdullah Saleh and a militant opposition group known as the "Houthis." Specific targets subject to sanctions include ex-President Ali Abdullah Saleh and leadership figures associated with the Houthi group.

In line with general OFAC guidance, OFAC has advised that Executive Order 13611 prohibits any financial activity associated with the Houthi group where the transaction would directly or indirectly benefit sanctioned leadership figures.

FINANCIAL INSTITUTIONS CONTROLLED BY THE HOUTHİ GROUP OR OPERATING IN HOUTHİ-CONTROLLED TERRITORY

Yemen-based financial institutions maintain a significant presence in territory controlled by the Houthi group. In particular, most Yemeni banks are headquartered in Yemen's capital city Sanaa, which has been controlled by the Houthi group since late 2014. In some cases, the Houthi group has taken control of these financial institutions and has used banks to raise funds, according to media reports and statements by the Houthi group.

- Nineteen of the twenty banks licensed by the Yemeni Central Bank are headquartered in the Yemeni capital of Sanaa.
- The Houthi group installed its own administrators in a large Yemeni financial institution, according to media reports. One administrator appointed by the Houthi group was the son of a military commander described as "loyal and close" to sanctioned ex-President Ali Abdullah Saleh.



- The Houthi group took control of another large Yemeni financial institution following calls on the former chairman to transfer his assets and shares, according to local media reports.
- In mid-2015, the Houthi group's governing Supreme Revolutionary Committee solicited donations via advertisements and social media postings that directed donors to Houthi-controlled bank accounts at two Yemeni financial institutions.

AQAP FINANCIAL ACTIVITY IN YEMEN

AQAP has looted Yemeni financial institutions and used the Yemeni financial system to raise and move funds, exploiting the security vacuum created by Yemen's political instability.

- AQAP has looted millions of dollars from more than a dozen financial institutions in Yemen. Most notably, in April 2015 AQAP confiscated approximately \$100 million from the Central Bank branch located in Mukalla, before the group was expelled from the city.
- AQAP has used exchange houses in Yemen to transfer funds and pay salaries, according to a 2015 UN Security Council report.
- Charities and other organizations associated with AQAP listed accounts held at Yemeni financial institutions, according to a review of related websites and social media postings.

The Camstoll Group advises on sanctions, illicit finance, national security, and regulatory matters. Our research-intensive approach for financial institutions, multinationals, and governments is designed to generate insights and options for complex policy, regulatory, or competitive challenges.

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Fig 1. A Houthi-run media outlet distributed bank account information for a Houthi Revolutionary Committee fundraising campaign in 2015.



Fig 2. Bank account and contact information for a charity led by designated AQAP supporter Abd al-Wahab al-Humayqani.

