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## **Commonwealth Secretariat Speech**

**Washington DC on 14, April 2014**

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Intervention from Samoa

### Introduction

Firstly, we would like to register our sincere appreciation to the Commonwealth Secretariat for the provision of this forum to express small island states development issues to the G20 and look at ways on how the G20 can assist with these common but unique development challenges.

We welcome and commend the four papers distributed for discussion given their appropriateness and relevance in articulating common challenges that small island states are currently facing and it is listed below in terms of Samoa's priorities.

Walking a Tightrope – AML/CTF Regulation, Financial Inclusion and Remittances;

Mobilizing Domestic Resources in Low-income Countries: the Base Erosion and Profit Shifting (BEPS) Project, Investment Treaties, and Tax Conventions;

Debt Overhang and the Challenge of Financing Sustainable Growth and Development;

Delivering Inclusive Global Value Chains;

Based on this proposition and time limitation, Samoa's intervention will focus mainly on the Walking a Tightrope – AML/CTF Regulation, Financial Inclusion and Remittances and the closure of Money Transfer Operators (MTOs).

### Background

Samoa is a small island developing state of the Pacific with a population of less than 200,000 people. Like many small island developing states, there is more ocean than land. As a peaceful country, Samoa has a stable government that through consistent and targeted economic development policies and measures, graduated from its Least Developing Country (LDC) status to a developing country in 2014. It also acceded to become a member of the World Trade Organization in the same year.

The regional partners of Australia and New Zealand dominate Samoa's trade but this has lately shifted to include a significant portion to Asia. Most of Samoa's exports are agricultural-based that contributes to at the most 3.0 percent of its nominal GDP. The key broad sector types for

Samoa's economic development are the services sector (67.0 percent), the secondary sector (24.0 percent), and the remaining primary sector (9.0 percent). The main financing sources that create demand are the increases in tourism receipts (equivalent to 15.0 percent) and remittance inflows (equivalent to 20.0 percent of GDP). On average, tourism receipts are equivalent to approximately USD\$150.0 million while remittance receipts are approximately USD\$190.0 million.

The Samoan Diaspora is vast and global - where there are more Samoans living abroad in New Zealand, Australia and the United States who despite their geographical location - still maintain close familial, cultural and financial ties to Samoa and have been the main source of tourism receipts through spending of Visiting Friends and Relatives and as the primary senders of remittances. Statistics suggest that Money Transfer Operators (MTO) handle at least 80.0 percent of these remittance inflows. It is also recognized that remittances sent through MTOs from Australia and New Zealand are at least 11.0 percent cheaper than those that come through the banking system. Samoa's banking system consists of two Australian (subsidiaries) commercial banks and two locally owned commercial banks.

The global financial sector through the OECD and the Financial Action Task Force has led the implementation of international measures with respect to Anti-Money Laundering and Counter-Terrorism Financing (AML-CTF) requirements. On Anti-Money Laundering (AML) issues, Samoa is guided by its 2007 AML Prevention Act and had already undertaken its first Mutual Evaluation Report in 2008. It had just completed in late 2014 and is finalizing its second Report with the Asian Pacific Group on Money Laundering. These reports have identified key areas in which Samoa has to strengthen to ensure continuity in its continuous compliance from an ever-shifting goal posts.

In 2014 Samoa hosted the Third United Nations International Conference on Small Island Developing States. The outcomes document was adopted by the United Nations General Assembly in November 2014. The "SAMOA Pathway" recognizes the unique development challenges of small-island developing states, to climate change and natural disasters; and financing for sustainable development, including the crucial role of remittances for the economic growth of small-island developing States.

In recognizing the SAMOA Pathway and the uniqueness of small-island developing States such as that of Samoa, it also acknowledges "the importance of accessible and transparent support from the international financial institutions that take fully into account the specific needs and vulnerabilities of small-island developing States".

#### Challenge

Being a small island developing state, connectivity and financial inclusion with the global community is a very real development challenge. However, the unintended consequences of AML/CTF regulation have imposed very real challenges by the developed world that poses peculiar adverse effects to small island states.

With respect to Samoa, as recently as the end of March 2015, all the major Australian commercial banks have closed bank accounts of Samoan linked money transfer operators' agents to minimize "the risks associated" with Anti-Money Laundering – Counter-Terrorism Financing (AML-CTF) requirements.

This challenge needs to be urgently addressed and Samoa is looking at ways to minimize the unintended consequences of AML-CTF measures.

#### Solutions and Measures

As we speak, the Samoan Government is looking at the opening of government accounts in willing commercial banks abroad as clearing-house accounts to continue this financing development lifeline, often for the most vulnerable sectors of our community in rural and urban areas. Only MTO agents that adhere to AML-CTF measures abroad and domestically will be considered and assisted through this process. The framework will ensure that development financing continues to be sent and received for the rightful purpose intended, often the lifeline for the most vulnerable of the elderly, women, and children - in our peaceful, small island developing state of Samoa.