

Reflecting the pace of change

INTERVIEW WITH YOUSIF EL TINAY

CEO, UNITED CAPITAL BANK



YOUSIF EL TINAY started his banking career in 1996 with Banque Paribas in Qatar, rising to the position of Deputy General Manager. In 2007 he returned to Sudan to help establish United Capital Bank, the first specialised corporate finance bank in Sudan. He has been CEO of UCB since 2016. He holds a BA in Economics and Business Administration from the University of Qatar and is an alumnus of Harvard Business School having graduated from the General Management Programme in 2009.

The US lifted sanctions in October 2017; what has been the impact of the 20-year embargo on the financial sector?

Obviously, lifting the sanctions is a major event, a turning point. But let's look at the bigger picture: in 1997, the United States imposed sanctions on Sudan, listing it as a sponsor of terrorism. The last two decades have also seen violence in some regions and of course since 2011, the southern part of the country seceded and formed South Sudan, taking with it most of Sudan's oil reserves. Estimates put the total loss due to the sanctions at around US\$500 billion, with an indirect loss of some US\$4 billion annually. The sanctions banned just about every kind of commercial and financial dealings with Sudan, and as a result, the banking sector was isolated from the global financial system. The sanctions have resulted in heavy losses to foreign investors in Sudan, as well as adding further restrictions on exporters. There has been a loss of trust between international financial institutions.

How optimistic are you about the future?

Lifting the sanctions should mean our country's return to the world financial system, allowing us to facilitate banking operations and procedures for exports and imports, and we should now be able to resume contact with international financial and investment institutions. In turn, it should contribute to improving the exchange rate of the Sudanese currency, boosting the private sector by allowing greater access to financial sources to obtain funds...

But...

Exactly. The problem is that 20 years is a long time to have been out of the game, and there are many people in the international financial sector that have never dealt with Sudan, who weren't around in the pre-sanctions period. And what's worse, they are unsure about the situation here: the sanctions have been lifted but the country remains on the list of state sponsors of terrorism. There has been progress in some areas of the economy, with foreign players coming in, but the international financial community is being very cautious.

What we might call the 'BNP Paribas Scare' factor?

Yes: in 2015, BNP Paribas was fined US\$8.8 billion for circumventing the US sanctions, and obviously that sent a powerful message out to the international financial community. The problem we face now is that international financial organisations are not motivated to reach out after years of either doing just fine without Sudan or being punished for doing so. Banks are afraid to deal with Sudan and have not been educated out of their fear or complacency.

Do you feel the United States has done enough to let the world know that the sanctions have been lifted and that Sudan is open for business?

Washington's view is that it has no responsibility to tell the world that Sudan is once again open for business. It's our job to get out there and tell the world and to then provide the documentation. Right now, only a handful of people know the sanctions have been lifted.

Until a high-ranking US official (e.g. the US president) or CNN goes on the record and says loud and clear that the US is happy to start dealing with Sudan again, we in the Sudanese financial sector are going to have to go around knocking on a lot of doors, explaining the new reality. We have been talking to all the big international banks, inviting them to return to Sudan. We need one big player to come in and then the others will hopefully follow suit. At this point, we're not even talking about investing in Sudan, simply for the international banks to act as correspondence banks, to help with transferring money. The



United Capital Bank's headquarters in Khartoum

problem is that there isn't much money to be made by doing that. I think it will be a slow process, because for the moment, banks are going to be paying a lot of attention to compliance laws.

Tell us a little about UCB and its efforts to encourage the international banking community to do business with Sudan

The bank was set up in 2005 by a group of investors from Kuwait, Lebanon and Egypt, and we've been on the Sudanese stock exchange since 2007, and then late last year, coinciding with the lifting of sanctions, a group of leading Sudanese investors staged a 40 per cent buyout of the bank's shares, so we're now 60 per cent Sudanese and 40 per cent foreign owned. Our strategy is now to establish ourselves as a credible entity in the eyes of the international financial community, so our focus is on getting a rating by institutions such as Moody's and Fitch. Then, if a big overseas bank wants to start dealing with Sudan, they can come and look at our bank and see the report. It's essential for Sudan's banks to be clearly seen to meet international criteria, which we do. Within that context, UCB is positioning itself as a local bank with considerable international experience. We've already played a key role in financing through our branches in Khartoum, Khartoum North and Omdurman, providing Islamic financial solutions to strategic projects in the fields of infrastructure, corporate finance and small and medium sized enterprises in industry, agriculture, mining, trade and services.

In a little over a decade, UCB has acquired a leading position in financing these key areas of the economy, as well as financing exports such as sesame seeds, gum Arabic, livestock, gold and cotton, while also funding imports of wheat, sugar, production inputs, medicine and capital equipment.

Like all banks in Sudan, we're Shariah compliant, and we offer a complete range of financial services to corporate


entities and large projects in both the private and public sectors. These include innovative and customised finance products and services to meet our client's needs and assist them in achieving their operational, development and growth targets.

UCB's corporate banking services include trade finance services, arranging and managing syndicated facilities, current accounts and investment accounts.

What is your assessment of Sudan's banking sector almost one year after the US lifted economic sanctions?

Although we have been cut off from the international financial system, the banking sector has moved forward. About a decade ago, the authorities embarked on a series of reforms to strengthen the financial system and improve the performance of the banking sector. Supervisory and legal and regulatory frameworks were improved, particularly in the areas of corporate governance, risk management, and provisioning.

Security instruments are also traded on the Khartoum Stock Exchange, and around 40 brokerage firms operate in the market. Secondary market activity is limited to over-the-counter trades, and is largely dominated by government securities. Access to securities markets is open to local and foreign investors, including banks, corporate entities, financial institutions and individuals.

Now that sanctions have been lifted, Sudan is poised to offer unique investment opportunities and a welcoming business climate, particularly for the natural resources/mining industry, the agricultural industry, the livestock industry, as well as several others. As one of Africa's largest countries, Sudan is a major emerging investment opportunity, offering access to one of the few untouched markets in the world. I am optimistic about the future and in line with the overall development in the local market and banking services in the region; we believe our next challenge will be "going digital" by or before 2022. 

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Bottom Left: UCB has a leading position in gold pre-export finance

Bottom Right: The Gezira Scheme is Sudan's most fertile agricultural area. One of the largest irrigation projects in the world, it produces a large variety of crops, including cotton

