

## Press release

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### **FSB publishes progress report and 2017 workplan to assess and address the decline in correspondent banking**

The Financial Stability Board (FSB) today published its [latest progress report](#) on the implementation of its four-point action to assess and address the decline in correspondence banking. The progress report includes a set of deliverables for 2017 to implement the action plan.

The report describes progress in taking forward the four-point action plan published by the FSB in November 2015, namely:

- Further examining the dimensions of the problem, and its causes and effects;
- Clarifying regulatory expectations, as a matter of priority, including through guidance by the Financial Action Task Force (FATF);
- Domestic capacity-building in jurisdictions that are home to affected respondent banks;
- Strengthening tools for due diligence by correspondent banks.

Since the [August progress report](#) the FSB's Correspondent Banking Coordination Group (CBCG) has taken further steps to implement the action plan:

- A one-off survey of national authorities and banks has been undertaken by the FSB in September to collect additional information on correspondent banking. Authorities in some 50 countries participated in the survey, collecting data on approximately 300 banks. The survey is intended to provide additional evidence to support a deeper understanding of the causes and consequences of the decline in the correspondent banking relationships, and thereby help to inform the policy responses and initiatives underway to address the issue.
- The FATF published its guidance on correspondent banking, which clarifies that the FATF Recommendations do not require financial institutions to conduct customer due diligence on the customers of their respondent bank clients (so-called "know your customer's customer"). The guidance highlights that not all correspondent banking relationships carry the same level of money laundering or terrorist financing risks, hence any enhanced due diligence measures have to be commensurate to the degree of risks identified. The Basel Committee on Banking Supervision (BCBS) published a consultation on revisions to its guidance on correspondent banking to take into account

the FATF work and clarify regulators' expectations in areas such as Know-Your-Customer (KYC) utilities.

- The FSB, International Monetary Fund and the World Bank held a roundtable bringing together senior representatives of banks with officials from central banks, finance ministries and other public sector bodies. The roundtable discussed steps that need to be taken to address this issue.

A comprehensive set of deliverables for 2017 have been agreed to ensure effective implementation of the action plan. The actions include the following:

- By April 2017 the FSB will publish findings from the CBCG survey on correspondent banking and the FSB and SWIFT will set out a process for ongoing monitoring of trends in correspondent banking.
- By June 2017 the BCBS will publish its finalised revised guidance on correspondent banking and the FATF expects to finalise its work on the definition of correspondent banking.
- Further steps will also be taken by the official sector and the correspondent banking community to share information and support coordination of capacity building.
- By March 2017 the FSB will publish suggested main elements of communication strategies jurisdictions could implement to effectively communicate the steps taken to improve their frameworks for anti-money laundering and combating the financing of terrorism (AML/CFT) and the quality of their supervision of financial institutions.
- By June 2017 an action plan will be developed by SWIFT Payments Market Practice Group and the Wolfsberg Group to strengthen market guidance on payment messages used for correspondent banking, and SWIFT and the Global Legal Entity Identifier Foundation are expected to take further steps to contribute to streamlining KYC due diligence.

Alexander Karrer, Chair of the CBCG and Deputy State Secretary at the Swiss Federal Department of Finance said: "A well-functioning correspondent banking system is essential for ensuring international payments. A decline in correspondent banking relationships can adversely affect growth, financial inclusion, remittances flows as well as the stability and integrity of the global financial system. Since the creation of the CBCG earlier this year, good progress has been made to assess and address this issue, but additional steps are needed to move from awareness raising to action. Given the number of actors involved, international cooperation and coordination are key."

A further progress report on the work of the CBCG will be published in advance of the G20 Leaders' Summit in Hamburg in July 2017.

### **Notes to editors**

A decline in the number of correspondent banking relationships is a source of concern for the international community because it may affect the ability to send and receive international payments, or drive some payment flows underground, with the potential consequences on growth, financial inclusion, as well as the stability and integrity of the financial system.

In March the FSB established the CBCG to coordinate and maintain impetus in the implementation of the action plan. The CBCG's membership comprises senior representatives

from international organisations and standard-setters and national authorities in the FSB and its Regional Consultative Groups, and is chaired by Alexander Karrer, Deputy State Secretary for International Finance at the Swiss Ministry of Finance.

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with 65 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, [www.fsb.org](http://www.fsb.org).