

Press release

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Further action agreed to address decline in correspondent banking relationships

The Financial Stability Board (FSB) today published a [report](#) to G20 Leaders on progress under its action plan to assess and address the decline in correspondent banking. In addition the FSB released a [data report](#) which provides new data on the trends, drivers and effects of the decline in the number of correspondent banking relationships.

Progress report

The report highlights further actions taken since the previous progress report at end-2016, across the different elements of the action plan being coordinated by the FSB's Correspondent Banking Coordination Group (CBCG). These include:

- enhanced analysis on the decline of correspondent banking relationships (published as a separate report, described below);
- issuance by the Basel Committee on Banking Supervision (BCBS) of revised guidelines on sound management of risks related to anti-money laundering and combating the financing of terrorism (AML/CFT), following up on the guidance on correspondent banking published last year by the Financial Action Task Force (FATF);
- further coordination of official-sector support for capacity-building in jurisdictions that are home to affected correspondent banks' activities; and
- work by the Committee on Payments and Market Infrastructures (CPMI) to strengthen tools that may contribute to reducing due diligence costs for correspondent banking relationships.

At the request of the G20 Presidency, the FSB will coordinate further work with the FATF and Global Partnership of Financial Inclusion (GPFI) on identifying and addressing issues relating to remittance providers' access to banking services. The FSB will set up a task force under the CBCG for this purpose, to take stock of past and ongoing initiatives and explore whether there are remaining issues relating to remittance providers' access to banking services, in consultation with the private sector.

Data report

The data report contains information collected from an FSB survey of over 300 banks in nearly 50 jurisdictions plus data provided by the Society for Worldwide Interbank Telecommunications (SWIFT) relating to payment traffic over SWIFT. The data from both the survey and SWIFT show that the decline in the number of correspondent banking relationships is continuing across all continents, although to a varying degree and more pronounced for US dollar and

euro transactions. According to data from SWIFT the number of active correspondent banking relationships declined by 6% across all currencies between 2011 and 2016 with Eastern Europe (-16%), Europe (ex Eastern Europe) (-15%), Oceania (-12%) and the Americas (ex North America) (-8%) the most affected. In 2016, the Caribbean and the small states of the Pacific (Melanesia, Micronesia and Polynesia) are the four sub-regions with the highest rates of declines, close to or above 10%.

At the global level, the decline in the number of active correspondents has not resulted in a lower number of payment messages (volume) or a lower underlying value of the messages processed through SWIFT. On the contrary, the number of payment messages has increased between 2011 and 2016. Against this background, the decline in correspondent banking relationships appears to lead to a greater concentration, where countries and banks rely on fewer correspondent banks, and may lead to longer payment chains, which means that a higher number of intermediaries are involved in processing the same payment. The countries where banks are most affected by exits of foreign correspondent banks tend to be small economies or jurisdictions for which the compliance with standards for AML/CFT is insufficient or unknown.

A range of intertwined reasons account for the reduction in correspondent banking relationships, including industry consolidation, reduced profitability from these activities, overall risk appetites of correspondent banks and various reasons related to AML/CFT or sanctions regimes.

The FSB will continue to monitor trends through six-monthly data updates provided by SWIFT until at least end-2018.

Alexander Karrer, Chair of the FSB's Correspondent Banking Coordination Group and Deputy State Secretary at the Swiss Federal Department of Finance, said: "Correspondent banking is an essential part of the global financial system. The FSB's data report helps in understanding the decline in the number of correspondent banking relationships, its causes, and the countries and regions affected. Our coordinated international action plan aims to help stem the loss of these relationships and address potential structural instabilities from increasing concentration. The banking industry and the official sector will continue to work together to make improvements to simplify due diligence in correspondent banking".

Notes to editors

A decline in the number of correspondent banking relationships is a concern because in impacted jurisdictions it may affect the ability to send and receive international payments or drive payments underground with potential adverse impacts for trade, growth, financial inclusion, financial stability and the integrity of the financial system. The FSB launched its [four-point action plan in November 2015](#) to assess and address the decline in correspondent banking. The plan covers:

- i. Further examining the dimensions and implications of the issue;
- ii. Clarifying regulatory expectations, including guidance from FATF and BCBS;
- iii. Domestic capacity-building in jurisdictions that are home to affected respondent banks; and
- iv. Strengthening tools for due diligence in correspondent banks.

The FSB will publish its next progress report in December 2017.

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. Through its six Regional Consultative Groups, the FSB conducts outreach with and receives input from an additional approximately 65 jurisdictions.

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.