

## Press release

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### FSB publishes progress report on addressing declines in correspondent banking and recommendations on remittances

The Financial Stability Board (FSB) today published two reports as part of its work to assess and address the decline in correspondent banking relationships (1) a [progress report](#) on the FSB action plan to assess and address the decline in correspondent banking and (2) a [stocktake on remittance service providers' access to banking services](#), including recommendations to improve accessibility. These reports have been delivered to G20 Finance Ministers and Central Bank Governors. A [short cover note to the G20](#) also published today, highlights main messages.

A decline in the number of correspondent banking relationships remains a source of concern for the international community because, in affected jurisdictions, it may impact the ability to send and receive international payments, or drive some payment flows underground, with potential adverse consequences on international trade, growth, financial inclusion, as well as the stability and integrity of the financial system. The reduction in correspondent banking relationships also has had a significant impact on remittance service providers' ability to access banking services. The impact is particularly acute in those developing countries where remittances represent a significant percentage of Gross Domestic Product.

Alexander Karrer, Chair of the FSB's Correspondent Banking Coordination Group and Deputy State Secretary at the Swiss Federal Department of Finance, said: "The FSB has made good progress in its coordinated work with other international bodies on correspondent banking and our stocktake sets out a clear set of recommendations to address problems faced by remittance service providers. While there are no "silver bullets", the actions taken to date under the coordinated FSB action plan are intended to reverse the global decline. But, in order to do so, they will need to be followed up by national authorities and the banking and remittance industries."

#### Progress report

The progress report highlights actions taken to implement the FSB's four-point action plan on correspondent banking since the FSB's July 2017 update. These include:

- Strengthening tools for due diligence by correspondent banks – The Wolfsberg Group<sup>1</sup> of correspondent banks published in February 2018 a *Correspondent Banking Due*

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<sup>1</sup> The Wolfsberg Group is an association of 13 global banks which aims to develop frameworks and guidance for the management of financial crime risks.

*Diligence Questionnaire*, which will support a more standardised collection of information on respondent banks. The Basel Committee on Banking Supervision (BCBS), Committee on Payments and Market Infrastructures (CPMI), Financial Action Task Force (FATF) and FSB made a joint statement on 6 March welcoming the questionnaire as one of the industry initiatives that will help to address the decline in the number of correspondent banking relationships.

In addition, work needs to continue to implement industry initiatives that follow up on CPMI recommendations, such as Know-Your-Customer utilities, the recently published option to include the Legal Entity Identifier in payment messages and the industry standards on the use of these messages.

- Data collection and analysis – The FSB published on 6 March a Correspondent Banking Data Update, using data provided by SWIFT on the number of correspondent banking relationships, The World Bank and International Monetary Fund (IMF) are also monitoring developments and analysing the impact of the decline in the number of relationships.
- Clarifying regulatory expectations – The FATF and BCBS are conducting surveys of their membership to assess the transmission and traction of their guidance on correspondent banking.
- Domestic capacity building – Public sector technical assistance providers are promoting coordination of their capacity-building activities to improve and build trust in the supervisory and compliance frameworks of affected jurisdictions.

### **Stocktake on remittance service providers' access to banking services**

This stocktake identifies a variety of intertwined drivers for the termination of banking services to remittance service providers', including profitability, the perceived high risk of the remittance sector from an anti-money laundering/counter terrorism financing (AML/CFT) perspective, supervision of remittance service providers that ranges from active and effective to complete absence and, in some jurisdictions, weak compliance with international standards, particularly those relating to AML/CFT.

The report makes 19 recommendations in four areas to address gaps and remaining barriers to banking services by remittance service providers:

- Promoting dialogue and communication between the banking and remittance sectors;
- Improving the implementation of international standards and oversight of the remittance sector;
- The use of innovation in the remittance sector and its possible role in enabling remittance service providers' greater access to banking services; and
- Technical assistance relating to remittances.

The FSB, FATF, Global Partnership for Financial Inclusion, IMF and World Bank will coordinate to monitor take-up of the recommendations and report back to the G20 in July 2019.

### **Notes to editors**

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 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).