FSB FINANCIAL STABILITY BOARD

# Press release

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## FSB publishes updates on work to address the decline in correspondent banking relationships and remittance firms' access to banking services

The Financial Stability Board (FSB) today published two reports as part of its work:

- a progress report on the implementation of its action plan to assess and address the decline in correspondent banking relationships; and
- a report on progress on implementing the FSB's recommendations on remittance service providers' access to banking services.

**Addressing the decline in correspondent banking relationships: Progress report**

The decline in the number of correspondent banking relationships remains a source of concern for the international community, as the number of active correspondent banks declined by 3.4% in 2018, bringing the cumulative decline since 2011 to 19.3%. Concentration increased, as fewer correspondent banks are handling payments. Access to correspondent banking relationships remains a critical issue in some regions and jurisdictions. The Committee on Payments and Market and Infrastructures (CPMI) on 27 May published the full set of data on the latest developments on the number of correspondent banking relationships.

With the international components of the FSB-coordinated action plan largely in place, attention has turned to monitoring of implementation:

- There is growing evidence of the concrete implementation of regulatory clarifications by national authorities, following the guidance provided by the Financial Action Task Force and the Basel Committee on Banking Supervision.
- To support domestic capacity building in jurisdictions that are home to affected respondent banks, official sector technical assistance still requires ongoing coordination. Industry initiatives to support capacity building are gaining traction, especially the additional guidance developed by the Wolfsberg Group to implement their Correspondent Banking Due Diligence Questionnaire.
- The technical measures recommended by CPMI to improve the efficiency of due diligence procedures and reduce compliance costs are now generally available for use, but their concrete implementation still requires continued focus by industry and the official sector, such as the use of the Legal Entity Identifier in payment messages and practical steps to support effective information sharing.

Should the situation deteriorate further, the FSB, the relevant standard-setting bodies and other stakeholders including international organisations and the private sector would consider whether further actions should be taken to address the issue.

## Remittance service providers' access to banking services: Monitoring of the FSB's recommendations

The reduction in correspondent banking relationships has had a significant impact on remittance service providers' ability to access banking services, particularly acute in those developing countries where remittance flows are a key source of funds for households.

The report assesses implementation of the FSB's March 2018 recommendations to address problems that remittance service providers have accessing banking services. The report finds that, while positive steps have been taken in a number of areas, further work by national authorities, international organisations, remittance firms and banks is needed.

Jurisdictions have adopted or implemented a number of good practices and procedures to improve their supervisory frameworks for remittance firms and enhance coordination; authorities are responding to and accommodating innovative technology approaches in their regulatory frameworks; and significant technical assistance is being directed at the issue both at a global level and directly to affected jurisdictions.

Dialogue between remittance firms, banks and authorities responsible for supervision of the remittance sector has been useful, but has not led to tangible next steps. In order to make further progress, it is important to have a common understanding of issues facing remittance firms in their access to banking services and banks' expectations concerning remittance firms' anti-money laundering compliance.

The remittance report will be delivered to the G20 Finance Ministers and Central Bank Governors meeting in Fukuoka on 8-9 June.

Alexander Karrer, Chair of the FSB's Correspondent Banking Coordination Group and Deputy State Secretary at the Swiss Federal Department of Finance, said: "The data shows that concentration in correspondent banking is increasing further, with countries and banks relying on fewer correspondent banks. We will continue to monitor the data and to coordinate the effective implementation of the agreed action plan to clarify regulatory expectations, provide technical assistance and make due diligence more effective. We stand ready to adopt further measures as necessary, as we did last year for remittance firms' access to banking services, to preserve the smooth processing of cross-border payments."

### 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's March 2018 recommendations to address problems that remittance service providers have accessing banking services cover:

i. Promoting dialogue and communication between the banking and remittance sectors;
ii. International standards and oversight of the remittance sector;
iii. The use of innovation in the remittance sector and its possible role in enabling RSPs greater access to banking services; and
iv. Technical assistance on remittance-related topics.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes 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 approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman for Supervision, US Federal Reserve; its Vice Chair is Klaas Knot, President, De Nederlandsche Bank. The FSB 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.