

**RE: FSB seeks feedback on its proposals for quantitative targets for enhancing cross-border payments**

To whom it may concern,

Thank you for the opportunity to provide input regarding the FSB's roadmap to enhance cross-border payments. Fighting financial crime being Elucidate's core mission, we welcome the FSB's Stage 3 Roadmap to foster more transparent and more inclusive financial transactions benefitting citizens and economies worldwide. It is positive that the FSB opts for a quantitative approach to tackle the challenges of cost, speed, transparency and access in cross-border payment services.

Our input applies particularly to the target metrics proposed. **We suggest that the FSB includes financial crime risk scoring as a quantitative target to overcome the four challenges affecting cross-border payments.** As global payment structures are increasingly targeted by international financial crime, frictions due to complex processing of compliance checks tend to arise and hamper the legitimacy of cross-border payments. Therefore, while being adapted to varying levels of data availability, quantitative assessment of financial crime risk exposure in financial institutions can prove effective in enhancing cross-border payments and protecting providers from AML/CFT threats.

**Friction:** For all three market segments (wholesale, retail and remittances), **the FSB recommends a minimum defined list of information to ensure a floor of transparency across the market.** As stated in the FSB Stage 1 Report to the G20, "information gaps can create a lack of transparency for AML/CFT and other purposes, exacerbating the risk of illicit finance and driving up the severity of other challenges".

**Input:** Many elements of businesses' exposure to financial crime can be assessed and monitored through risk metrics drawing on existing data sources, as are the effectiveness of the controls a firm has in place to address that risk. FinCrime metrics address the transparency challenge and provide an objective view of risk.

Standardizing financial crime risk scoring will improve the operational aspects of cross-border payments, therefore improving the efficiency and speed of processing these payments. Indeed, leveraging data to quantify financial crime risk enables a closer integration between compliance and performance management systems, and allows for the pricing of commercial relationships according to risk, setting incentives for better AML/CFT frameworks and practices.

Following the FSB's expectations, standardized FinCrime risk scoring is 1) directly related to the challenges; 2) provides a clear indication of the extent of progress made by financial institutions; 3) is meaningful to a wide range of stakeholders such as other financial institutions, supervisors and investors; 4) is able to be readily communicated.

**Friction:** The FSB Stage 1 Report refers to "de-risking" as "a growing challenge for cross-border payment service providers". This is relevant for whole-sale payments between financial institutions as they are by far the majority of total cross-border payments by value and often via correspondent banking.

**Input:** One of the major challenges faced by financial institutions with extensive correspondent banking relationships is managing the financial crime risks they are exposed to through their networks. As we show in this [article](#), financial crime risk metrics produced leveraging data lead to a more nuanced and productive approach to the management of correspondent banking relationships. Delivering an objective scoring mechanism enables managing risk appetite throughout the correspondent banking network, setting Key Performance Indicators (KPIs) and providing information about various aspects of financial crime. Moreover, financial institutions can use these metrics to price

risk externally by implementing differential pricing for counterparties based on risk tolerance, hence avoiding de-risking.

**Friction:** The objective of the FSB is to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies. At the same time, the FSB Report highlights the uneven implementation of FATF standards and states that “weaker implementation of FATF’s AML/CFT standards by governments or financial institutions may complicate efforts by correspondents and other institutions in the payment chain to ensure illicit financing risks are appropriately assessed and mitigated”.

**Input:** While financial institutions will increasingly rely on financial crime scoring to manage FinCrime risk and engage in secure and fast cross-border payments, this approach will also support the assessment of overall AML/CFT risk at the national level, enabling public authorities to prioritise resources, set targets and track progress in their supervision. FinCrime scoring is a common language that can facilitate cross-border cooperation in supervision, and reduce unnecessary barriers to cross-border data-sharing when implementing the FATF standards.

Please see [here](#) or visit [elucidate.co](http://elucidate.co) for an overview of Elucidate’s approach to financial crime risk scoring.

Sincerely,

Max Heywood  
Head of Public Sector Partnerships



*Elucidate is a financial crime risk management company enabling banks to benchmark and price FinCrime risk through risk assessment, data analysis and scoring. Our core benchmark, the Elucidate FinCrime Index (EFI) leverages data-analysis and machine learning to score and price risk, providing a comparable and comprehensive view of a bank's own risk, as well as that of its counterparties.*