

Press release

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FSB publishes progress report on measures to address the decline in correspondent banking and updated data

The Financial Stability Board (FSB) today published two reports on its work to assess and address the decline in correspondent banking relationships: (1) updated data on trends in correspondent banking relationships using data provided by SWIFT as of end-2017 and (2) a progress report on the FSB's four-point action plan to assess and address the decline in correspondent banking that will be delivered to the G20 Summit.

The decline in the number of correspondent banking relationships in many countries around the world 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 growth, financial inclusion and international trade. While impacts to the stability and integrity of the global financial system have not been identified, concerns remain at the national and regional level.

Alexander Karrer, Chair of the FSB's Correspondent Banking Coordination Group and Deputy State Secretary at the Swiss Federal Department of Finance, said: "The international components of the FSB's action plan are now largely in place. To be effective, these need to be implemented in practice by national authorities and banks. Despite the actions that have been taken, data from SWIFT shows that the decline in the number of active correspondents continued in 2017, affecting almost all regions. Payments were still flowing, but were concentrated in a smaller number of banks and in the most active corridors."

[FSB Correspondent banking data report – Update](#)

The FSB correspondent banking data report shows that the decline in the number of active correspondents, as measured by the flow of SWIFT payment messages, continued in 2017, with a year-on-year reduction of 4.1%. All continents or sub-continents saw a decline in the number of active correspondents in 2017, with the rate of decline ranging between 5.2% and 6.7%, except in Northern America where it was 2.9%. From January 2011 to end-2017, the number of active correspondents declined globally by 15.5%.

The number of active corridors (defined as country pairs that processed at least one transaction) also declined in 2017, by 2.4%, and from January 2011 the data shows a decline of 7.3%.

Small economies with a Gross Domestic Product (GDP) of less than USD 10 billion have seen a stronger decline in the number of foreign counterparties per local banks (-23.4%), compared

with economies with a GDP of between USD 10 billion and 1 trillion (approximately -18%) and economies with a GDP of above USD 1 trillion (-8.4%). The decline in small economies has not affected, on average, the total volume and value of payment messages they received; these have increased more for small economies compared to the larger economies.

Progress report

The progress report highlights the further actions taken to implement the FSB's four-point action plan on correspondent banking since the FSB's March 2018 update. These include:

- Strengthening tools for due diligence by correspondent banks – The report notes the commitment of large banks to implement the Wolfsberg Group Correspondent Banking Due Diligence Questionnaire by end-2019. The FSB continues to encourage the industry to use the questionnaire to achieve greater efficiencies and improved standardisation in Know Your Customer utilities. Another important technical step is the recommendation by SWIFT to start the migration to the new ISO 20022 message format in correspondent banking in November 2021, which will support enhanced transparency, including through the use of the Legal Entity Identifier (LEI) for the unambiguous identification of originators and beneficiaries of cross-border payments. The recently launched FSB peer review on LEI implementation will help to identify and address any remaining obstacle to the effective use of the LEI in that field.
- Clarifying regulatory expectations – The Financial Action Task Force (FATF) and Basel Committee on Banking Supervision (BCBS) have conducted surveys of their memberships to assess the transmission and traction of their guidance on correspondent banking. While there generally has been a high level of dissemination of the guidance, some national authorities may need to do more.
- Domestic capacity building – The FSB recently held a workshop, involving both public and private sector participants, on the coordination and prioritisation of capacity development, including to strengthen domestic compliance with Anti-Money Laundering and Countering the Finance of Terrorism Public standards. The FSB is also exploring with the World Trade Organization, International Finance Corporation and multilateral development banks how solutions developed to address the reduction in correspondent banking relationships might also be used in the context of trade finance.

With the international components of the correspondent banking action plan largely in place, the FSB's focus is now turning to monitoring, through its membership, of implementation and of developments. Access to correspondent banking relationships remains a critical issue in some regions and jurisdictions. 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.

The FSB, FATF, Global Partnership for Financial Inclusion (GPII), IMF and World Bank are also monitoring the take-up of the FSB's March 2018 recommendations on remittance service providers' access to banking services and will report to the G20 in June 2019 on actions taken.

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 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 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.