

Round Table with Moneyval, the European FATF-Style Regional Body - “Re-connecting the de-risked”

Background

Moneyval is one of the FATF-Style Regional Bodies: It is comprised of 34 countries and jurisdictions, covering an area of over 19 million square kilometres (twice the size of the USA) with a population of over 320 million people. MONEYVAL has a high standing with the Financial Action Task Force (FATF): David Lewis, Executive Secretary of the FATF said that Moneyval is “one of the oldest and strongest FSRBs in the global network” and setting “an example for all to follow.”

Correspondent banking¹ is essential for customer payments, especially across borders, and for the access of banks themselves to foreign financial systems. The ability to make and receive international payments via correspondent banking is vital for businesses and individuals. At the extreme, if an individual bank loses access to correspondent banking services, this may affect its viability and if a country’s banks more generally face restricted access then it may affect the functioning of the local banking system. In addition, loss of correspondent banking services can create financial exclusion².

The FATF states that “financial institutions have increasingly decided to avoid, rather than to manage, possible money laundering or terrorist financing risks, by terminating business relationships with entire regions or classes of customers. De-risking is not in line with the FATF Recommendations, and is a serious concern to the international community, including the FATF and the FATF-Style Regional Bodies. De-risking can result in financial exclusion, less transparency and greater exposure to money laundering and terrorist financing risks.”³

In her speech to the FATF Plenary in Valencia, Spain, on June 22, 2017, IMF Managing Director Christine Lagarde said that correspondent banking relations are especially important for small countries and that “more needs to be done by everybody” to avoid de-risking⁴.

The Financial Stability Board’s (FSB) most recent report to the G-20 leaders states that the “decline in the number of correspondent banking relationships remains a source of concern for the international community because, in affected jurisdictions, it may affect the ability to

¹ which can be broadly defined as the provision of banking services by one bank (the “correspondent bank”) to another bank (the “responent bank”)

² Financial Stability Board, report to the G20 on actions taken to assess and address the decline in correspondent banking, November 2015

³ Financial Action Task Force (FATF), Guidance Correspondent Banking Services, October 2016

⁴ See IMF Policy Paper: „Recent Trends on Banking Relationships: Further Considerations“, April 2017.

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 system⁵.” The FSB’s data report published in July 2017 shows that the decline in the number of correspondent banking relationships is continuing across all continents, in particular in Eastern Europe⁶.

In many Moneyval jurisdictions, de-risking has occurred and as a consequence, the risks for AML/CFT have increased. It is time now that public and private AML/CFT stakeholder revert this process – and start mitigating risks arising from correspondent banking rather than continue to avoiding them.

Purpose of the round-table

The round table aims to inform about the work of Moneyval, a leading FATF-Style Regional Body, in particular about the country assessment process and how Moneyval reports can be used by global financial institutions. It also aims to clarify the regulatory expectations and the relevant international (FATF) standard for the provision of correspondent banking. Participants will discuss what correspondent banks can expect from respondent banks and what respondent banks can do to contribute to manage related AML/CFT risks.

ORGANISER Moneyval

PANELLISTS FATF
US Department of the Treasury
World Bank and IMF
Citibank as a leading global financial institution (correspondent bank)
LGT as a leading global wealth manager (respondent bank)

Expected outcomes

- Better understanding of the regulatory requirements
- Better understanding of the work of Moneyval
- Reduce AML/CFT risks by re-connecting the de-risked

Participants:

- Relevant international organisations
- Global financial institutions offering correspondent banking (compliance services and CB experts)
- Local Government representatives (regulators, policy makers)

⁵ <http://www.fsb.org/wp-content/uploads/P040717-3.pdf>

⁶ <http://www.fsb.org/wp-content/uploads/P040717-4.pdf>

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Agenda

11 Oct, Citibank - 388, Greenwich Street, New York

2 pm	Introduction	Daniel THELESKLAFF, Chair, Moneyval
2:10	Drivers of de-risking/consequences	Emile VAN DER DOES DE WILLEBOIS, World Bank (tbc)
2:30	The Global Network of FATF and FSRBs	David LEWIS, Executive Secretary, FATF (tbc)
2:45	Moneyval country assessments	Matthias KLOTH, Executive Secretary, Moneyval
3:00	Break	
3:30	Perspective correspondent bank	Denise REILLY, Global Head of AML Program, Citibank
3:45	Perspective respondent bank	Olivier DE PERREGAUX, CFO, LGT
4:00	Discussion	All
4:30	Conclusions and way forward	Daniel THELESKLAFF, Chair, Moneyval

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2 pm	Introduction	Daniel THELESKLAF, Chair, Moneyval
2:10	Drivers of de-risking/consequences	Nadim KYRIAKOS-SAAD, IMF Emile VAN DER DOES DE WILLEBOIS, World Bank
2:40	The Global Network of FATF and FSRBs	Deputy Assistant Secretary Jennifer FOWLER, US Department of Treasury and Vice-President, FATF
3:00	Moneyval country assessments	Matthias KLOTH, Executive Secretary, Moneyval
3:15	Break	
3:45	Perspective correspondent bank	Denise REILLY, Global Head of AML Program, Citibank
4:15	Perspective respondent bank	Olivier DE PERREGAUX, CFO, LGT
4:30	Discussion	All
5:00	Conclusions and way forward	Daniel THELESKLAF, Chair, Moneyval