REPORT
"DE-RISKING" WITHIN MONEYVAL STATES AND TERRITORIES

MONEYVAL
Committee of Experts
on the Evaluation
of Anti-Money Laundering
Measures and the Financing
of Terrorism

COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

COMMITTEE OF EXPERTS ON
THE EVALUATION OF ANTI-MONEY LAUNDERING
MEASURES AND
THE FINANCING OF TERRORISM
(MONEYVAL)

MONEYVAL(2015)15

REPORT

"DE-RISKING" WITHIN MONEYVAL STATES AND TERRITORIES

15 April 2015

COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) is a monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the fnancing of terrorism and the efectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems.

For more information on MONEYVAL, please visit our website:

www.coe.int/moneyval

CONTENTS

Introduction

1. The report aims to establish the extent to which "de-risking" is given consideration by MONEYVAL[1] States and territories and how regulated entities manage risks, as opposed to avoiding them.

2. In February 2015 MONEYVAL sent a questionnaire to its States and territories. The questionnaire was designed to gather information to help MONEYVAL understand the level of "de-risking" in Member jurisdictions, the drivers behind it, and sectors, products and services most affected by de-risking.

3. The MONEYVAL Secretariat received 31 responses to the questionnaire.[2] The main findings drawn from these responses are set out in the key findings section of the report. The questionnaire is attached at the annex.

[1] 33 States and territories are evaluated by MONEYVAL: Albania; Andorra; Armenia; Austria; Azerbaijan; Bosnia and Herzegovina; Bulgaria; Croatia; Cyprus; Czech Republic; Estonia; France; Georgia; Guernsey; Holy See; Hungary; Isle of Man; Israel; Jersey; Latvia; Liechtenstein; Lithuania; "the former Yugoslav Republic of Macedonia"; Malta; Republic of Moldova; Monaco; Montenegro; Poland; Romania; Russian Federation; San Marino; Serbia; Slovak Republic; Slovenia and Ukraine. The President of the FATF additionally appoints two Financial Action Task Force (FATF) delegations to MONEYVAL for two year periods (France and Austria are currently appointed to MONEYVAL on this basis, although they are evaluated by the FATF).

[2] Albania, Andorra, Armenia, Austria, Azerbaijan, Bosnia and Herzegovina; Bulgaria, Cyprus, Czech Republic, Estonia, France, Georgia, Guernsey, Hungary, Israel, Jersey, Latvia, Liechtenstein, Lithuania, "the former Yugoslav Republic of Macedonia", Malta, Republic of Moldova, Montenegro, Poland, Romania, Russian Federation, San Marino, Serbia, Slovak Republic, Slovenia and Ukraine.

WHAT IS "DE-RISKING"?

4. The FATF addressed the issue of "de-risking" in its October Plenary 2014 and published a statement on the issue[1]: "Generally speaking, de-risking refers to the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk in line with the FATF's risk-based approach. De-risking can be the result of various drivers, such as concerns about profitability, prudential requirements, anxiety after the global financial crisis, and reputational risk. It is a misconception to characterize de-risking exclusively as an anti-money laundering issue.

5. This issue is of crucial importance for two main reasons:

    1. De-risking can introduce further risk and opacity into the global financial system, as the termination of account relationships has the potential to force entities, and persons into less regulated or unregulated channels. Moving funds through regulated, traceable channels facilitates the implementation of anti-money laundering/countering the financing of terrorism (AML/CFT) measures.

    2. It is central to our mandate to ensure that the global AML/CFT standard is well understood and accurately implemented, and that countries and their financial institutions are provided with support in designing AML/CFT measures that meet the goal of financial inclusion."

6. According to the FATF, "recent supervisory and enforcement actions have raised the consciousness of banks and their boards about these issues. However, it is important to put into context that these were extremely egregious cases involving banks which deliberately broke the law, in some cases for more than a decade, and which had significant fundamental AML/CFT failings."

7. The FATF went on and say "de-risking should never be an excuse for a bank to avoid implementing a risk-based approach, in line with the FATF standards. The *FATF Recommendations* only require financial institutions to terminate customer relationships, on a case-by-case basis, where the money laundering and terrorist financing risks cannot be mitigated. This is fully in line with AML/CFT objectives. What is not in line with the FATF standards is the wholesale cutting loose of entire classes of customer, without taking into account, seriously and comprehensively, their level of risk or risk mitigation measures for individual customers within a particular sector."

8. The FATF also noted "the risk-based approach should be the cornerstone of an effective AML/CFT preventative system, and is essential to properly managing risks. It is expected that financial institutions identify, assess and understand their money laundering and terrorist financing risks and take commensurate measures in order to mitigate them. This does not imply a "zero failure" approach."

[1] "FATF statement of 23.10.2014 "FATF clarifies risk-based approach: case-by-case, not wholesale de-risking" http://www.fatf-gafi.org/topics/fatfrecommendations/documents/rba-and-de-risking.html

KEY FINDINGS

9. The extent to which "de-risking" is given *consideration* within MONEYVAL countries differs from one country to another. Almost half of the countries previously considered "de-risking" at some level within the country. The consideration is largely given on regulatory level that is between financial supervisors and the private sector. There were only two examples where the issue of "de-risking" was discussed at governmental level.

10. The *scale of "de-risking"* within a country was hard to assess for the majority of the respondents. Most of them reported that the scale of "de-risking" is perceived to be low. However, it was underlined by some countries that the general awareness of AML/CFT risk has been increased significantly over the last five years and consequently banks have become more selective and more cautious when they start a business relationship, especially with high-risk customers and jurisdictions.

11. Although there have been instances where "de-risking" behavior was observed and resulted in closing down of a significant number of high-risk customer relationships as a result of *significant sanctions imposed on FIs*, these examples appear to be sporadic. No observations on wholesale "de-risking" (cutting out of high-risk businesses and products) due to sanctions have been reported by the majority of jurisdictions. On the contrary, about 90% of the responding countries stated that sanctions imposed on reporting entities resulted in a better application of the risk based approach in their AML/CFT controls. It should be fairly noted however that unlike the US or the UK, the level of significant sanctions applied within MONEYVAL countries (except Israel) is on average ranging between Euro 10,000 and Euro 60,000. It should be further noted that in 15 out of 30 countries information on sanctions is not publicly available.

12. Though it was stated above that significant sanctions did not result in "de-risking" behaviour, in practice about 90% of countries responded that they have indeed *seen examples when financial institutions had withdrawn from or reduced their risk exposure to certain countries*, customer sectors, products, business lines, and markets. The potential penalties for breaching the implementation of *international financial sanctions* appear to be the major area of concern for MONEYVAL countries. The next group of risk factors which make financial institutions withdraw from or reduce their risk exposure are clients coming from the so-called "tax havens", cash intensive businesses, gambling and virtual currencies, such as Bitcoins. It was reported that financial institutions refuse to establish business relationships with clients from those countries. Some states indicated that in order to avoid high risk customer presence in some cases residents of countries like Afghanistan, Syria, Iran and some similar were cut off or not accepted as customers based only on citizenship.

13. Prohibiting or limiting certain products and services for certain countries or customer sectors, or discounting the existing business relationships and terminating correspondent banking relationships appear to be the major *"de-risking" methods*. Defensive reporting was also mentioned as a "de-risking" method.

14. *Potential sanctions* and *reputational risk* were named by financial institutions of MONEYVAL countries as the most significant drivers behind "de-risking".

15. There was not much information provided by countries on *the volume of customer relationships being terminated* by financial institutions in the recent time due to potential ML/TF or sanctions risk in order to make a complete picture. Some countries however responded that their supervisory authorities were aware about numerous instances of client relationships being terminated. The top

five types of such clients include: correspondent banks, citizens and companies of jurisdictions under UNSCRs and US, EU sanctioning lists, MVTS, lower value retail customers (migrant workers), on-line casinos and gaming service providers.

16. Seven countries replied that they actually had instances when *correspondent banking relationships* were terminated by financial institutions because of risks of sanctions or for ML/TF reasons. In almost all such cases relationships were terminated due to implementation of international sanctions. In fact, two jurisdictions provided examples when the implementation of "de-risking" policy by some major global banks resulted in termination of correspondent banking relationships in the entire region.

17. No signs of a decrease in the volume of remittances conducted via MVTS over the last years due to potential ML/TF or sanctions risk have been observed by respondents. It appears that there are no indications of the remittances sectors within MONEYVAL countries retreating into less regulated or unregulated channels.

18. It appears that NPOs are not generally affected by "de-risking" within MONEYVAL countries. Only two cases were reported where NPOs' accounts were *terminated* by financial institutions because of potential ML/TF or sanctions risk. It should be noted however that many MONEYVAL countries still appear to be at the early stage of developing measures that will facilitate the awareness-raising of the specifics of the risks of abuse for terrorist financing purposes in non-profit organizations.

19. No specific guidance or guidelines to regulated entities to address the issue of "de-risking" have been issued to date by MONEYVAL countries, except for one country which reported that on-site visits of financial supervisory authority are being amended to include de-risking issues. In fact countries are of the view that appropriate risk assessment procedures (RBA) for all customers should apply instead.

20. Overall, it can be concluded that "de-risking" is happening to some extent within MONEYVAL countries, however it is not systemic. The major drivers are potential sanctions and reputational risk for breaches of international restrictive measures. There are no signs of wholesale "de-risking" with regard to MVTS and NPOs, although correspondent banks seem to be more affected by "de-risking". Almost all MONEYVAL countries indicated they have policies and programs in place to ensure that socially disadvantaged persons (migrant workers, persons on low incomes, etc.) are able to obtain basic access to the financial system. The majority of countries consider sound RBA procedures as an adequate response to "de-risking" behaviour.

21. It is therefore proposed that competent authorities in MONEYVAL countries should continue to keep this issue under review. Areas where the "de-risking" issue may potentially impact the most would appear to be: correspondent banking relationships; clients from tax havens; cash intensive businesses; gambling and virtual currencies; and migrant workers, asylum seekers and persons on low incomes.

THE EXTENT OF CONSIDERATION GIVEN TO "DE-RISKING"

22. Out of the 31 countries replied to the questionnaire 13 countries (about 40%) responded that consideration the issue of "de-risking" has been given at some level within the country. Thereafter, 28 countries responded that no particular consideration at a national or other level has been given to "de-risking".

23. At the same time when answering the question on whether "de-risking" as an issue has been formally discussed between supervisors and regulated institutions, 15 out of 31 countries replied positively and stated that the issue of "de-risking" was mainly touched upon in the framework of the application of the risk-based approach and often on a case by case basis as a part of ongoing supervision of a financial institution.

24. With regard to those countries which responded that they have considered the issue of "de-risking" and that it has been discussed between supervisors and regulated institutions the following is noted: some countries indicated that the issue of "de-risking" has been given consideration on different levels, including the governmental level; the majority of the countries responded that this consideration was largely given on regulatory level, that is between the financial supervisors and the private sector in the course of discussing "de-risking" programmes and processes with individual banks and with the banking associations. In Israel the subject of "de-risking" has also been considered at the judicial level as the courts can examine and reject "de-risking" actions taken by banks.

THE SCALE OF "DE-RISKING"

25. The vast majority of countries reported that it was not possible for them to estimate even the approximate scale of "de-risking" in their particular country mainly due to lack of such information and statistical data. Most of them reported that the scale of "de-risking" is perceived to be low.

26. Some countries however indicated that a number of international banking groups have markedly reduced their AML/CFT risk appetite over the last 12-18 months and that this has been reflected in the withdrawal of banking services to certain business sectors and higher risk jurisdictions. It was also estimated that in general the awareness of AML/CFT risk has been increased significantly over the last five years and consequently banks have become more selective and more cautious when they start a business relationship, especially with high-risk customers.

SIGNIFICANT SANCTIONS AND THE "DE-RISKING

27. The aim of this set of questions provided in relation to sanctions imposed for failures of preventative measures was to consider the effect that significant sanctions might be having on the future behavior of the financial institutions.

28. When answering the question on whether there have there been significant sanctions imposed by financial regulators for failures of preventative measures a number of jurisdictions fairly responded that the word "significant" is a very subjective term. In most countries the level of sanctions applied in financial terms fluctuated between Euro 10,000 and Euro 100,000 (in some exceptional cases). A number of countries answered that they had no experience of applying significant penalties to reporting entities.

29. The largest penalties among MONEYVAL countries for failures of preventative measures were applied in Israel. The total amount of fines imposed on two banks was Euro 3,1 million, that is basically more than Euro 1,5 million per each financial institution. A fine in the amount of approximately Euro 220,000 was imposed in the Republic of Moldova against a bank for failure to proper apply preventive measures and to identify and report suspicious transactions and business relationship. Having said that, it should be noted that in most instances significant or relatively significant sanctions in the form of fines were applied in the banking sector. Only in a few cases were sanctions imposed on senior management and on banks by licence withdrawal.

30. In 14 out 31 countries information on sanctions imposed is published and available on-line. In some countries, however only information on serious breaches is being published. 15 countries responded that they do not publish information on sanctions.

31. Unfortunately, 12 out 31 countries experienced difficulties in answering the question in relation to the effect sanctions had on the behaviour of financial institutions. However, about 90% of the responding countries stated that sanctions imposed on reporting entities resulted in a better application of the Risk Based Approach in their AML/CFT controls. The applied supervisory measures increased awareness of ML/TF risk and the level of compliance by the financial institutions and had a positive effect on their behavior. No observations on cutting out of high-risk businesses and products due to sanctions have been reported by the majority of jurisdictions.

32. Only 5 countries indicated that they had examples where sanctions imposed resulted in "de-risking" behavior. In one case supervisory proceedings and subsequent sanctioning of an entity's executives led to closing down of a significant number of "high-risk" customer relationships by the entity. Similar measures were taken in another cases provided by three countries where financial institutions have reduced the number of relevant business relations. Finally, in other case sanctions resulted in cutting a high risk business (e.g. foreign currency exchange – one case).

FINANCIAL INSTITUTIONS' RISK EXPOSURE

33. 28 out of 31 countries responded that they have indeed seen examples where financial institutions had withdrawn from or reduced their risk exposure to certain countries, customer sectors, products, business lines, and markets.

34. In most cases such examples are related to implementation of international financial sanctions, in particular in relation to Iran and North Korea. It was reported that financial institutions refuse to establish business relationships with clients from those countries. Countries under UN sanctions are considered as the highest risk factor for financial institutions within the majority of jurisdictions. Some states however indicated that in order to avoid high risk customer presence in some cases residents of countries like Afghanistan, Syria, Iran and some similar were cut off or not accepted as customers based only on citizenship.

35. The next group of risk factors which drive financial institutions to consider withdrawing from or reducing their risk exposure are: clients coming from the so-called tax havens; cash intensive businesses and gambling. Interestingly, several countries have also stated that banks often refuse to start a business relationship with a company which is a platform for virtual currencies, such as Bitcoins. Moreover, one country reported that it has seen examples of banks closing branches in higher risk countries, withdrawing from providing services to overseas customers with connections to higher risk jurisdictions. Only one country mentioned that many FIs do not easily establish business relationships with NPOs and two countries indicated temporary workers and immigrants from non-EU countries as a high risk factor for financial FIs.

36. It was fairly mentioned by one country that typically banks reduce their exposure to higher risk customers where the cost of maintaining CDD/KYC is no longer commercially viable. In practice this often means that lower value retail customers connected to higher risk jurisdictions are the ones that suffer most from "de-risking".

"DE-RISKING" METHODS

37. According to the information provided by jurisdictions FIs use different methods for "de-risking". The most frequent method of "de-risking" would obviously be to prohibit or limit certain products and services for certain countries or customer sectors, or to discount the existing business relationships with high-risk customers. Some countries also indicated that in order to "de-risk", some FIs move to exit relationships with higher risk financial intermediaries and terminate correspondent banking relationships deemed to be risky.

38. Limitations of some transactions by imposing thresholds on the amounts of transactions conducted per one day as well as limitation of the access to new technologies and products, (especially delivery channels, e.g. internet banking) are also commonly used methods of "de-risking". Interestingly, one country fairly mentioned defensive reporting as a way of de-risking".

DRIVERS BEHIND "DE-RISKING"

39. In response to the question on the main drivers behind "de-risking" the majority of countries named *potential sanctions* and *reputational risk* as the most important factors considered by financial institutions. The next main drivers are strict AML/CFT requirements and eventually rising costs for compliance management which also includes the inevitability of sanctions being imposed in case of failure to properly perform CDD.

CLIENT RELATIONSHIP

40. Although countries found it difficult to provide statistics on the number of cases over the last two years when customer relationships were terminated by financial institutions because of potential ML/TF or sanctions risks, some jurisdictions indicated that the supervisory authorities are aware that there have been numerous cases. One country reported that as a result of enhanced supervisory attention the number of existing business relations with high-risk customers were reduced by 20-30%, and in some cases up to 50%.

41. The top five types of clients which were particularly affected by termination or restriction of business relationships because of potential ML/TF or sanctions risk include:

    - Correspondent banks;
    - Citizens and companies of jurisdictions under UNSCRs and US, EU sanctioning lists;
    - MVTS;
    - Lower value retail customers (migrant workers);
    - Online casinos and gaming service providers.

42. Other types of clients, such as NPOs, entities registered in so-called tax havens and forex companies were also named as clients particularly affected by termination or restriction of business relationships because of potential ML/TF or sanctions risk. In relation to lower value retail customers, such as migrant workers, there was a view that termination or restriction of business relationships may be regarded as being commercially driven rather than a direct result of "de-risking".

43. In response to the question on whether there have been cases where socially disadvantaged persons (including migrant workers, persons on low incomes, etc.) were unable to open accounts or have been otherwise disadvantaged, the vast majority of jurisdictions reported that they have policies and programs in place to ensure that these persons are able to obtain basic access to the financial system. In many jurisdictions financial institutions offer specific financial products and services to people otherwise excluded from those basic services and products.

44. Two countries however indicated that immigrants and migrant workers do face difficulties in obtaining access to the financial system, in particular to some specific banking services related to wire-transfers of small amounts for reasons related to TF risks. It was said that wire-transfers and other banking operations especially conducted in small amounts by these types of client are often subject to enhanced measures. These risk mitigating measures (e.g. complex identification procedures) can displace some of the abovementioned customers to money remittance services (where there is a higher level of anonymity) and in some instances to illegal payment systems such as Hawala.

CORRESPONDENT BANKING

45. Although it was mentioned above that correspondent banking activities seemed to be one of the most affected by increasing risk of AML/CFT violations or sanctions the analysis of the responses revealed that 13 out of 31 countries (43%) answered that there were no cases observed in the past when correspondent banking relationships were terminated by financial institutions because of potential ML/TF or sanctions risk. Another 10 (34%) countries reported that there was no information available to answer the question. Seven countries however replied that they actually had instances when correspondent banking relationships were terminated by financial institutions because of potential ML/TF or sanctions risk.

46. Among those seven countries two jurisdictions provided examples of implementation of "de-risking" policy by major global banks by way of terminating correspondent relationships with the banks in an entire region. Another example was related to termination of correspondent relations with one particular bank in a country. In addition, another two countries informed that several correspondent banking relationships were terminated due to EU sanctions against particular countries. And another one country reported over the last two years approximately eight cases of termination of relationships with correspondent banks due to potential ML/TF or sanctions risks.

47. Following the issue of "de-risking" impact on correspondent banking, countries were asked to indicate whether they experienced increased concentration of correspondent banking relationships and international payments with fewer banks over the last years. Out of 31 countries responding 17 jurisdictions informed that they did not observe an increased concentration of correspondent banking relationships with fewer banks because of potential ML/TF or sanctions risk. Ten countries responded that there was no information available on that issue. Finally, only three countries replied that such movements seem to exist. However the drivers were not necessarily AML/CFT, but were related to commercial reasons (such as costs) and banking prudential regulation.

MVTS

48. The purpose of the questions on MVTS was to understand whether MONEYVAL countries have observed any signs of the remittances sector – such as a decrease in the volume of remittances conducted via MVTS in the last years due to potential client ML/TF/sanctions risk or withdrawals from remittances sector due to high compliance costs, to be somehow shifted towards unregulated MVTS providers or "shadow banking".

49. Out of 31 countries 19 (65%) responded that no decrease in the volume of remittances conducted via MVTS occurred over the last years due to potential ML/TF or sanctions risk. One country in fact informed that there has been an increase in the volume of remittances conducted via MVTS in the recent years. Another five countries said they have no information to answer the questions. Six countries replied that a decrease has in fact been noted, however three of them could not attribute this decrease to any particular factors or indicated that it could be attributed to economic factors as well as changes in demographics. One country responded that activity of some MVTS were restricted without however stating that this was due to potential client ML/TF/sanctions risk. Interestingly, one country replied that the inflow from remittances has decreased due to international restrictive measures imposed against a particular jurisdiction.

50. No indications have been observed by any of the jurisdictions showing that financial institutions and MVTS actually have withdrawn from the remittances sector because of high or rising compliance costs.

NPOs

51. Following the issue of "de-risking" impact on NPOs almost all countries responded that they have already developed or are in the process of developing measures that will facilitate the awareness-raising of the specifics of terrorist financing risk abuse in non-profit organizations. This usually takes form of trainings and methodological assistance to the obliged persons. Some countries replied that the issue of vulnerability and possible misuse of NPOs for AML/CFT purposes will be considered in connection with the transposition of the 4th EU AML Directive. Other countries responded that understanding of TF risks in NPOs and subsequent awareness-raising among reporting entities are a part of the NRA and amendments are being proposed. What should be noted however is that many countries are still appear to be at the early stage of this process.

52. In response to the question on whether there have been cases where NPOs' accounts were *terminated* by financial institutions because of potential ML/TF or sanctions risk, the vast majority of countries replied that either no such cases were detected or no relevant data was available. Only two countries replied that they had such instances. One country reported that over the last two years approximately 12 cases of termination of relationships with NPOs were registered due to several cases of fraud and suspicious account opening detected. Another country stated that there was one case in 2013 and one case in 2014 of NPOs accounts being terminated because of a potential ML/TF risk.

53. Out of 31 countries 22 (72%) responded that there were no indications detected that NPOs have encountered problems in accessing bank accounts. It was underlined in many provided answers that the compliance measures are equal to all types of customers and each NPO that generates an acceptable level of ML/FT risk for the bank is allowed to open an account.

54. Seven countries replied that they do not have relevant data and only one country responded that during 2014, such cases have been *observed* in two commercial banks and those banks have increased the service fee towards NPOs.

SPECIAL GUIDANCE ON "DE-RISKING"

55. All 31 countries which participated in the study stated that they do not have any guidance or have not produced any other advice for regulated entities which would specifically address the issue of "de-risking". No countries have plans to develop such guidance. One country however reported that on-site visits of financial supervisory authority were amended to include de-risking issues. In fact the majority of countries are of the view that in relation to "de-risking" appropriate risk assessment procedures for all customers should apply. It was stated that countries already have existing ML/FT risk-based approach guidance and guidelines which have been developed for different types of reporting entities and which should clarify how the ML/TF risks should be mitigated.

56. Several countries stated that they may consider clarifying the issue of "de-risking" with financial institutions through workshops related to application of risk-based approach.

MONEYVAL Secretariat

April 2015

ANNEX – MONEYVAL QUESTIONNAIRE ON "DE-RISKING"

INTRODUCTION

The term "de-risking" has become common shorthand for referring to any instances in which banks have adopted increasingly stringent financial crime-related policies to reduce their exposure to potential money laundering, terrorist financing, corruption and sanctions risk. More specifically, it relates to the strategies adopted by banks to reduce or lower their risk exposure.[4]

In principle, this applies to all categories of risk. Hedging and volume reductions are tried and tested means of reducing credit and market risk. Similar approaches apply to other risk categories. However, the management of financial crime and regulatory risks, arising from the consequences of perceived non-compliance with regulatory requirements require additional and often more radical corrective actions to reduce risk exposure.

The risk for banks is not only an administrative or judicial finding that they have been in violation of legislation/regulation; often despite on institution's belief in the sufficiency of its compliance measures. It is also the regulatory action related to such violations, and the consequential penalties and remediation plans imposed by regulators as well as law enforcement and political authorities. The potential reputational damage caused by such actions and the size of fines, which could result in impact to more prudential aspects governing banks, are additional reasons for caution and concern. Given that money laundering and sanctions violations can also result in criminal proceedings, a bank subject to enforcement actions may face losing its banking license or having restrictions placed on its ability to undertake certain activities, thereby also impacting its ability to service its customers.

This complexity means that de-risking manifests itself in a number of ways. The most notable example is a bank ceasing to provide accounts to certain customer or product sectors (e.g. migrant workers, NGOs). Total withdrawal from a specific sector or customer group is at the farthest end of the de-risking spectrum.

Ahead of the April Plenary, MONEYVAL wishes to survey the extent to which de-risking is given consideration by its member States and territories and how regulated entities manage risks, as opposed to avoiding them. The questionnaire is therefore intended to gather information designed to help MONEYVAL understand the level of de-risking in Member jurisdictions, the drivers behind it, and sectors, products and services most affected by de-risking. The results of the questionnaire will form the basis of a MONEYVAL report on de-risking.

INSTRUCTIONS

In order to ensure that the questionnaire is completed in its entirety, please share with any other relevant agency or contact person that will facilitate the accurate completion. Please return the completed questionnaire to moneyval@coe.int.

Country:	
Institution:	
Name of official:	
Position of official:	
Email:	
Phone (with code):	

[4] FATF: De-risking: global impact and unintended consequences for exclusion and stability

QUESTIONNAIRE

1. Has your jurisdiction given consideration to the issue of de-risking? If yes, please describe at what levels such consideration has taken place i.e. national, public or private sectors. If so, please describe.

2. General questions:
2.1 Has de-risking as an issue been formally discussed between supervisors and regulated institutions?
2.2 Have there been significant sanctions imposed by financial regulators in your jurisdiction for failures of preventative measures (including for failure to identify PEPs or other types of high risk customers or products?). If so, could you indicate to which sectors significant sanctions were applied and at what level etc.
2.3 If there have been significant sanctions, what effect has this had on the behavior of the financial institutions as a result (ie a better application of the Risk Based Approach in their AML/CFT controls or cutting out high risk business and products)?
2.4 Are sanctions publicized in your jurisdiction?

3 General questions:
3.1 How would you assess the scale of de-risking in your jurisdiction?
3.2 Has your jurisdiction seen examples when financial have institutions withdrawn from or reduced their risk exposure to certain countries, customer sectors, products, business lines, and markets? Please describe.
3.3 What would be the most frequent methods of de-risking in your jurisdiction in your opinion? For example, limit exposure to certain higher risk customers, limit the types of services offered, restrict certain products and services for certain countries or customer sectors.

4 What are the main drivers (AML/KYC requirements, rising costs, sanctions, reputational or regulatory risk, etc.) behind "de-risking" in your opinion?

5 Client relationship:
5.1 Do you have any information (statistics) available on the number of cases over the last two years

when customer relationships were terminated by financial institutions because of potential ML/TF or sanctions risk? If so, please provide.

5.2 What types of clients (MVTS, PEPs, NPOs, correspondent banks, etc.) were particularly affected by termination or restriction of business relationships because of potential ML/TF or sanctions risk over the last two years?

5.3 Are there instances where socially disadvantaged persons (including migrant workers, persons on low incomes, etc.) who have been unable to open accounts or have been otherwise disadvantaged?

6 Correspondent banking:

6.1 Do you have any information (statistics) available on the number of cases over the last two years when correspondent banking relationships were terminated by financial institutions because of potential ML/TF or sanctions risk? If so, please provide.

6.2 Has your jurisdiction experienced increased concentration of correspondent banking relationships, international payments and trade finance with fewer banks over the last years?

7 MVTS:

7.1 Has your jurisdiction experienced any decrease in the total volume of remittances conducted via MVTS over the last years due to potential client ML/TF or sanctions risk?

7.2 Do you have any indications that financial institutions and MVTS in your jurisdiction withdraw from remittances sector due to high compliance costs and that certain types of clients (migrant workers, diaspora) have encountered problems in accessing bank accounts or using MVTS services? If so, please describe.

8 NPOs:

8.1 Has your jurisdiction developed or is currently developing measures that will facilitate the awareness-rising of specifics of terrorist risk abuse in non-profit organizations? If so, please describe.

8.2 Do you have any information (statistics) available on the number of cases over the last two years when NPOs accounts were terminated by financial institutions because of potential ML/TF or sanctions risk? If so, please provide.

8.3 Do you have any indications that NPOs in your jurisdiction have encountered problems in accessing bank accounts in recent time due to high compliance costs? Please detail.

9	Has your jurisdiction developed or developing any guidance on dealing with sectors most affected by "de-risking" in order to lay out how regulated entities could manage risks, as opposed avoiding them? If so, please detail.

PREMS 105915

ENG

www.coe.int

The Council of Europe is the continent's
leading human rights organisation.
It comprises 47 member states, 28 of which
are members of the European Union.
All Council of Europe member states have signed up to
the European Convention on Human Rights, a treaty designed
to protect human rights, democracy and the rule of law.
The European Court of Human Rights oversees
the implementation of the Convention in the member states.

COUNCIL OF EUROPE

CONSEIL DE L'EUROPE