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Drivers for "de-risking" go beyond anti-money laundering / terrorist financing

Situations where financial institutions terminate or restrict business relationships with categories of customer (so-called "de-risking") is a complex issue that goes far beyond anti-money laundering (AML) and counter-terrorist financing (CFT). The FATF has gathered preliminary information on the potential drivers of "de-risking", with input from the private sector which highlights that there is a continued need to improve the evidence base in order to determine the causes, scale and impact of de-risking. The FATF approach to "de-risking" is based on the *FATF Recommendations* which require financial institutions to identify, assess and understand their money laundering and terrorist financing risks, and implement AML/CFT measures that are commensurate with the risks identified.

When establishing correspondent banking relationships, banks are required to perform normal customer due diligence on the respondent bank. Additionally, banks are required to gather sufficient information about the respondent bank to understand the respondent bank's business, reputation and the quality of its supervision, including whether it has been subject to a money laundering or terrorist financing investigation or regulatory action, and to assess the respondent bank's AML/CFT controls. Although there will be exceptions in high risk scenarios, the FATF Recommendations do not require banks to perform, as a matter of course, normal customer due diligence on the customers of their respondent banks when establishing and maintaining correspondent banking relationships.

The FATF is undertaking work to further clarify the interplay between the FATF standards on correspondent banking (Recommendation 13) and other intermediated relationships, and the FATF standards on customer due diligence (Recommendation 10) and wire transfers (Recommendation 16). In doing so, the FATF will consult with regulators and the private sector, and will take into account relevant work on correspondent banking and account closure being undertaken by the Committee on Payments and Market Infrastructures (CPMI), the Financial Stability Board (FSB), the Global Partnership for Financial Inclusion (GPII), the International Monetary Fund (IMF) and the Union of Arab Banks (UAB), the World Bank Group (WBG), and the World Trade Organisation (WTO). The FATF will also take into account the Basel Committee on Banking Supervision's *Guidance on Sound Management of Risks Related to Money Laundering and Financing of Terrorism* which was published in January 2014, and will continue engagement with the Basel Anti-Money Laundering Experts Group (AMLEG).

This work will build on actions that the FATF has already taken to address de-risking. The FATF revised the *FATF Recommendations* in 2012 to establish the risk-based approach as a fundamental requirement of the FATF standards, has discussed the de-risking issue with the private sector in various fora and sought their feedback at the FATF Consultative Forum in March 2015, and published *Guidance on the Risk-Based Approach for the Banking Sector, Guidance on AML/CFT Measures and Financial Inclusion*, and the *Revised Best Practices Paper on Combating the abuse of Non-Profit Organisations (Recommendation 8)* which addresses the issue of access to banking services by NPOs. The FATF is also developing guidance on the risk-based approach for money or value transfer services (MVTs) which will address the issue of access to banking services by MVTs, and will undertake further work on financial inclusion and customer due diligence.