

CARIBBEAN FINANCIAL ACTION TASK FORCE



**STOCKTAKING EXERCISE ON ‘DE-  
RISKING’ IN THE CARIBBEAN  
REGION – Second Phase**

L Plenary and Working Groups Meeting

November 24<sup>th</sup> – 29<sup>th</sup>, 2019  
*St. John's, Antigua and Barbuda*

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**STOCKTAKING EXERCISE ON ‘DE-RISKING’ IN THE  
CARIBBEAN REGION**

cfatf-plen-1-crtmg-derisking-stocktaking-(second-phase)

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# STOCKTAKING EXERCISE ON ‘DE-RISKING’ IN THE CARIBBEAN REGION

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## Stocktaking exercise on ‘De-risking’ in the Caribbean region

### Background

The XLVII CFATF Plenary, in May 2018, gave approval for a stocktaking exercise on ‘De-risking’ in the Caribbean region to be conducted. The outstanding factors to address this exercise were the perceived loss of Correspondent Banking Relationships (CBRs) that have affected the CFATF members and the barriers that this represents for the continuation of the business of Financial Institutions (FIs) and non-FIs alike. Addressing ‘De-risking’ in the Region has become especially urgent since both FIs and non-FIs have already begun to experience its negative effects, such as obstructing the development of financial systems, compromising the competitiveness of Caribbean businesses and increasing the number of persons who are excluded from accessing financial services.

The stocktaking exercise aims to better understand the ‘De-risking’ phenomenon, with the purpose of improving the performance of CFATF members at their Mutual Evaluations, as well as minimising the perception that the Region is susceptible to the abuse of their financial systems. On the other hand, the CFATF Secretariat aims to assist members in maintaining an up-to-date understanding of the FATF Standards relevant to ‘De-risking’.

### Methodology

The methodology utilised for this project entailed gathering information from primary and secondary sources. Information was obtained from primary sources using questionnaires completed, by Central Banks and FIs from the CFATF membership. In the May 2018 Plenary, approval was granted for further research to be conducted with the secondary sources of information originating from official government statistics, publications and media reports.

In June 2018, two questionnaires were drafted by the CFATF Secretariat; one aimed at Central Banks and the other at FIs, with the purpose of collecting responses from the regulatory framework perspective as well as from the operational perspective of FIs.

The draft questionnaires were circulated for review by CRTMG members with the purpose of ensuring that they were drafted appropriately to capture the information needed to understand the de-risking challenges. Nine members of the CRTMG volunteered to examine the completed questionnaires and determine timelines for the analysis of the information particularized.

Once the review was concluded, the questionnaires were circulated to the Central Banks and FIs of the CFATF Membership for completion.

This report was discussed and adopted at the November 2018 CFATF Plenary meeting held in Bridgetown, Barbados and there was unanimous agreement for the continuation of a second phase of the research and for sharing the current information to feed into the FATF work on de-risking.

In January 2019, the questionnaire for FIs was re-circulated to the FIs and Central Banks from whom no responses were received in 2018. This resulted in an additional thirty-seven (37) responses being received.

With respect to the survey completed by Central Banks, there were twenty-two CFATF member respondents.

This Report ‘Stocktaking exercise on ‘De-risking’ in the Caribbean region- Second Phase” provides details and analysis of responses received from the Central Banks and FIs of CFATF Member jurisdictions to both surveys. The second phase of the Project, a desk-based review of relevant

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existing data, papers, reports, articles and other materials was undertaken. (Please see CRTMG 'De-Risking' report- [cfatf-crtmg-derisking-rpt-second-stage](#) for details).

**Timelines**

The activities set for the exercise were the following, which were carried out within the following timelines:

**First Phase- June 2018- October 2018**

<b>Date</b>	<b>Activity</b>
June 4 <sup>th</sup> –8 <sup>th</sup>	Drafting of questionnaires
June 11 <sup>th</sup> –19 <sup>th</sup>	Review of questionnaires by CRTMG members
July 23 <sup>rd</sup>	Both surveys (Central Banks and FIs) disseminated
August 30 <sup>th</sup>	Deadline for submissions of responses by Central Banks and FIs
Sept 6 <sup>th</sup>	Email sent out for extension of the deadline for submission of responses by Central Banks with a new deadline of September 13, 2018
Sept 13 <sup>th</sup>	2nd deadline for submission of responses to Secretariat by Central Banks
Sept 17 <sup>th</sup> –21 <sup>st</sup>	Collection of responses and preliminary De-Risking Survey Responses Data Analysis
Sept 24 <sup>th</sup> –Oct 5 <sup>th</sup>	Completion of the report on De-Risking's stocktaking exercise
Oct 19 <sup>th</sup>	Co-Chairs conference call
Oct 25 <sup>th</sup>	Draft report circulated to CRTMG members for comments
Oct 29 <sup>th</sup>	Deadline for CRTMG members to provide comments
Oct 30 <sup>th</sup>	Conference call with CRTMG members to discuss the project

**Second phase - January 2019 – May 2019**

<b>Date</b>	<b>Activity</b>
Jan 14 <sup>th</sup>	Re submission of questionnaire on De-Risking to FIs (Countries that did not send information in 2018 only).
Jan 25 <sup>th</sup>	Deadline for submissions of responses from FIs.
Feb 28 <sup>th</sup>	Gathering of secondary sources of information for the research.
March 14 <sup>th</sup>	Drafting of conceptual framework and content of the research document.
Feb 28 <sup>th</sup>	Compilation of responses and analysis on De-Risking questionnaires.
March 15 <sup>th</sup>	Drafting of 1 <sup>st</sup> version of the De-Risking report.
April 3 <sup>rd</sup>	Deadline for review of 1 <sup>st</sup> Draft of the De-Risking report by CRTMG Members.
April 5 <sup>th</sup>	Drafting of 2 <sup>nd</sup> version of the De-Risking report.
April 12 <sup>th</sup>	Review of 2 <sup>nd</sup> Draft of the De-Risking report by the Secretariat.
April 15 <sup>th</sup>	Circulation of the Draft report for its editorial changes/discussion at CRTMG meeting and approval at CFATF Plenary.
April 26 <sup>th</sup>	Drafting of final version of the De-Risking report.
April 26 <sup>th</sup>	Final Version of the Report to be posted on the website.

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**Proposals on the way forward**

The CRTMG agreed on the following steps to be taken in the second stage of the report:

1. Conduct training / workshops
2. Continuous discussion with the Central Banks and FIs to identify the steps taken or implemented to address de-risking.
3. Share the current information to feed the FATF's project on De-Risking
4. Establish a regional information repository on the CFATF website that could share information on strategic initiatives that other jurisdictions and institutions have embarked upon in response to de-risking
5. Highlight new developments emanating from the meetings of the FATF on the issue which will also be done periodically through circulation of emails or posting on the CFATF website

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Data Analysis and responses

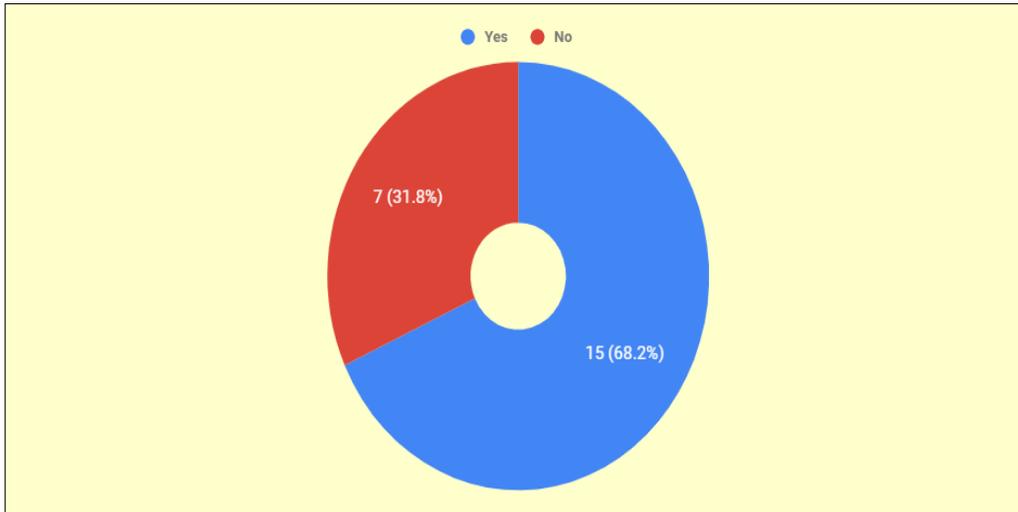
Central Banks

Items #1 to 4. Related to Contact Person, Position or Title, Telephone Number and Email address.

Question #6 *De-risking as an Increasing Threat to the Jurisdiction*

Fifteen (15) Central Banks representing around sixty-eight percent (68.2%) of the respondents, indicated that De-Risking is an increasing threat for their jurisdictions. On the other hand, seven (7) institutions, representing roughly thirty-two percent (31.8%) did not perceive de-risking as an increasing threat.

Figure 1 De-Risking as a Threat to Jurisdictions



Question #7. *De-Risking as a Threat to Operational Viability*

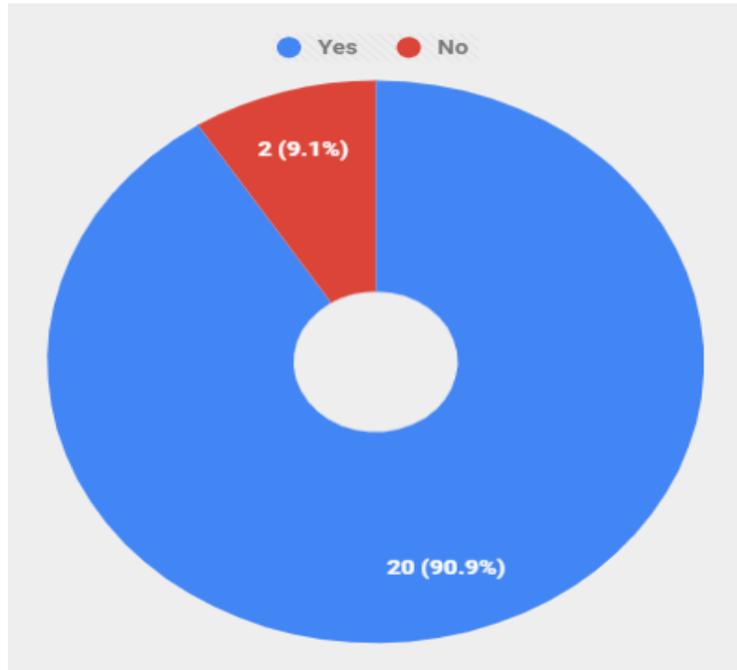
Twenty (20) Central Banks representing more than the ninety percent (91.1%) of the institutions, perceive 'de-risking' as a threat to operational viability in their jurisdictions today as it was three (3) years ago. De-risking has not been an increasing threat during the last three (3) years for only two (s) central banks, which represents nine (9.1%) percent of those polled.

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**Figure 3** De-Risking as a Threat to Jurisdictions



**Question #8** *Effects of De-Risking on FIs*

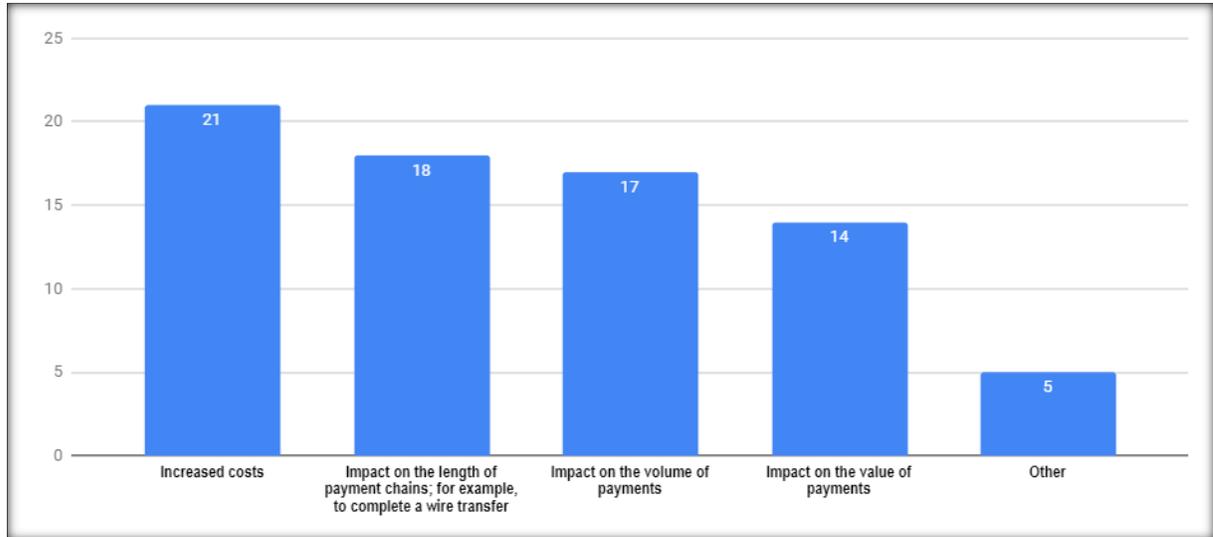
From the Central Banks' perspective, it has been noted that FIs have faced direct effects emerging from de-risking practices. These effects mainly include increases in operational costs, impact on the length of payment chains (for example, to complete a wire transfer) and impact on the volume of payments. Other effects identified were the increasing challenges to secure banking services, the termination of one banking account by a US correspondent bank and the increased of expectations from overseas respondent banks and regulators, which triggers enhanced local requirements and less access to banking services.

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**Figure 4** Effects of De-Risking on FIs



**Question #9** *Measures to Mitigate the Effects of De-Risking*

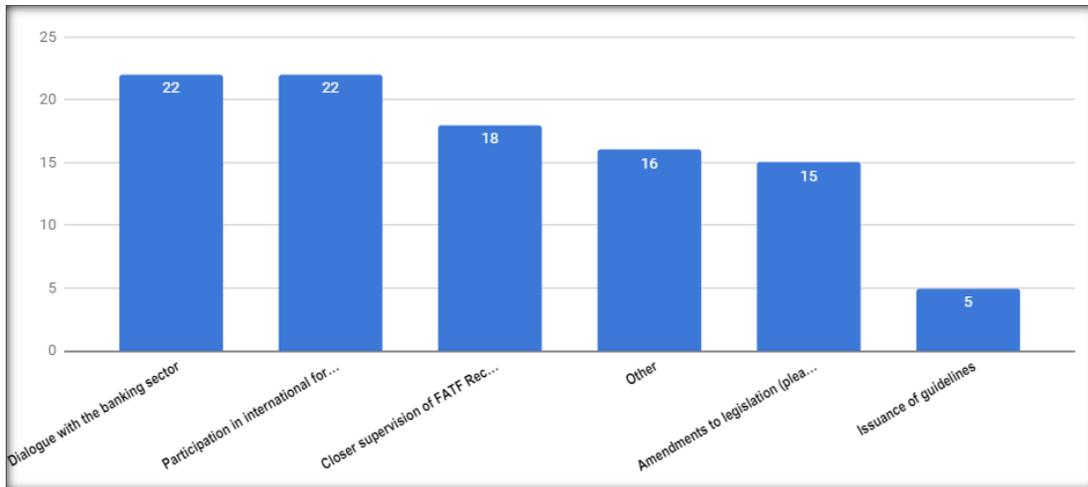
On the question of the specific actions that have been taken to mitigate the effects of de-risking, all of the Central Banks indicated that they have dialogued with the banking sector and have participated in international forums where the topic has been discussed. Most of the Central Banks have also conducted closer supervision in relation to FATF Recommendation 13 related to correspondent banking. The Central Banks also indicated that their respective countries have amended domestic legislation. The issuance of guidelines is one of the actions taken by five (5) Central Banks participating in the survey. Fifteen (15) Central Banks have carried out activities which include meetings with potential correspondent banks, reaching out to correspondent banks domiciled in Europe with the purpose of establishing correspondent banking relationships as well as dialogue with financial services sector on CDD and BO issues.

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**Figure 5** Measures to Mitigate the Effects of De-Risking



### **Question #10** *Actions taken by Central Banks*

The Central Banks were requested to provide further details with respect to the specific actions taken to address the effects of 'de-risking' in question nine (9) above. The specific actions taken by Central Banks include:

1. Approaching FIs in Europe to establish corresponding relationship and requesting high-risk banks to implement a contingency plan. For the specific case of remittances and payment of money, establishing controls as limits in the operations of the departments where, after performing an analysis, there is a greater risk of money laundering;
2. Amending legislation (to address weaknesses in AML/CFT supervision);
3. Agreed on a strategic action which are aimed at:
  - i. Intensifying data collection and analysis on de-risking;
  - ii. Developing guidance on the management of correspondent banking relationships;
  - iii. Building more regional capacity in anti-money laundering and combating the financing of terrorism (AML/CFT) effectiveness;
  - iv. Identifying cost effective approaches to strengthening AML/CFT compliance systems in regional respondent banks;
  - v. Accelerating the shift away from reliance on cash-based domestic transactions (and on correspondent bank-dependent international payments settlements); and
  - vi. Strengthening regional mechanisms to remain influentially engaged in international regulatory initiatives affecting the correspondent banking landscape.
4. Improving supervision by implementing an administrative monetary penalty regime and strengthening the guidelines for administrative penalties; revising AML/CFT guidelines to expand the banks obligation concerning correspondence banking that are aligned to the

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FATF requirements and adopting a continuous AML/CFT supervision similar to prudential supervision.

5. Intensifying data collection from banks to facilitate analysis on de-risking;
6. Identification of cost-effective approaches to strengthening AML/CFT compliance systems in regional respondent banks;
7. Ensuring all national banks register on the SWIFT (KYC) Registry Portal;
8. Signing MOUs which set the basis for facilitating/ sharing information with national regulators and conducting joint AML/CFT assessments.

### **Question #11** *Sanctions for Non-Compliance with Customer Due Diligence Measures*

With respect to the range of sanctions available for non-compliance with customer due diligence measures, the Central Banks indicated that these varied across the region and included both administrative and criminal sanctions. Administrative penalties ranged from the issuance of warnings to fines and included the revocation of license / registration. Criminal penalties ranged from fines to summary conviction. One Central Bank did not have the authority to impose sanctions because that authority is reposed in other national agencies.

### **Question #12** *Assistance from CFATF*

Central Banks stated that the CFATF Secretariat can assist with efforts to alleviate the threat of 'de-risking' in the region, the following responses were compiled:

1. International lobbying effort and accreditation of AML/CFT risk management regimes;
2. Facilitate document/information sharing amongst members;
3. Facilitate the representation of members in the context of raising awareness of de-risking and compliance with international standards;
4. Issuing good/bad practices (e.g. guidance) regarding de-risking specifically for the Caribbean region
5. With the assistance of the World Bank and IMF, the CFATF to lobby with the major FIs in the United States of America to re-instate banking relations in the Caribbean since our trading partners are located in the USA;
6. Ensuring regional compliance with FATF Standards through proper training and effective mutual evaluation;
7. Ensuring adequate resources are placed on MERs and FURs to ensure country compliance;
8. Working with FATF members to ensure fair and equitable treatment of all members in the global network and that being a member of CFATF is equivalent to being a member of FATF;
9. Continue to advocate and lobby the FATF on behalf of the region regarding the unintended consequences of being named on the FATF Compliance Document;
10. Ensure that CFATF members understand the intention of the (CFATF) Compliance Document and the expectations regarding action to be taken;

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11. CFATF needs to ensure that jurisdictions understand that the effectiveness of their AML/CFT regimes goes beyond the passage of a legislative/institutional framework;
12. Multi-lateral regional collaboration is critical for successful implementation of any actions taken to address the de-risking issue;
13. Mechanisms be pursued to ensure policy harmonization and co-ordination amongst the various work-streams and agencies already established to address this (de-risking) issue;
14. Advocating for a consistent global approach towards countries placed on the FATF list of Jurisdictions with Strategic Deficiencies would be very helpful;
15. Engage the ECCB to determine the minimum requirements for the maintenance of a relationship and develop/issue a regional standard/guidance for all banks to comply with;
16. Engage the correspondent banks on de-risking initiatives; and engage licensed FIs on areas of cooperation to enhance the overall AML/CFT framework in the jurisdiction;
17. Continue issuing guidance on recommendations on correspondent banking services;
18. Share frequent updates on developments regionally related to de-risking;
19. Facilitate bi-lateral and multi-lateral meetings between respondent and correspondent banks;
20. Continue advocacy on the need for international partners to conduct risk-based decisions;
21. Continue advocacy for harmonization of standards across the region;
22. The CFATF, going forward, should take into consideration the specifics of the Caribbean region as well as the countries therein as it strives to foster the implementation of FATF recommendations and adapt those, by way of guidance, procedures and mechanisms, to the reality of the region;
23. Conduct round tables and initiatives with the countries of the regions and countries involved in the De Risking to establish clear rules and means to reduce the risk of both Correspondent Banks and their clients. This would prevent the creation of other means that can be used in the laundering of money and assets, terrorist financing and financing the proliferation of weapons of mass destruction.

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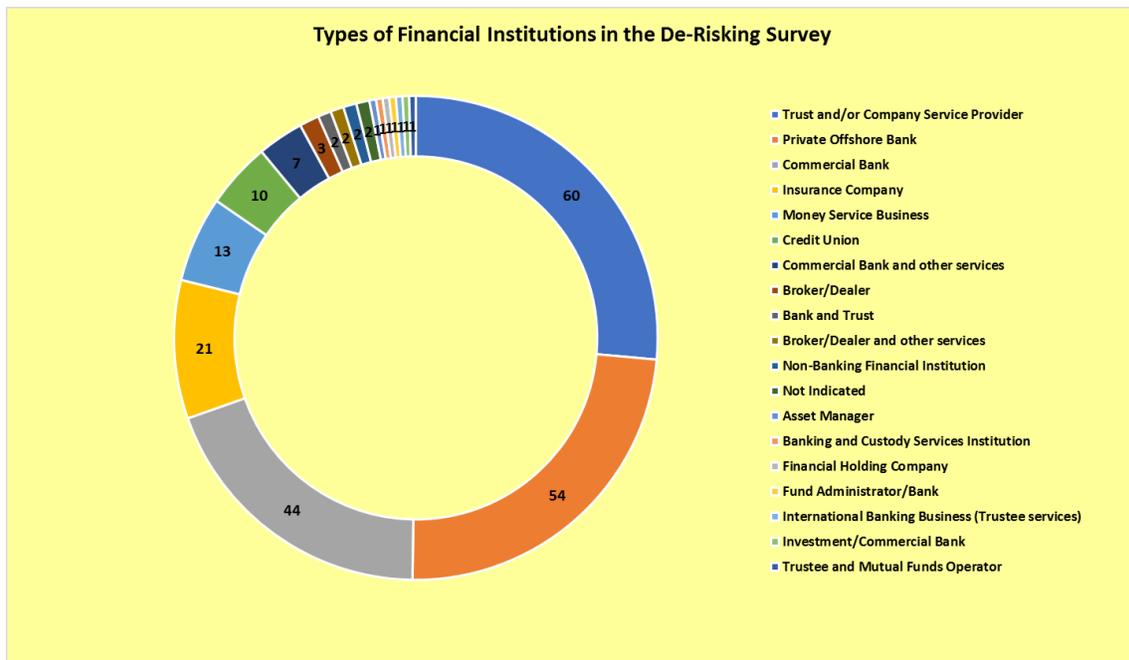
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**FIs**

**Question #2 Types of FIs**

A little over a quarter (26.4%) of the total number of FIs that participated in the survey are trust and company services providers (60). Commercial banks (54) and private offshore banks (44) contributed 26.4% and 23.8% respectively. It should be noted here that there were seven commercial banks that offered other services such as broker/dealer and retail services. These were counted separately from those classified strictly as commercial banks. Insurance companies (21), Money Service Businesses (13) and Credit Unions (10) were prominently represented in the respondents, accounting for between 4% and 9% of the all the respondent FIs. Other FIs that participated in the survey were broker/dealers (3), bank and trusts (2), non-banking FIs (2) and asset manager, banking and custody services, financial holding company, fund administrator, international banking business, investment/commercial bank and trustee and mutual funds operator. Two institutions were classified.

**Figure 7** Types of FIs in the De-Risking Survey



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**Table 1** Percentage Contribution of FIs by Type

Type of Institution	Number	% of total Number of Institutions
Trust and/or Company Service Provider	60	26.4
Private Offshore Bank	54	23.8
Commercial Bank	44	19.4
Insurance Company	21	9.3
Money Service Business	13	5.7
Credit Union	10	4.4
Commercial Bank and other services	7	3.1
Broker/Dealer	3	1.3
Bank and Trust	2	0.9
Broker/Dealer and other services	2	0.9
Non-Banking Financial Institution	2	0.9
Not Indicated	2	0.9
Asset Manager	1	0.4
Banking and Custody Services Institution	1	0.4
Financial Holding Company	1	0.4
Fund Administrator/Bank	1	0.4
International Banking Business (Trustee services)	1	0.4
Investment/Commercial Bank	1	0.4
Trustee and Mutual Funds Operator	1	0.4
<b>Grand Total</b>	<b>227</b>	<b>100</b>

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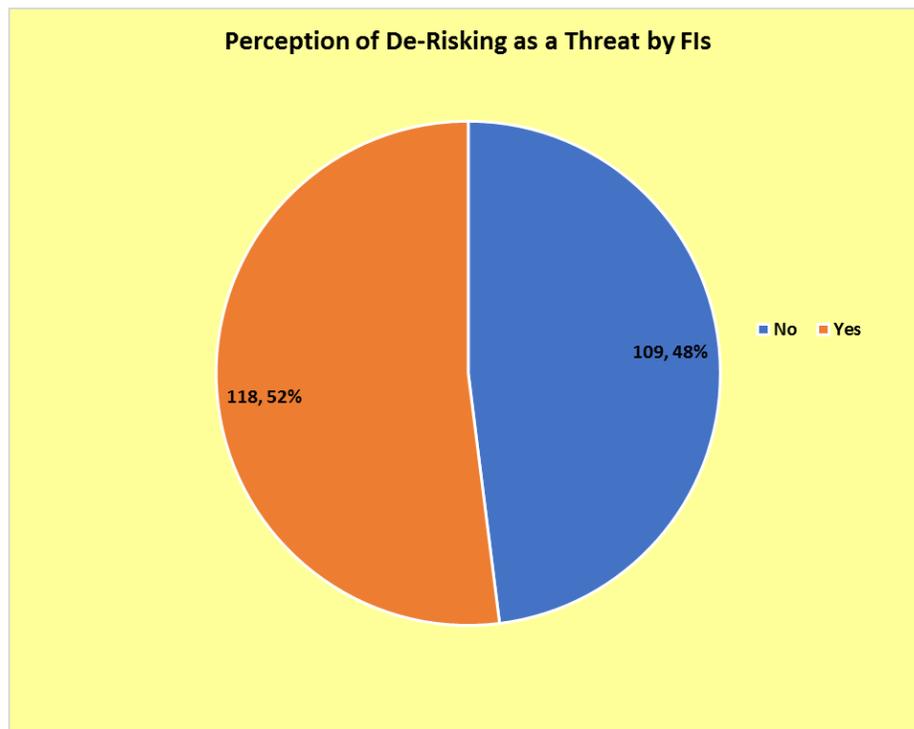
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**Question #3** *De-risking as a Threat to Operational Viability*

FIs were asked if de-risking was perceived to be as much of a threat to their operational viability presently as it was three (3) years ago. The responses were almost equally split, with 118 respondents stating yes and 109 stating no. However, slightly more FIs (52%) thought that de-risking presented the same level of threat to their operational viability now as it did three years ago. Forty-one (41) or almost forty-six percent (45.6%) of the respondent entities, indicated that de-risking is not a threat in the present as it was in the past three years.

**Figure 8** Perception of De-Risking as a Threat to Operational Viability by FIs



**Question #4** *Termination/Restriction of Correspondent banking Relationships*

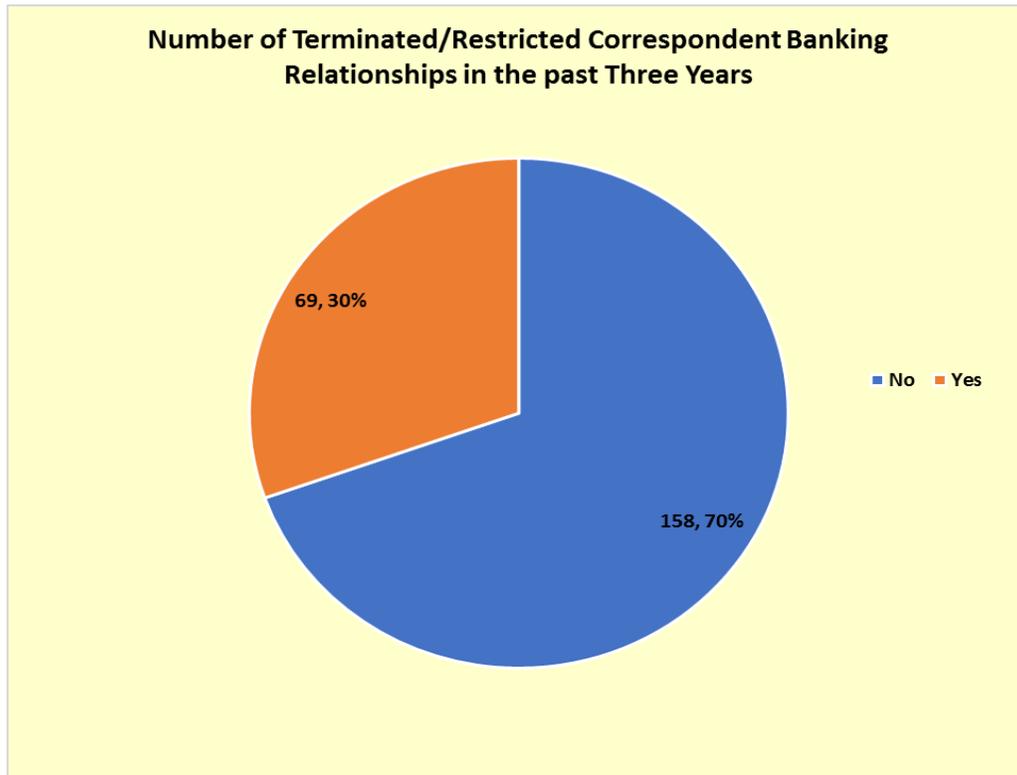
In the past three (3) years, seven out of every ten FIs (158) stated that their operations were not impacted by de-risking in the form of termination/restriction of Correspondent Banking Relationships. On the other hand, sixty-nine (69) FIs confirmed the opposite, that their operations were not affected by de-risking in the context of termination/restriction of Correspondent Banking Relationships. This accounted for only thirty percent (30%) of all the respondent FIs in the survey.

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**Figure 9** Number of Terminated/Restricted Correspondent Banking Relationships in the Past Three Years



**Question #5** *Effects of De-Risking on Operational Viability*

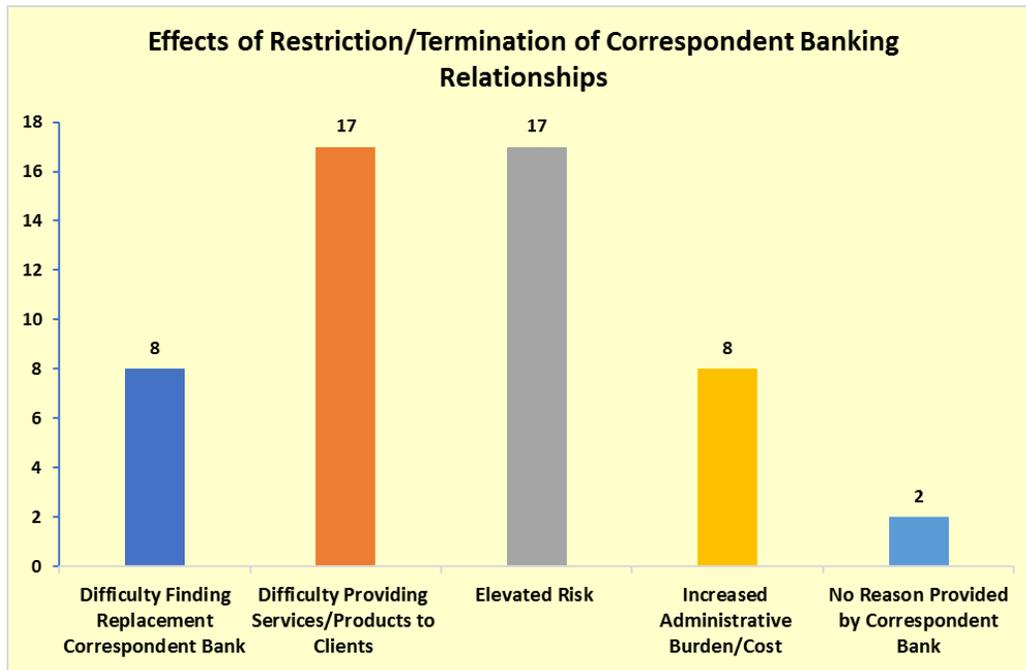
A total of sixty-nine (69) FIs stated that they experienced restrictions or terminations of their CBRs. These FIs were asked to elaborate on the specific effect/s stemming from the restriction/termination. Seven FIs did not offer details on the effects. Three-quarters or fifty-two of the institutions gave one reason. Out of these, roughly one-third reported that elevated risk (17) and difficulty providing services/products to clients (17) were the main negative effects respectively. Of the nine that provided two reasons, the most prominent were also elevated risk (4) and difficulty providing services/products to clients (4). Only one FI experienced three negative effects of restriction/termination of CBRs. The data further revealed that private offshore banks felt the brunt of these effects as twenty-seven (27) of these institutions experienced one or more of the adverse consequences of termination/restriction to their CBRs. This accounted for forty-four percent (44%) of all the FIs affected by restriction/termination of CBRs.

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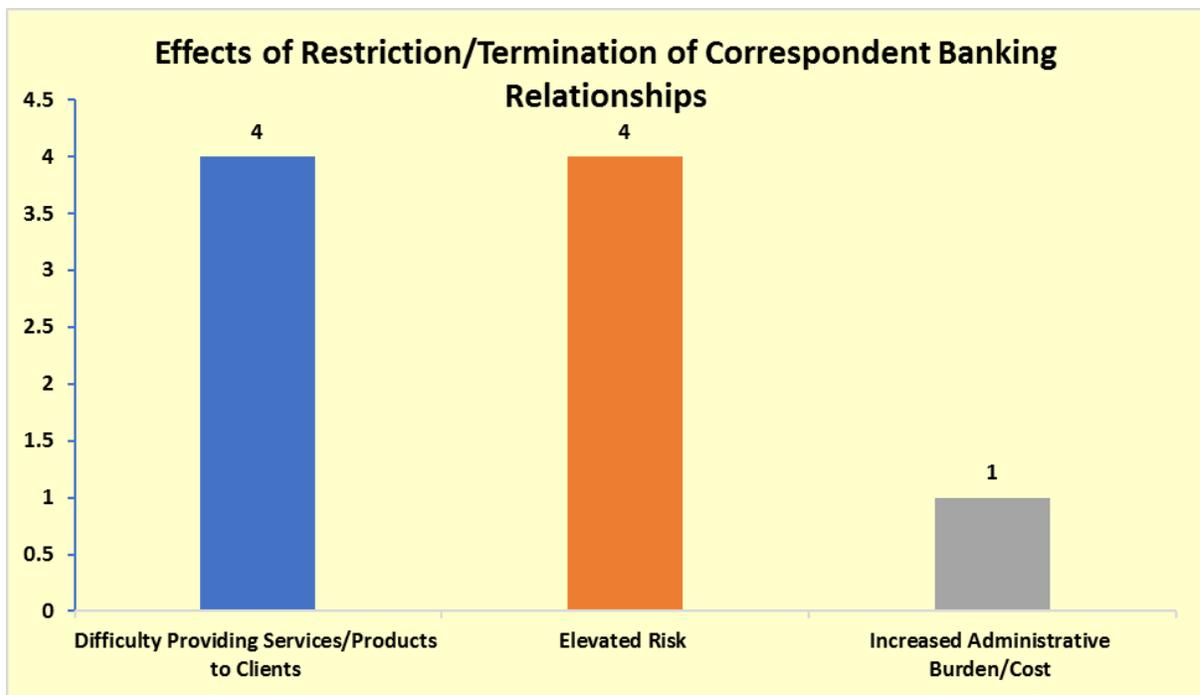
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**Figure 10** Effects of the Restriction/Termination of Correspondent Banking Relationships (One Effect)



**Figure 11** Effects of the Restriction/Termination of Correspondent Banking Relationships (Two Effects)



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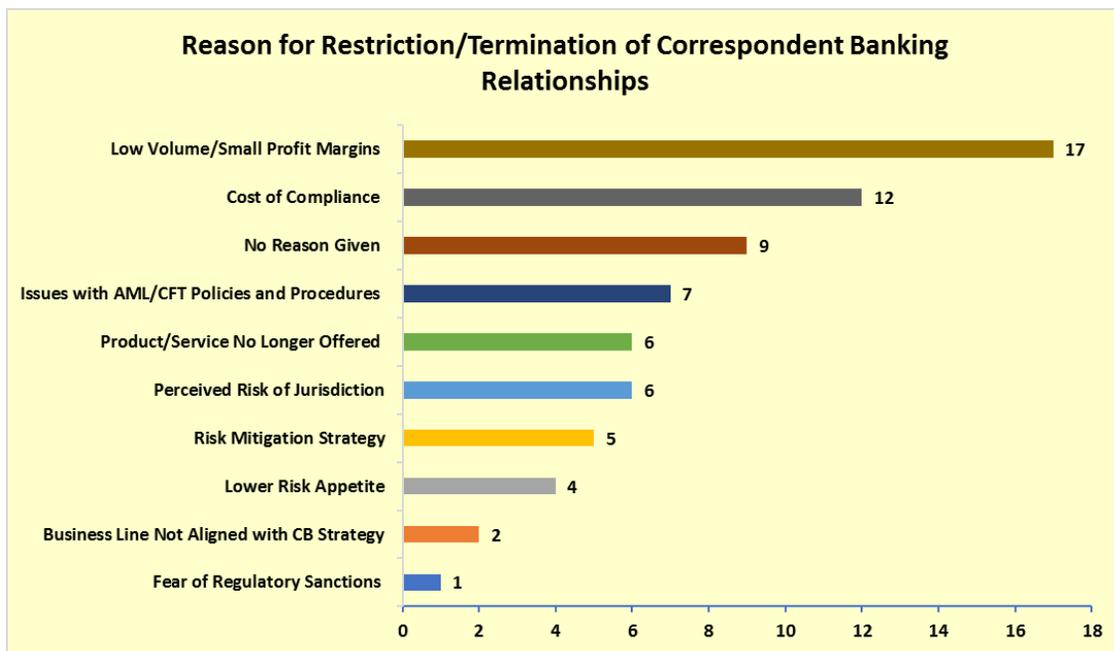
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### *Question #6 Reasons for Restriction/Termination of Correspondent*

A further examination of the FIs that experienced restriction/termination of their correspondent banking relationships revealed several reasons why this occurred. The two most prevalent reasons were low volume/small profit margins (17) and the cost of compliance (12). These accounted for twenty-five percent (25%) and seventeen percent (17%) respectively. For nine of the FIs, no reasons were given for the restriction/termination. Other reasons included issues with AML/CFT policies and procedures (6), perceived risk of jurisdiction (6), risk mitigation (5) and lower risk appetite (4).

**Figure 12** Reasons for Restriction/Termination of Correspondent banking Relationships



### *Question #7 Country of Domicile for Correspondent Accounts*

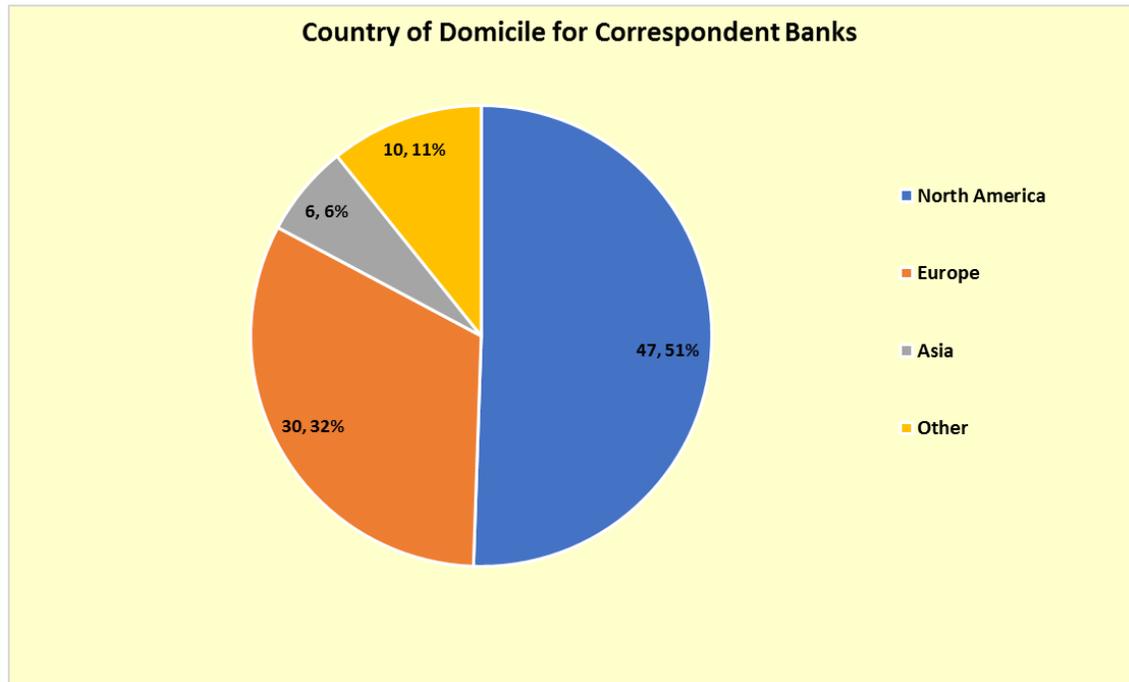
In the cases where the country of domicile for the correspondent banks was identified, half (47) were in North America while approximately one-third (30) originated in Europe. Six FIs had Correspondent Banks domiciled in Asia. Other countries of domicile for Correspondent Banks indicated by the FIs included Antigua and Barbuda, Nigeria, the Falklands and Puerto Rico.

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Figure 13 Country of Domicile for Correspondent Banks



**Question #8 Products/Services Affected by De-Risking**

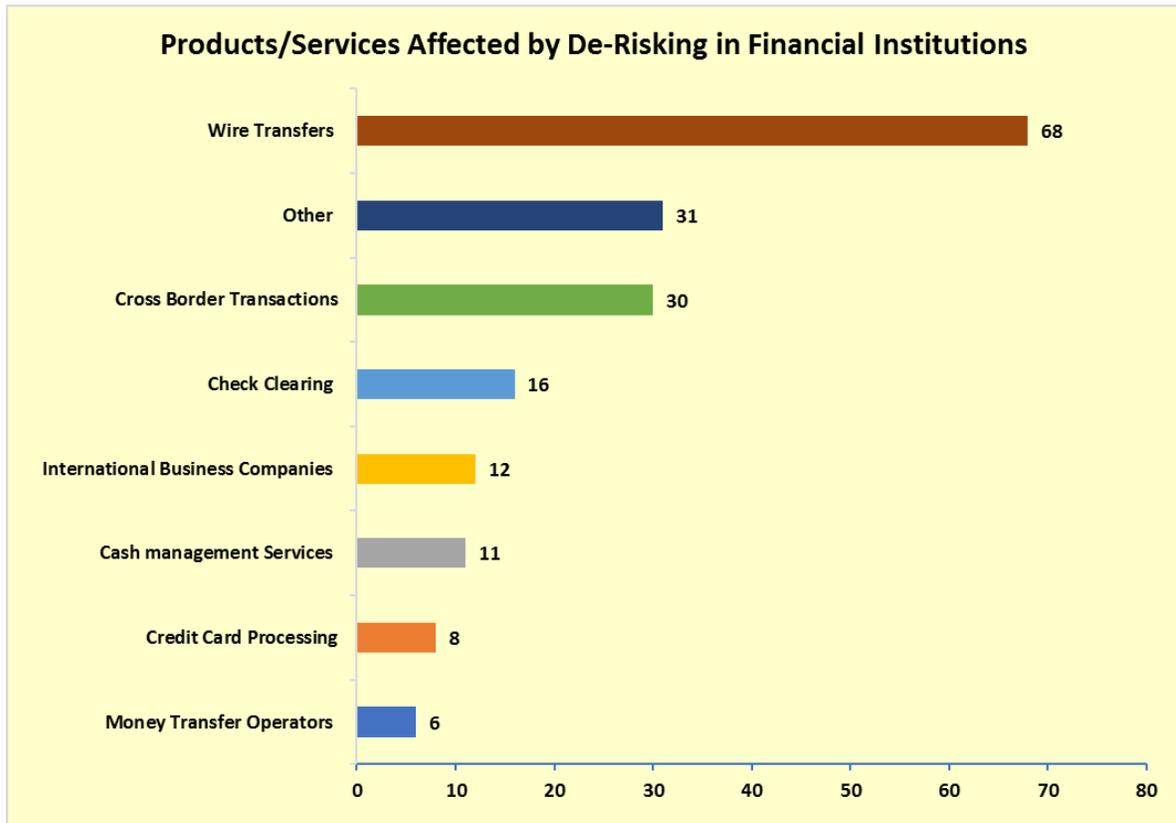
FIs also indicated that the products that they offer are affected by de-risking. Out of the 182 FIs that reported being affected, wire transfers were the hardest hit in thirty-seven percent (37%) of all the FIs. Cross borders transactions were also negatively affected in 16% (30) of the FIs. Multiple services were captured in the 'other' category such as loans/letters of credit, foreign exchange services, importers, clearing and settlement, e-gaming/gambling and mobile banking. Combined, seventeen percent (17%) of the FIs reported that these products and services were affected as well.

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Figure 14 Products and Services Affected by De-Risking



*Question #9 Measures to Mitigate the Effects of De-Risking*

One hundred and eighty (180) of the FIs employed between one and four methods to address the negative effects of de-risking in their organizations. The primary method used was strengthening the AML/CFT compliance program, followed by addressing the concerns of the correspondent banks, consulting with publications from standards setters such as the FATF and engaging with local and international regulators. Use of advanced technology was also utilized by the FIs to mitigate the effects of de-risking. Trust and/or service company providers and commercial banks tended to use multiple measures (between two and three) to alleviate the effects of de-risking on their institutions. Sixteen (16) out of the forty-four (44) FIs that used two measures were Trust and/or service company providers while the same number of commercial banks were present for the forty-three (43) FIs using three mitigating measures.

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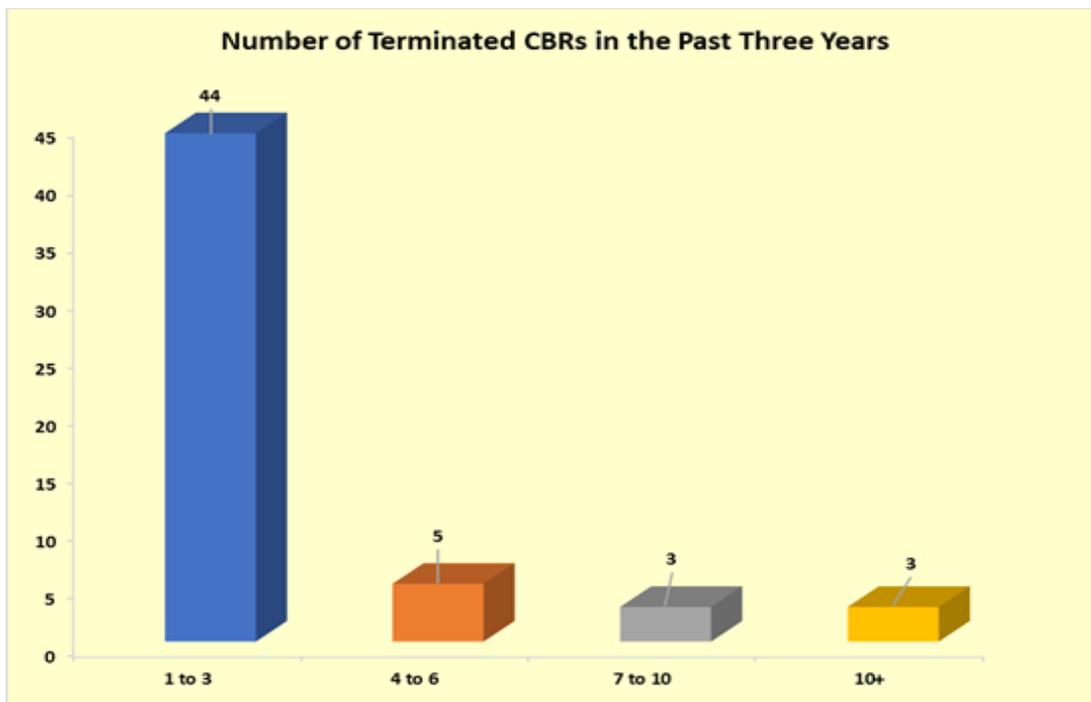
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**Question #10** *Number of Terminated Correspondent Banking Relationships*

A total of fifty-five (55) banks reported that they had their correspondent banking relationships terminated within the past three years. The majority of these (80%) saw between one and three relationships ending in that period. Five (5) FIs stated that between four and five of their CBRs were terminated as well. Although there were FIs that experienced a high loss of CBRs (seven to ten or more) over the three years, collectively these accounted for eleven percent (11%).

**Figure 15** Number of Terminated Correspondent Banking Relationships on the Past Three Years



**Question #11** *CFATF Assistance to Alleviate the Effects of De-Risking*

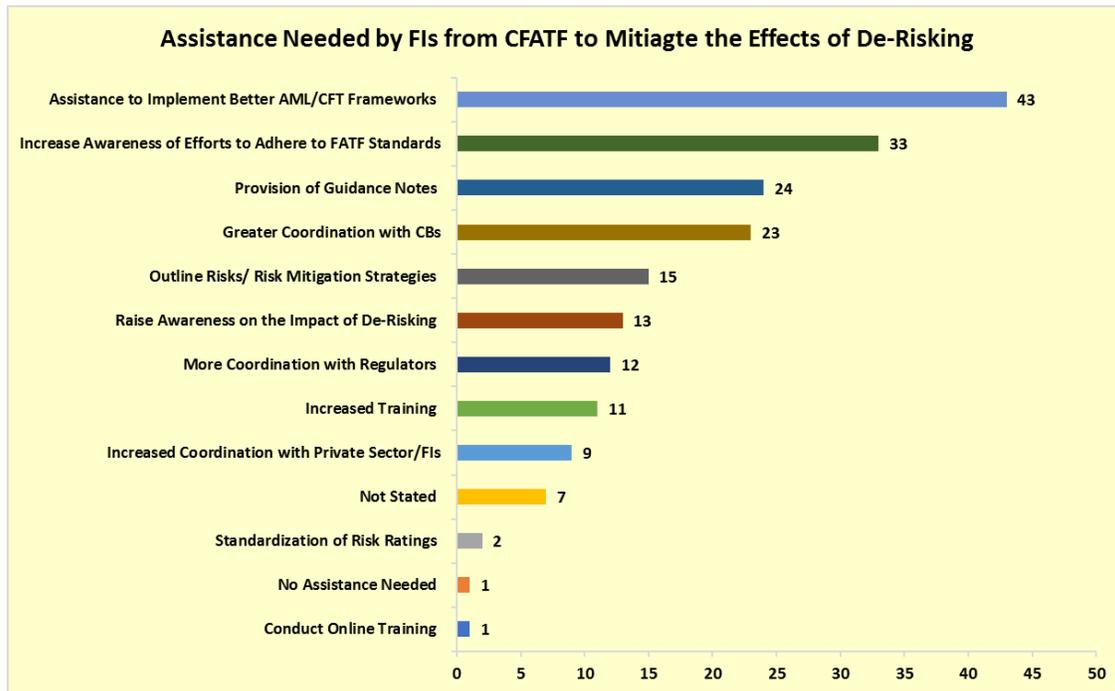
The respondent FIs were also asked to indicate how the CFATF can assist with efforts to alleviate the threat of de-risking in the region. In all, one hundred and ninety-four (194) FIs offered suggestions with the majority of the (43) stating that assistance to implement better AML/CFT frameworks would be most pertinent. A substantial number of the institutions (33) have recommended that CFATF advocate to increase the awareness of the efforts they have made to adhere to FATF standards. Other proposed measures that featured prominently were provision of guidance notes (24), greater coordination with correspondent banks (23), outlining of risks/risk mitigation strategies (15) and raising the awareness of the impact of de-risking in the region (13).

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**Figure 16** Assistance Needed by FIs from CFATF to Mitigate the Effects of De-Risking



## Conclusion

With regards to the Central Banks, most respondents perceive 'de-risking' to be as much of a threat to operational viability today as it was three years ago. In contrast, FIs were almost equally tied in their view of seeing de-risking as a threat or not. Increased costs and impact on the length of payment chains were cited by Central Banks to be two of the most serious impediments to operations at FIs operating within jurisdictions throughout the region. Engagement with the banking sector, and participation in international forums were two of the more popular mechanisms employed by Central Banks to mitigate the effects of 'de-risking'. The Central Banks expect that the CFATF Secretariat can assist them with continuous lobbying and engaging major FIs in the United States of America, on behalf of the region, to re-instate banking relations in the Caribbean as well as continue advocating on the need for international partners to conduct risk-based decisions instead of terminating customer banking relations. The Central Banks are also of the view, that the CFATF could facilitate an international environment for the sharing of the information on the developments and the common effects of de-risking in the context of compliance with international standards as well as ensuring regional compliance with FATF Standards through effective mutual evaluations and proper training. The issuance of a best practice guidance regarding the improvement of preventative measures to reduce the perception of high-risk region, was also suggested.

In the context of the FIs, North American Correspondent FIs have terminated CBRs with institutions domiciled in CFATF territories more than any other region, followed by European FIs. Low profit margins and the cost of compliance were the main reasons for the loss of CBRs. Wire transfers and other cross-border transactions were badly affected by terminated CBRs. Greater

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assistance to establish stronger AML/CFT systems and stronger advocacy and awareness of compliance efforts to FATF standards were the main ways the CFATF could assist FIs.

**Appendix 1**

**CFATF 'De-risking' Survey [Central Banks]**

The Caribbean Financial Action Task Force (CFATF), through the work of the CFATF Risk, Trends and Methods Group (CRTMG) received approval from the CFATF XLVII Plenary in May 2018 to conduct a stocktaking exercise to assess the nature, extent, drivers, and impact of 'de-risking' on CFATF Members and to ascertain how member countries, through the affected central banks have been able to either address the factors which led to the action or leverage alternative channels for conducting business.

Your participation in this information gathering exercise will be compiled with a view towards publishing a report on the 'de-risking' experiences and challenges faced by the members of the CFATF to successfully understand the regional 'de-risking' challenges and to contribute to the work of the FATF on this issue.

The survey will take approximately 5-10 minutes to complete. Individual responses provided by each CFATF member will not be shared with any third parties and is considered highly confidential.

If you require further clarification, please do not hesitate to contact the Secretariat at the following email addresses:

[cfatf@cfatf.org](mailto:cfatf@cfatf.org)

[risha.pragg-jaggernauth@cfatf.org](mailto:risha.pragg-jaggernauth@cfatf.org)

\* Required

Unique Identifier \*

1. Contact Person: \*

2. Position/Title \*

3. Telephone Number \*

4. Email address: \*

5. Country \*

6. Has the threat of 'de-risking' increased in your jurisdiction?

Yes

No

7. Is 'de-risking' as much of a threat to operational viability in your jurisdiction today as it was three (3) years ago? \*

Yes

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No

8. In instances where challenges to 'de-risking' have been experienced, what, if any, are/were the direct effects to FIs in your jurisdiction? Select all that may apply. \*

- Impact on the volume of payments
- Impact on the value of payments
- Impact on the length of payment chains; for example, to complete a wire transfer
- Increased costs
- Other:

9. What specific actions have been taken to mitigate the effects of 'de-risking' (if any)? \*

- Participation in international forums
- Dialogue with the banking sector
- Issuance of guidelines
- Amendments to legislation (please specify)
- Closer supervision of FATF Recommendation 13 requirements on correspondent banking
- Other:

10. Please provide further details with respect to the specific actions taken to address the effects of 'de-risking' at question 9 above.

11. What is the range of sanctions available for non-compliance with customer due diligence measures? \*

12. How can the CFATF Secretariat assist with efforts to alleviate the threat of 'de-risking' in the region?

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**Appendix 2**

**CRTMG De risking Survey [FIs]**

The Caribbean Financial Action Task Force (CFATF), through the work of the CFATF Risk, Trends and Methods Group (CRTMG) received approval from the CFATF XLVII Plenary in May 2018 to conduct a stocktaking exercise to assess the nature, extent, drivers, and impact of 'de-risking' on CFATF Members and to ascertain how member countries, through the affected FIs have been able to either address the factors which led to the action or leverage alternative channels for conducting business.

Your participation in this information gathering exercise will be compiled with a view towards publishing a report on the 'de-risking' experiences and challenges faced by the members of the CFATF to successfully understand the regional 'de-risking' challenges and to contribute to the work of the FATF on this issue.

The procedure involves filling an online survey that will take approximately 5-10 minutes to complete. The information cannot be traced back to individual FIs, as we are not collecting any information that would lead to any one financial institution.

If you require any clarification, please do not hesitate to contact the Secretariat at the following email addresses:

[cfatf@cfatf.org](mailto:cfatf@cfatf.org)

[risha.pragg-jaggernauth@cfatf.org](mailto:risha.pragg-jaggernauth@cfatf.org)

\* Required

Unique Identifier: \*

1. Position/Title\*

2. To which classification does your institution belong? Please check all that apply. \*

- Commercial Bank
- Broker/Dealer
- Money Service Business
- Private Offshore Bank
- Trust and/or Company Service Provider
- Other:

3. Is 'de-risking' as much of a threat to your operational viability today as it was three (3) years ago? \*

- Yes
- No

4. Have your operations been impacted by 'de-risking' in the form of terminated/restricted Correspondent Banking Relationships ('CBRs') in the past three (3) years? \*

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Yes

No

5. If you answered yes to the above question, please provide additional information (i.e. How has 'de-risking' affected operational viability?)

6. What reasons were provided by the correspondent bank for the termination/restriction? (if any)? Please check all that apply. \*

- Issues with AML/CFT policies and procedures at your financial institution
- Low volume/small profit margins
- Cost of compliance (i.e. with the local laws and regulations of the correspondent bank and staff Costs)
- Product or service no longer offered by correspondent bank
- Perceived high risk of the jurisdiction as a result of strategic deficiencies in the AML/CFT regime (at the national level).
- Risk mitigation, based on actions of other FIs
- Fear of regulatory sanctions against senior management/FIs
- Lower risk appetite
- Enhanced ongoing monitoring/review of existing records
- The business line (i.e. the provision of correspondent banking services) is no longer aligned with the correspondent bank's business strategy
- No reason given
- Not Applicable
- Other:

7. In instances where correspondent banking relationships have been terminated, where were these institutions (i.e. The Correspondent Bank(s)) domiciled? \*

- North America
- Europe
- Asia
- Not Applicable
- Other:

8. What types of products/services/customers have been most affected by 'de-risking'? Please check all that apply. \*

- Cross Border Transactions
- Wire Transfers
- Credit Card Processing

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- Cash Management Services
- Check Clearing
- Loans/Letters of Credit
- Conduct of foreign currency current account transactions
- Foreign Exchange Services
- Clearing and settlement
- Trade Finance
- Investment Services
- Mobile banking
- Importers
- Money transfer operators/other remittance companies
- Retail customers
- International Business Companies
- E-gaming/Gambling
- Not applicable
- Other:

9. What specific actions have been taken to mitigate the effects of de-risking (if any)? Please check all that apply. \*

- Strengthening the institution's AML/CFT Compliance Program
- Addressing concerns raised by the correspondent bank
- Consulting with publications produced by standard setters (e.g. FATF, The Wolfsberg Group) to ensure that policies and procedures are up to standard.
- Using advanced technology (i.e. FinTech) to assist with Customer Due Diligence efforts (e.g. KYC Utilities)
- Engaging the assistance (services) of local and international regulators (consultants)
- Other:

10. How many CBRs have been terminated in the past (3) years?

- 1-3
- 4-6
- 7-10
- 10+
- None

11. How can the CFATF Secretariat assist with efforts to alleviate the threat of 'de-risking' in the region? \*