



Bank of International Settlements
Committee on Payments
and Market Infrastructures

cpmi@bis.org

7 December 2015

Comment to the Consultative Report on Correspondent Banking

Dear Sirs and Madams,

The Association of Foreign Banks in Germany gladly takes the opportunity to comment on the CPMI Consultative Report on Correspondent Banking dated 6 October 2015.

Our Association represents the interests of more than 200 foreign banks, investment management companies and financial services institutions from more than 30 countries that are established in Germany as subsidiaries, branches or representative offices.

For a large number of our member institutions, cross-border banking services are facilitated respectively requires correspondent banking relations. In general, it is also our view that the circumstances for correspondent banking are changing because of pressures arising mainly from compliance requirements, risk management as well as new regulations.

With regards to the addressed issues in the CPMI consultative report, our comments focus on the technical measures relating to (ii) increased use of the Legal Entity Identifier (LEI); (iii) information-sharing mechanisms; and (iv) improvements in payment messages.

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a. (ii) increased use of the Legal Entity Identifier (LEI)

The consultative report addresses the usage of the LEI as a unique identification code as it might promote the identification of parties to a transaction. Nevertheless, its limitations – as described in the report under 3.3.2 – are clear and should be amended by the following: The information value of the LEI is in general limited to legal entities and does not cover further information with regards to branches of a bank or any legal entity that have been established in the same and/or in another country. This might also reduce the LEI's effectiveness for identification purposes, as – with regards to the banking sector – foreign bank branches are mostly allowed to conduct a comparable set of banking services in comparison to banks in form of a legal entity, inter alia also correspondent banking.

With regards to the significance of the BIC as cornerstone in international payments, the potential benefits from using SWIFT's BIC to LEI directory should be estimated generously in the report. For identification purposes, it might be reasonable to hint to the IRS FATCA Foreign Financial Institution (FFI) List, which is an extensive database of banks and other financial intermediaries outside the United States, which means – literally spoken – all over the world.

Furthermore, the report might add a recommendation to banks that they could promote the use of the LEI with regards to their customers.

For banking supervisory purposes, the European Banking Authority (EBA) recommended the usage of LEI in the regulatory reporting system applied by all supervised banks in the EU (ITS on Reporting acc. to the CRR). This recommendation was applied by the national supervisory authorities within the EU from 31 January 2014 on.

Even if the report comes to the estimation that it might be premature to promote a requirement of including the LEI in payment messages for the time being, it could at least and therefore makes no recommendation on this point, it might mention that the LEI becomes more and more widespread for many banks.

b. (iii) Information-sharing mechanisms

First of all, we very much welcome the approach to support information-sharing initiatives and we agree to the points made, that at this time there are restrictions by jurisdictions and by law. However, we would also like to stress that simple information-sharing is only helpful to a certain extend. More importantly the information shared should be of high quality and therefore reliable. Only then we would see a cost-decreasing effect. Furthermore, the information should be shared in a reasonable timely manner.

c. (iv) improvements in payment messages

The report states that when using the MT 202 COV, the originating bank must correctly flag the MT 202 message as a cover message in order to ensure that all information relevant for AML/CFT procedures is provided. It can then be taken as an MT 202 payment without cover as a simple



interbank payment. We therefore recommend evaluating potential benefits from a stronger differentiation of MT 202 COV and MT 202 payment messages.

We hope that our comments and recommendations will be useful for you. In case of further queries, we will gladly answer any questions that you may have.

Yours sincerely,

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