FÉDÉRATION BANCAIRE FRANÇAISE

Paris, 22th February 2017

**RESPONSE TO THE CONSULTATION ON THE REVISED ANNEX ON CORRESPONDENT BANKING OF THE BASEL COMMITTEE ON BANKING SUPERVISION GUIDELINES ON THE SOUND MANAGEMENT OF RISKS RELATED TO MONEY LAUNDERING AND FINANCING OF TERRORISM**

*Q1. Would it be useful for this guidance to further detail the sort of information a correspondent bank could acquire from a KYC utility on the respondent's customer base? Do you agree that the information set out below could be useful and realistically obtained?*

*There is no requirement to perform CDD on a respondent bank's individual customers. However, correspondent banks may find it useful to gather information on respondent banks' profiles through KYC utilities. Useful information on respondent bank customer types could include: (i) a broad classification according to economic sectors such as the System of National Accounts classification, distinguishing between corporations (using their accounts to support their economic activity of producing goods or services or accumulating capital), households, government, non-profit institutions, and other factors such as the distinction between financial and non-financial corporations and the size of the corporation or of the corporate group to which the corporation belongs; (ii) the proportion of resident and non-reside customers and countries of the non-resident customers; and (iii) whether certain high-risk categories (such as PEPs) are over-represented in the customer base compared to the general population. To the extent improvements in the content of payment messages allow this, such as with the inclusion of ISO country codes and the LEI, some of this information can be obtained and updated through the analysis of the flow of messages of the respondent bank, as this will provide information on the customers using correspondent banking services.*

**Response:**

The KYC utilities remain a mean among others to gather information on respondent banks. Indeed, they not alter the basic responsibility of correspondent banks to perform due diligence on the respondent banks. That is why it would be useful if the information collected by and the format of these KYC utilities could be standardized by a standard setter such as the International Organization for Standardization (ISO). In addition, the relevant authorities with responsibility for AML/CFT (regulators, supervisors) should specify a set of conditions that financial institutions should consider when using KYC utilities so that they can consider that their due diligence are fully performed.

The Wolsberg AML questionnaire which is filled out by the respondent bank and signed by its management body is a tool more reliable than KYC utilities. For this reason, the use of this questionnaire is a preferable option even if it would be updated.

Q2. Would it be useful for the Committee to elaborate further on how a correspondent bank should conduct the assessment of a respondent bank's AML/CFT policies and procedures, eg via the use of internal audit reports, or are paragraphs 21–2 sufficient in that respect?

**Response:**

The assessment of the respondent bank's AML/CFT policies and procedures require appropriate level of due diligence and might imply direct contact with the respondent bank's local management and compliance officer such as phone conference and, more rarely, on-site visit. However, this assessment must not entail an assessment of the efficiency of the respondent bank's AML/CFT policies and procedures.

Q3. Considering the existing Committee publication, would it be useful to: (i) insert the content already included in paragraphs 37–40 of the 2009 publication in this Annex, or (ii) detail further the expectations with respect to quality of payment messages, and, if yes, do you have suggestions?

The paragraphs above (ie about the role of banks processing cross-border wire tranfers) are mainly based on the Committee publication *Due diligence and transparency regarding cover payment messages related to cross-border wire transfers*. This publication also sets out the role of supervisors in checking the banks' implementation of due diligence regarding payment messages (see paragraphs 37–40 of that publication, www.bis.org/publ/bcbs154.pdf). The Committee guidelines *Sound management of risks related to money laundering and financing of terrorism* to which the present Annex is appended also develop the role of supervisors (see paragraphs 84–95). Both documents are relevant in the context of this Annex on correspondent banking.

**Response:**

For further clarity, the role of supervisors related to correspondent banking should be addressed in the annex on correspondent banking included where related to cover payments. However, the examples of monitoring should consider the regulation (UE) 2015/847 on information accompanying transfers of funds and repealing Regulation (EC) n°1781/2006.