POSITION PAPER

WSBI-ESBG response to the BCBS consultation on revised annex (on Correspondent banking) to the guidelines on the Sound management of risks related to money laundering and financing of terrorism

WSBI (World Savings and Retail Banking Group)

ESBG (European Savings and Retail Banking Group)

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WSBI ESBG

Dear Sir/Madam,

Thank you for the opportunity to comment on the BCBS consultation on the revised annex (on *Correspondent banking*) to the guidelines on the *Sound management of risks related to money laundering and financing of terrorism.* Please find below our very specific comments in relation to the revised annex.

a) **Risk Indicators and Risk Assessment (page 3 of the Consultative document)**

We believe that the non-exhaustive list of possible sources of inherent risk (under 7(1)) should also include:

- the endurance of customer relationship (having acted in a trustworthy manner in the past reduces the level of inherent risk, whereas any new respondents are not known to the correspondent bank and thus pose a higher risk), and
- lack of account activity - an account being dormant over a certain period of time.

b) **Nested correspondent banking (page 4 of the Consultative document)**

Point 14 seeks to provide guidance to correspondent banks in order for them to understand the purpose of a nested relationship. One of the factors that is to be considered to this end, is *types of services the respondent offers to nested banks (proprietary only or customer services such as correspondent banking).* While we are in agreement with this, we feel that limitations of nested services should also be examined. Examples of this include for instance that no financial institutions in offshore countries are serviced, none outside the home market of the respondent bank, further a limitation as to the currencies offered and finally potential escalation/approval processes that a correspondent bank has in place to monitor such nested correspondent banking services.

c) **Information from KYC utilities on respondent banks' overall customer base or types of customers (Box 1 on page 5,6 of the Consultative document)**

In general we agree with what is stated in Box 1. However, we would like to add thereto certain criteria which would serve as a check of whether or not a KYC utility is a reliable, trustworthy data source.

We propose the following criteria (as examples):

- systematic / currentness / quality checks of KYC data/documents
- confidentiality and data sharing agreements, i.e. for banking groups
- access rights

d) **The role of banks processing cross-border wire transfers (page 8 of the Consultative document)**

Keeping in mind especially point 35, we feel that a SWIFT message should be subject to further standardisation. Examples of this include:

- Limitation of free text fields
- Use of LEI in a predefined (optional) field
- Obligation to submit certain mandatory information (sender's or receiver's information) in predefined fixed fields (i.e. ISO code), to improve the quality of the messages.

About WSBI (World Savings and Retail Banking Institute)

WSBI brings together savings and retail banks in all continents and represents the interest of circa 6,000 financial institutions with total assets of USD 16.7 trillion and serving some 1.3 billion customers in 80 countries worldwide (2014 figures). As a global institution, WSBI focuses on international regulatory issues that affect the savings and retail banking industry. It supports the aims of the G20 in achieving sustainable, inclusive and balanced growth and job creation around the world, whether in industrialised or less developed countries. WSBI favours an inclusive form of globalization that is just and fair, supporting international efforts to advance financial access and financial usage for everyone. It supports a diversified range of financial services that meet customers' transaction, savings and borrowing needs responsibly. To these ends, WSBI recognises that there are always lessons to be learned from savings and retail banks from different environments and economic circumstances. It therefore fosters the exchange of experience and best practices among its members and supports their advancement as sound, well-governed and inclusive financial institutions.

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About ESBG (European Savings and Retail Banking Group)

ESBG brings together savings and retail banks of the European Union and European Economic Area that believe in a common identity for European policies. ESBG members support the development of a single market for Europe that adheres to the principle of subsidiarity, whereby the European Union only acts when individual Member States cannot sufficiently do so. They believe that pluralism and diversity in the European banking sector safeguard the market against shocks that arise from time to time, whether caused by internal or external forces. Members seek to defend the European social and economic model that combines economic growth with high living standards and good working conditions. To these ends, ESBG members come together to agree on and promote common positions on relevant matters of a regulatory or supervisory nature.

ESBG members represent one of the largest European retail banking networks, comprising of approximately one-third of the retail banking market in Europe, with total assets of €6,702 billion, non-bank deposits of €3,485 billion and non-bank loans of €3,719 billion (31 December 2014).

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