WORLD BANK GROUP

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Stakeholder Dialogue on De-risking

Findings and Recommendations

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INTRODUCTION

On May 31 and June 1, 2016, the World Bank and ACAMS (Association of Certified Anti-Money Laundering Specialists) organized a two-day workshop in Washington D.C., the "Stakeholder Dialogue on De-Risking."

The capacity audience of nearly 100 invitees came from around the world and represented governments (including policy, regulatory and law enforcement authorities), non-governmental organizations (humanitarian organizations and think tanks), international organizations, financial institutions, and academic specialists.

This report reflects the main findings of the meeting as well as the recommendations made by participants to deal with some of those findings. It should be emphasized that the findings and recommendations are provided without endorsement by either the World Bank or ACAMS. They are merely a reflection of the discussion. For that same reason, they are not all internally consistent. The comments illustrate how differently various stakeholders who attended the summit see the de-risking phenomenon. At the same time, some reflect a common understanding or at least some common perceptions. A great benefit of the workshop was that attendees, many whom had never interacted on these issues and with viewpoints shaped by being from disparate sectors came to better understand one another. At the end of the workshop a brief survey was conducted which provides the basis for future events under the umbrella of the Stakeholder Dialogue.

GENERAL THEMES

De-risking- the concept

At a very general, yet fundamental level, there was debate about the objectives of AML measures as laid out in the Financial Action Task Force's (FATF) recommendations and national legislation. Is the objective to ensure that higher risk clients are not provided access to the financial system, to keep the payments system "clean"? Or is it rather to ensure that there is a way to keep track of all money flows, including those related to profits of crime, and thereby provide information to law enforcement to detect, investigate, and prosecute predicate crime and money laundering? Although most would recognize the latter as being the objective of AML writ large, de-risking appears to be furthering the former.

There was active debate – particularly among representatives from the private sector – on the use of the term "de-risking" which is in itself pejorative. FATF defines it as "the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk in line with the FATF's risk-based approach".

While participants acknowledge it is now the standard term used, a number of banks disagreed with this definition and indicated that when they terminate a business relationship, they do so on a case-by-case basis. It just happens that there are a lot of those cases, and therefore to the outside world it may only appear to be wholesale. Some financial institutions therefore preferred the more objective "termination of business relationships" as a way to describe what is happening.

Notably some country representatives argued that in their case it was often simply the geographic / country/jurisdiction risk that was the main determining factor in correspondent banks' decisions to terminate relationships and that there was no "case-by-case" approach. For example, they argued that however sound an institution is, or however low risk the customer base, the jurisdiction risk trumps all and it will therefore always be considered high risk if located in a high-risk jurisdiction.

Certain banking representatives acknowledged that in some cases they had allowed one factor (particularly country risk) to be determinative and that they would need to improve risk differentiation to enable better distinctions between high-risk and low-risk institutions in the same country. Other institutions indicated that financial crime risk-appetite statements issued at the level of their boards of directors were increasingly determining those countries that were a target market for the institution and those which, given the financial crime risk, were not.

No specific recommendation was made on what terminology to use to describe the phenomenon. Objectively speaking, everyone can agree that de-risking in general terms describes the decision to restrict or withdraw financial services or to decline to establish a relationship to provide financial services in the first place. The disagreements start when imputing the motives for doing so (e.g. whether it is an excessive reaction or a rational response to recent regulatory action, a simple cost/benefit calculation based on the risk-profile of an institution or the result of a strategic reorientation) or the way in which it is done (e.g. whether or not the decision is made pursuant to a case-by-case analysis, or is more wholesale in nature).

Regulatory/supervisory/law enforcement action

It was acknowledged that banking regulators/supervisors/law enforcement have a crucial role to play. Regulators and supervisors set the terms for how financial institutions behave (preparation of legislation, regulation, examination and supervision, and enforcing compliance).

In the eyes of many banking sector representatives, it is precisely the cost of mitigating the risk of regulatory action or of enhanced regulatory scrutiny, or even of prosecutorial action by criminal law enforcement, in response to a perceived infringement of Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) rules that has led to the decision to restrict, withdraw, or not provide services. Policy and guidance in many jurisdictions direct financial institutions to adopt a "risk-based approach", which allows the bank to establish their own framework for assessing client risk and adapting their procedures to deal with that risk.

Banks' representatives however argued that, in practice, regulators second-guess the banks, treating certain categories of client categorically as high risk and requiring financial institutions to undertake extensive (and expensive) steps to mitigate those risks. Thus a substantive amount of due diligence, as well as ongoing transaction and account monitoring, is required by the bank to be able to establish a relationship with each of those clients considered high risk by the regulator. At that stage the risk/reward equation starts to play a major role and relationships with clients whom regulators consider high risk, but who generate little income, or in some cases, lose money, become less attractive. In addition, unlike the provision of credit or loans, the downside is much harder to calculate - if you get a credit decision wrong, the costs are clear. If you get application of the AML/CFT requirements wrong, the effects of the regulatory response are much harder to calculate. When the risk of criminal law enforcement are added, the costs become higher[1] still.

A proper risk-based approach should allow financial institutions to determine their scope of due diligence. However, uncertainty about the way in which individual examiners or regulators address certain compliance issues, leads banks to avoid risks entirely. This is often due to the spiraling costs associated with satisfying regulatory expectations that are not consistent across jurisdictions or across regulatory agencies in the same jurisdiction. Some participants from financial institutions said that because regulators second-guess their risk-based decisions, they would rather have regulators issue detailed guidance with a predictable examination/assessment framework that would make it clear whom they can

1 For example, a compliance officer confronted with the possibility of being prosecuted for supporting terrorism (because of the type of client or its geographic location) might always decide the "cost" of onboarding was always too high--regardless of the potential profit for his bank

and cannot bank. Financial institutions indicated the need for consistent regulatory/supervisory interpretations and approaches across national boundaries and, within the United States, between state and Federal regulators[2].

Regulators/supervisors on the other hand argued that they are not prescriptive in how they deal with banks' risk-based approach. They argued that their enforcement actions in the past were not about second-guessing certain borderline cases, but about egregious systemic breakdowns in internal controls that deserved regulatory or legal action. They pointed out that they do not punish every infringement – only those where there is a willful and/or systemic failure to adequately apply AML/CFT rules.

There was general agreement that regulators/supervisors can play a valuable role in providing potential correspondent banks with information on the risk profile of countries as a whole and of specific institutions. In addition, Mexico demonstrated how its regulator had put in place a special centralized database for due diligence of respondent banks' cross-border transactions that was accessible by their correspondent banks, thus providing a system-wide perspective on each financial institution's operational level. To overcome privacy and data-protection challenges in the sharing of information, the adoption of specific regulations/legislation may be required.

Suggested Recommendations

- Proactive interaction should take place between regulators and correspondent banks about risks arising from correspondent banking relationships in some cases before the relationship commences. Sharing of specific risk-related information with (prospective) respondent banks should be encouraged;
- Regulators/supervisors should seek to provide greater clarity and consistency concerning regulatory expectations. Specific issues mentioned include the conditions under which it would be required to conduct due diligence on the client of a respondent bank (so called "know your customer's customer");
- Regulators/supervisors should provide guidance and engage with financial institutions in addressing problems before resorting to enforcement action/fines;
- Regulators/supervisors should be more transparent on how they will deal with infringements in order to provide more predictability. They should publish their methodology and conditions for sanctioning – e.g. the criteria they use to determine a sanction. The regulator/ supervisor should publish specific examples of infringements and how they were be dealt with. Regulators should provide periodic updates to regulations based on handled cases;
- From the respondent side, regulators/supervisors should do more to provide information on what their jurisdictions are doing on the identification and mitigation of AML/CFT risks and more generally on the functioning of their AML/CFT system;
- The regulator/supervisor should encourage the use of customer due-diligence utilities/platforms by banks that would lower due-diligence costs by allowing for the sharing of customer data among a wider group of banks and thereby facilitate access to financial services;
- Correspondent banks should use regulator-approved digitization and data analytics for customer due diligence of respondent banks;
- Internationally, regulators/supervisors should cooperate to ensure harmonization of regulations to facilitate global compliance;
- In order to further these recommendations, stakeholders should support the creation of a research project, which would be undertaken by a neutral party, to develop a clear set of regulations/guidance, plus an accompanying methodology for examination, supervision, and enforcement of those regulations/guidance, that was practicable at the bank level and that could be endorsed by a broad range of bank regulatory/supervisory agencies.

[2] This would not, however, by itself remedy concerns over the risk of criminal prosecution of individual compliance officers or of the bank itself.

SPECIFIC THEMES

Correspondent banking

One of the areas of financial activity to be affected by de-risking is correspondent banking. Correspondent banking is defined as the provision of a current or other liability account, and related services, by one bank "the correspondent bank" to another financial institution "the respondent bank", including affiliates, used for the execution of third-party payments and trade finance, as well as its own cash clearing, liquidity management, and short-term borrowing or investment needs in a particular currency.[3]

Many of those present indicated that they, or banks in their jurisdictions, are feeling the effects of correspondent banks refusing, restricting or withdrawing from the provision of correspondent banking services. In response, or in an effort to maintain their correspondent banking relationships, respondent banks are withdrawing the provision of financial services from certain clients considered to be high risk (see further below). In some ways the correspondent banks are functioning like a regulator to their respondent banks – and the latter emphasized the importance of understanding the expectations of the correspondent banks. It is, said some, a case of "comply or die" – i.e., comply with the expectations of the correspondent or accept that your access to correspondent banking (and dollar clearing) will be terminated.

For the large banks, correspondent banking, like any business activity, needs to be profitable to be worth engaging in, and it is therefore a matter of weighing the costs for mitigating regulatory/supervisory/law enforcement risks and the benefits at a product or respondent bank level. The regulatory expectations about the type of information and depth of understanding necessary to establish and/or retain a relationship for a high-risk respondent bank, as well as the costs associated with monitoring these relationships on an ongoing basis, come at high costs to the correspondent bank; not always offset by sufficient revenue to be profitable. This is further compounded by low interest rates and liquidity coverage ratios and other prudential requirements. High transaction volumes and associated fees are required to justify a relationship from a profitability perspective. Therefore, institutions in smaller jurisdictions, generating lower volumes, particularly if perceived as presenting higher risks, are most likely to suffer since these relationships are often unprofitable. At the same time, due-diligence requirements, and increased regulatory attention, have increased costs – in some cases (trade finance) correspondent banks may incur costs up to 85,000 euros to establish a new relationship. Thus, as a whole, correspondent banking has become less economically attractive- and profits need to increase or costs decrease to change the profit/loss dynamic.

In their risk perceptions, large banks may also be influenced by the decisions of other banks. The withdrawal of service by one bank may trigger similar action by other banks as there may be uncertainty as to why the other banks exited the relationships or the correspondent may not want to risk being the last correspondent in the market proving a high-risk product or servicing a high-risk relationship.

Some banks also indicated, however, that a particular correspondent banking relationship is not always profit-driven. According to the participants, in certain cases, the relationship is driven by a broader profit objective of the bank, such as facilitating market penetration, diversifying portfolio risks, or meeting the financial needs of a particular corporate customer operating in many countries across the world.

The consequences of withdrawal of correspondent banking services on the respondent bank economies are little understood or researched, but, anecdotally appear to include a switch to cash transactions and to currencies other than USD (and to lesser extent EUR and GBP). It also may include an increase in shadow banking (where transactions are taken outside of the regulatory radar) and the use of "nested" relationships – where a bank whose correspondent relationship has been terminated, will use the correspondent relationship of another bank for its correspondent banking needs. Some participants suggested that the effects on their (small) economies was already disastrous, affecting families dependent on remittances and that it could have severe humanitarian consequences.

[3] See Wolfsberg Group of Banks, Anti-Money Laundering Principles for Correspondent Banking, p1 available at http://www.wolfsberg-principles.com/pdf/standards/Wolfsberg-Correspondent-Banking-Principles-2014.pdf

Suggested recommendations

- It is important that there is a personalized relationship between the respondent and the correspondent bank and to ensure there is a direct line of communication between compliance departments in both banks. In that communication, banks should focus on the risk profile of the clients rather than exclusively on the process/controls of the respondent bank;
- Where low volumes are an impediment to the establishment of a correspondent banking relationship, respondent banks in a jurisdiction should seek to consolidate their relationship through one bank to increase attractiveness. This may be a factor for regulators to consider in encouraging the consolidation of the banking sector within their local jurisdictions;
    - There may be a role for regional development banks here to facilitate through guidance and technical assistance, the consolidation of institutions, transactions, and information in the regional financial services sector;
    - Regional or national banking associations could play a role in establishing principles on correspondent banking;
- Regulators should issue a standard framework or guideline to decrease uncertainty about the treatment of detected failings in (the establishment of) correspondent banking relationships;
- Although ex-ante and more proactive information sharing to avoid termination was preferred, in the case of termination, correspondent banks should be transparent in their reasons for terminating a relationship to allow respondent banks to improve their systems. Correspondent banks should share with respondent banks the information on transactions they find concerning so that respondent can assess their risk assessment and strengthen their risk assessment;
- Correspondent banking should be considered a public good and therefore public funds/powers should be brought to bear on ensuring their viability;
    - Banks that make a profit out of helping governments to raise funds should be asked, in return, to play a role in ensuring the establishment/maintenance of correspondent banking relationships;
    - Governments should provide an indemnity/guarantees to banks establishing a correspondent relationship when they are able to show a sufficient degree of due diligence. This way sufficient transparency on transactions through their banking sector is maintained;
    - Banks should be given credit, as under the US Community Reinvestment Act, to encourage them to take on correspondents in high-risk regions;
    - Further work should be undertaken to identify and quantify the negative effects on the economies of smaller jurisdictions (trade finance and remittance dependent individuals/families) to strengthen the case for public intervention/concern;
- Correspondent banks should, more purposefully, seek to implement processes to identify and, where possible, measure the correlation between social impact (both direct and indirect) and long-term business development, and give this factor sufficient consideration when conducting organizational strategic planning. It is argued that such an approach would encourage correspondent banking and create mutual benefits for the correspondent bank, respondent bank and wider customer base, through positive impacts on profitability, customer loyalty, and financial services accessibility;
- Insurance for AML/CFT related regulatory enforcement penalties should be considered and implemented at the regional and/or national levels;
- The establishment of a KYC utility to allow correspondent banks to have timely access to relevant information on potential respondent banks would potentially significantly reduce the costs of establishing correspondent banking relationships. The idea would be to establish a centralized data warehouse and processing center that would hold all customer information from all member banks in a country/region

and would serve as a central point for confirming adherence to KYC standards and sanctioning money transfer processing. It would operate a bit like a credit bureau where basic customer data and scoring algorithms are held centrally and ratings are provided to subscribers or paying customers. This could have the advantage of greater independence, security and credibility, coupled with better technology, and could insulate global banks from taking direct risk on smaller, harder to assess, higher risk respondent banks in higher risk jurisdictions. The advantage would be that the utility could guarantee that senders and users of funds in the local market met all KYC requirements. Block-chain technology would also improve the quality/reliability of available information. The Society for Worldwide Interbank Financial Telecommunication (SWIFT) or the IFC may play a role in establishing these utilities. An official sanctioning of the utility would give it extra value – although chances of that were acknowledged to be slim;

- Governments and/or the private sector should also consider a centralized utility for transaction monitoring to help defray the significant cost associated with transaction monitoring. The cost of monitoring alone has been sufficient to prompt terminations of relationships;
- Governments/international organizations should consider the establishment of "white-lists", identifying respondent banks that are considered to meet requisite standards in their internal controls and client basis, thereby facilitating the establishment of correspondent banking relationships with these respondent entities;
- Respondent banks could be subject to an independent and transparent evaluation to be made by a reputable audit firm to ascertain the existence and effectiveness of their AML/CFT internal system. An ISO-like "certification" process could also be envisaged to add credibility, by demonstrating that respondent banks' AML/CFT systems meets international standards. This could increase level of trust of correspondent banks. A certificate is easier to display than an inspection report;
- Attempts should be made to disaggregate risk assessments/differentiate risk at the entity level, to avoid lower risk entities in higher risk jurisdictions being classified as high risk merely on the basis of their geography;
- Respondent banks could sue correspondent banks for severing relationships based on discrimination provisions – along the lines of rules that already exist for community banking in the US;
- To enable support respondent bank relationships with correspondents, permanent platforms for dialogue between local regulators and their OECD counterparts should be established;
- Correspondent banks should agree on a common questionnaire in terms of addressing common unknowns.

Other Clients Affected by De-risking

Certain categories of client are considered to be, in and of themselves, higher risk – whether justified or not – which entails higher due diligence costs when establishing or monitoring such relationships. Certainly where the revenue generated by such clients is low, banks may decide to terminate relationships with such clients – or not to establish them in the first place. Two categories of clients were frequently mentioned in this regard: remittance companies and charities/non-profit organizations (NPOs). A number of them have had their bank accounts closed/been unable to open accounts and experienced significant delays and very detailed information requests – be it because of the banks' concerns about their activity or about the anticipated reaction of the regulator/ correspondent bank to their having such accounts (see above).

Charities/non-profit organizations

There was general agreement on the vital role played by non-profit organizations and charities in conflict zones and trouble spots around the world. Humanitarian work is challenging enough as it is; the inability to move funds or significant delays have

made this work even harder, forcing some to close operations in areas of significant need. Many noted that charities are automatically considered high risk (and even more so when operating in troubled regions) – without consideration of their specific operations or the measures they have put in place to ensure legitimate use of the funds or changes in FATF requirements and guidance. Representatives from charities provided examples of being unable to move funds through the global banking system to troubled regions, including for programs supported by governments' development agencies. The consequences go beyond a population being underbanked: the inability to get humanitarian assistance to refugees from political conflicts or natural disasters can result in death from starvation, exposure, and disease. The elderly and the young are particularly hurt by de-risking and are literally dying as a result. As one executive from a charitable organization put it, "The impact of de-risking is real and strong. In trying to prevent money laundering and terrorism finance, restrictions on sending money are resulting in the death of persons, particularly victims of terrorism." This contributes to reducing the space for civil society to operate in fragile countries, undermining overall foreign policy goals, while at the same time complicating AML/CFT objectives through encouraging alternatives use of cash that is less secure and traceable.

Suggested Recommendations

- Safe-haven provisions should be granted to financial institutions that bank charities in good faith;
- Financial institutions should be transparent and provide retail customers such as NPOs and MSBs with reasons for terminating accounts, and opportunities to address issues of concern before closing accounts;
- Charities should be subjected to a vetting process to ensure they meet high standards for transparency. Regulators should support a standard audit scope and issue consistent guidelines to provide clarity and lower compliance costs, facilitating risk differentiation, and allowing for different treatment of individual NPOs;
- The establishment of a utility (possibly from the IRS) that conducts (some of the) due diligence on non-US NPO's should be explored. Some form of repository of NPOs' information could facilitate banks processing of funds and assist charities in due diligence obligations;
- White lists should be considered for vetted NPOs to facilitate the provision of financial services to those entities;
- Public entities (possibly central banks or regional development banks) should step in to facilitate the movement of funds, even on an emergency basis, from reputable NGOs that have lost their banking relationship;
- The "particularly vulnerable" language in the Interpretative Note to FATF Recommendation 8 should be removed[4]. International and national policymakers should avoid similar language in the future and should avoid over-stating the risk associated with NPOs;
- A study should be commissioned to provide a deeper analytic base to analyze the challenges confronting NPOs and to provide options for next steps[5];
- A separate discussion or workshop focused more explicitly of bank de-risking on NPOs should be organized;
- A safe haven for banks and bank representatives that meet certain criteria when dealing with NPO clients should be granted.

[4] Progress has been made through the active involvement of FATF Secretariat and international organizations in the workshop.
[5] The Gates Foundation has already been conducting a similar study.

Remittance companies/Money Services Businesses (MSBs)

Remittance companies indicated they have increasingly lost banking relationships over the past few years, at times with only five to ten days' notice. This prevents the growth of their business and, in the worst cases, when the MSB doesn't have alternative banking relationships, puts them out of business. The result is that transactions that might have been handled by MSBs are driven "underground" into unregulated channels to remit the funds. An extra challenge for MSBs in the US (and for banks that are providing services to them) is the fact that they are subject to different regulations in each state, making compliance very complicated, time consuming, and expensive. More generally, the status of MSB compliance with local AML/CFT regulation, and the level and intensity of supervision exercised are not always clear to the banks doing business with them, which may contribute to their relationships being terminated. Whether the actual risks are as high as they are perceived to be is open to discussion: An average MSB transaction is 350 USD and thus entails a low ML/TF risk.

According to some participants, banks use a wide brush when looking at their risk and do not focus on individual entities, sometimes making it impossible for even the most risk-aware and compliant MSBs to maintain relationships. MSBs have no leverage against the banks. Similar to correspondent banking, beyond a few anecdotal instances, there is no solid evidence and analysis of the extent to which de-risking, beyond affecting the business of the MSB and their employees, is also affecting those people and businesses dependent upon remittances.

Suggested Recommendations

- Some form of KYC utility should be introduced at the MSB level to facilitate gathering relevant information on each MSB, including regulatory information. Respondents and correspondents should have access to this utility;
- The following issues should be included in the utility:
  - Does the MSB have a solid compliance program in place?
  - Does the MSB conduct internal monitoring and independent reviews based on its risk?
  - Are the MSB licenses and registrations current?
  - How many types of services does the MSB provide?
  - Does the MSB conduct cross-border transactions?
  - Are the primary services provided conducted in an agent relationship with a large MSB (i.e., Western Union, Money Gram, etc.)?
  - Does the MSB have limits in place when conducting its services?
  - What is the track record and experience of the MSB?
  - Is the MSB offering services in a High Intensity Financial Crime Area (HIFCA) or High Intensity Drug Trafficking Area (HIDTA)?
  - Does the MSB have subagents?
- Regulatory standards for MSBs should be harmonized across the US states to facilitate compliance and thus bring down costs. This would also provide a measurable framework of regulations that all interested parties (MSBs, state and federal regulators and financial institutions) could easily audit and monitor MSB compliance to the regulations, thereby minimizing actual risk as well as perceived risk;
- All jurisdictions/regulators should be able to show that they are comprehensively regulating MSBs and be public about their regulatory activity in order to provide a degree of comfort to foreign banks/regulators.

International standard setters and organizations

A final topic for discussion concerned the role that international standard setters and international organizations can play to help countries and institutions address the withdrawal of financial services. Though they may have come late to the understanding of the topic, international organizations, notably FATF, the IMF, the World Bank Group, the Financial Stablility Board (FSB), and various regional organizations have now put it on the international agenda – notably of the G20 – which is facilitating global recognition of the issue.

It is understood that not addressing the issue will likely only drive financial services underground and therefore facilitate money laundering and terrorism financing. FATF has already issued several guidance documents on the risk-based approach as it applies to different sectors to address de-risking – even as FATF works with the FSB to gain empirical evidence on de-risking. Another part of their work stream involves clarification of regulatory expectations through broad guidance on correspondent banking (expected to be published in October 2016). Additionally, FATF is working on Customer Due Diligence and financial inclusion and NPO-sector guidance and support (revision of Recommendation 8 and guidelines on NPO sector). It also envisages putting more emphasis on de-risking in the context of the mutual evaluation process.

On the other hand, the role of international organizations should not be overestimated. Guidance can be issued but it requires the national regulators and supervisors to implement it. Decisions to terminate a relationship are individual business decisions, particularly at the global bank level. International organizations should be realistic about the influence they can exert on those decisions.

The IMF is seeking to implement fast checks of jurisdictions to facilitate data collection and understanding of the issue at the jurisdictional level through its Article 4 Surveillance. It will also make efforts to improve the measurement of country risk, maybe through technical assistance. However, jurisdictional nuances exist and drivers vary widely so implementation of assistance must take this into consideration and not be generic.

Suggested Recommendations

- As neutral parties, without a direct stake, international organizations should play a role in fostering dialogue and bringing parties together. They should act as an honest broker in facilitating understanding and establishing trust between correspondent and respondent banks and/or their regulators, financial institutions, and their customers working in higher risk jurisdictions, and regulators and the private sector (banks, NPOs, and MSBs);
- By assisting countries in improving their AML regime or the supervision and regulation of the financial sector, international organizations/technical assistance providers should help address (correspondent banks') concerns about the AML/supervisory regime in a particular country;
- Also as providers of technical assistance, they should communicate the efforts that specific countries are taking to improve their AML and general financial supervisory regime;
- To increase attractiveness of correspondent banking, international (prudential) standard setters should seek to effect a relaxation of the international rules (BCBS) on the liquidity coverage ratio;
- FATF should seek to clarify regulatory expectations on the degree and intensity of due diligence to be conducted by a correspondent bank – and whether, and if so under what circumstances, due diligence should be exercised on the clients of the respondent bank;
- FATF should continue to monitor implementation of its revised recommendations to ensure that outdated perceptions of high-risk groups reflects current assessments;

- International organizations should extend guarantees to cover smaller banks in emerging markets and act as guarantors for a select set of client banks that meet their standards. Those (local/respondent) banks would pay for this service;
- International organizations should play a role in the establishment of new utilities and other forms of relevant information, as well as "white lists" of entities;
- In furtherance of their public function, international organizations should establish a regulated US bank that can act as a US correspondent for emerging market banks and join the global payment system as a participating US clearing bank. This would enable the direct provision of correspondent accounts to banks, improving inclusion of banks that were sound and well run, but too small to be cost effectively served by large commercial banks.
- International organizations should support the formation of a research project as suggested in section 2 above.

Next steps

Following the event a survey of participants was conducted to solicit views on the possible next steps to take. Broadly speaking, there was strong support for the release of a report and the creation of special working groups to deal with parts of the derisking/financial inclusion problem. Specifically, there was support for the development of guidance and specific examples and for a closer look at the potential of KYC and other utilities to bring down due diligence costs. With that in mind, the World Bank and ACAMS plan to organize, in the short to mid-term, two further events focused on specific topics. The first such event will focus on the withdrawal of financial services from humanitarian organizations and charities, and seek to provide examples of practices that have enabled such organizations to maintain access. The second event will likely focus more specifically on correspondent banking and the measures that can be taken to decrease costs and provide more regulatory comfort.

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