



September 11, 2020

**Submitted via Survey Portal and Email**

European Banking Authority  
EUROPLAZA  
20 Avenue André Prothin  
92400 Courbevoie  
France

Re: *Call for Input on 'De-risking' and Its Impact on Access to Financial Services*

Ladies and Gentlemen:

BAFT (Bankers Association for Finance and Trade), a global association of organizations engaged in international transaction banking, appreciates the call for input on de-risking and its impact on access to financial services issued by the European Banking Authority (EBA) on June 15, 2020. Since 2014, BAFT has been working to raise awareness of de-risking, mitigate its negative consequences, and slow or reverse the trend.

Almost all of our bank and non-bank financial institution members have been affected in some manner by the drivers and impacts of de-risking. BAFT's membership includes banks headquartered in roughly 60 countries around the world, financial services providers, as well as a growing number of non-bank and financial technology companies. BAFT provides advocacy, thought leadership, education and training, and a global forum for its members in the areas of financial crime compliance, payments and cash management, international trade policy and finance, and prudential regulation. For nearly a century, BAFT has played a unique role in expanding markets, shaping legislative and regulatory policy, developing business solutions, and preserving the safety and soundness of the global financial system.

In June 2014, BAFT co-hosted a colloquium with four other industry organizations to discuss what was observed to be a significant decrease in correspondent banking relationships during the year. We later prepared a joint industry paper on de-risking that was delivered to FATF and other regulatory and policy stakeholders around the world. This paper precipitated our participation in 2015 of several public-private sector industry roundtable meetings to discuss how the impact of financial crime has contributed to financial exclusion.

As you know, public authorities and international organizations began to study the issue in earnest during the second half of 2015. In 2016, the public sector acknowledged the potential systemic risk being generated by de-risking and engaged with the financial community to try to find solutions. The issue was elevated to the G-20, International Monetary Fund (IMF), World Bank, Financial Stability Board (FSB), FATF, and other organizations, prompting a more demonstrated commitment to the investigation of policy solutions.

BAFT has engaged on each public consultation on de-risking initiated by the key international organizations and national regulators. In 2015, the Committee on Payments and Market Infrastructures (CPMI) of the Bank of International Settlements formed a working group on de-risking in correspondent banking. It later issued a technical report describing current trends and proposing technical measures that might alleviate some of the concerns and costs related to correspondent banking. BAFT and the Institute of International Finance (IIF) jointly responded to the CPMI's consultation report. In 2016, FATF launched a consultation seeking comment on the portions of its AML/CFT correspondent banking guidance that needed to be revised to increase clarity. BAFT provided substantial input to FATF, which incorporated many of our suggestions into its revised guidance. Early in 2017, BAFT and the IIF again collaborated on

a joint response a Basel Committee on Banking Supervision (Basel Committee) consultation regarding the clarification of its supervisory guidance on correspondent banking.

BAFT has consistently communicated three themes in its advocacy: all correspondent banking accounts do not necessarily fall into the “default” category of high risk, guidance that could be interpreted as requiring KYCC should be avoided, and approval of (or at least non-objection to) the industry’s use of sound tools and technologies that may lessen compliance burden should be permitted. With respect to the latter, BAFT worked closely with the Wolfsberg Group in its preparation of the new Correspondent Banking Due Diligence Questionnaire (CBDDQ) for establishing high-risk correspondent banking accounts and its video training on the proper completion and use of the CBDDQ. BAFT has also promoted participation in and use of SWIFT KYC directory of respondent banks as a common and relatively low-cost utility for conducting due diligence.

In 2018, BAFT continued to engage both the public and private sectors on the topic of de-risking by:

- Participating in a roundtable hosted by the Basel Committee, CPMI, and FSB to discuss the role of utilities, legal entity identifiers, data pooling, and other measures in managing the KYC and transaction monitoring processes of an AML/CFT compliance program.
- Hosting a meeting with the regulatory agencies that comprise the U.S. Federal Financial Institutions Examination Council (FFIEC), FinCEN, and U.S. Treasury to discuss a variety of correspondent banking issues contributing to de-risking.
- Meeting with members of the U.S. Congress and officials from countries with heavily de-risked banking sectors to discuss impacts and potential solutions.
- Participating in invitation-only conferences, such as the US-MENA Private Sector Dialogue (PSD) sponsored by the Union of Arab Banks and the Federal Reserve Bank of New York and roundtables organized in connection with the fall and spring World Bank/IMF meetings.
- Providing practical information on correspondent banking and de-risking to public sector entities conducting specific studies, such as the U.S. Government Accountability Office’s report on de-risking along the U.S. southwest border issued in February 2018.

In 2019, BAFT hosted and participated in several additional policy roundtables on de-risking. In conjunction with its MENA Forum in Dubai, BAFT organized a policy roundtable on downstream correspondent banking. The roundtable participants explored the practice of a strong regional or national bank serving as a hub for smaller banks in a de-risked area to gain access to global correspondents. In addition, BAFT contributed its expertise at policy roundtables hosted by the Asian Development Bank (ADB) and World Trade Organization (WTO), which focused on the implications of correspondent bank de-risking on the availability of trade finance.

BAFT also decided to convene a member working group to assist with the creation of an industry tool to combat re-risking. In March 2019, we published the Respondent’s Playbook for Obtaining and Maintaining a Correspondent Banking Relationship. The Playbook transparently details the expectations that correspondent banks have for their respondents, identifies best practices for respondents - including banks, money services businesses, and fintech companies – to obtain and maintain relationships, and outlines the actions that still struggling respondents may take to improve their circumstances. The FSB, in its May 2019 progress report addressing the decline in correspondent banking, approvingly cited portions of the Playbook as global industry best practice. In addition, the International Finance Corporation (IFC) decided to use BAFT’s two-day workshop on the Playbook as a capacity-building tool for banks in 6 African nations severely impacted by de-risking. In 2020, CARICOM and the government of Belize approached BAFT to use the principles of the Playbook to build the capacity of commercial banks in the Caribbean.

We encourage the EBA to consider BAFT as a resource and a partner in addressing de-risking. As detailed above, BAFT has been engaged on the issue of de-risking for almost 7 years. We have identified and analyzed the drivers and impact of the problem, advocated for policy change, developed best practices for respondents, and delivered training and capacity building in highly de-risked nations

and regions. We would welcome a partnership with the EBA in which we could share our substantial expertise on the subject of de-risking.

In closing, BAFT would be pleased to assist the EBA, as well as the banks and non-bank financial institutions within the European region, on the issue of de-risking. We look forward to discussing the potential for a partnership. In the meantime, should you have any questions regarding the content of this letter, please do not hesitate to contact me at [spelosi@baft.org](mailto:spelosi@baft.org) or +1-202-317-2173.

Very truly yours,



Samantha J. Pelosi  
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