South African Reserve Bank

Media release

Wednesday, 16 May 2018

SARB-IMF High-Level Workshop on the Withdrawal of Correspondent Banking Relationships – Working Towards Solutions

On May 10, the International Monetary Fund (IMF) organised, in collaboration with the South African Reserve Bank (SARB), a High-Level Workshop on the Withdrawal of Correspondent Banking Relationships (CBRs) in Sub-Saharan Africa (SSA), with a focus on finding solutions. The workshop was held in Pretoria, South Africa, on the margins of a meeting of the Committee of Central Bank Governors in the Southern African Development Community (SADC).

The workshop provided a forum for the public and private sectors to discuss trends in and drivers of Correspondent Banking Relationship (CBR) withdrawal, and, in the light of their experiences, to identify workable solutions for the future. Participants included central bank officials from SADC countries, representatives of national, regional and international banks, money transfer operators (MTOs), and officials from the IMF, the World Bank Group including the IFC, the African Development Bank (AfDB), and the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG).This event is part of the IMF's ongoing efforts to promote regional approaches to address CBR pressures: similar events have been held in the Caribbean, Pacific, Arab Region, and Caucasus and Central Asia.

Banks and MTOs from the SSA region have been disproportionally affected by the global decline in CBRs. Some small and fragile African countries in SSA have been facing particular difficulties in maintaining CBRs. To the extent that the observed pressures impact negatively on trade and remittances, they can hinder economic growth and worsen financial access.

Participants welcomed the opportunity to have a frank dialogue on challenges facing SSA and recognised the need for coordinated efforts to address them. While stressing the need to prioritise among many measures that could mitigate problems, they consider that building trust is critical and called for: strengthening communication channels with global banks, communicating expectations including by providing policy statements; and respondent banks providing requested information in a timely manner. Participants emphasised the importance of continued technical assistance and training by relevant public and private sector stakeholders to enhance AML/CFT frameworks and to strengthen respondent banks' capacity to manage risk.

Participants also discussed the feasibility and effectiveness of various industry initiatives aimed at addressing compliance costs and profitability considerations, including by using intermediary banks with robust controls in place to provide "down-streaming" services, while ensuring adequate implementation of a risk-based approach. Participants were also interested in exploring technological solutions including KYC utilities, Legal Entity Identifiers and Fintech solutions. There was consensus on the importance of developing regional responses, including better coordination among supervisors, and the possible expansion of the use of regional clearing and payment systems.

The IMF and SADC will continue to follow up on the implementation of these measures and plan to reconvene in order to assess progress in around a year's time.

Notes for Editors:

A reduction in Correspondent Banking Relationships (CBRs, sometimes referred to as 'de-risking') has impacted the ability of some banks in emerging market and developing countries to access the international payments system, with potential consequences for financial inclusion. Correspondent banking, which can be broadly defined as the provision of banking services by one bank (the 'correspondent bank') to another bank (the 'respondent bank'), is essential for customer payments, especially across borders and for the access of banks themselves to foreign financial systems. The ability to make and receive international payments via correspondent banking is vital for businesses (and individuals (including for the purpose of cross-border remittances), and for economic stability and growth.

Issued by SARB Media Relations
media@resbank.co.za