



GPII Conference, Basel, 27.10.2016 – Opening Remarks

Introduction

Good morning ladies and gentlemen.

It is a great pleasure to be here this morning and to open the 2nd day of this conference. I would like to thank the GPII and the FSI for the invitation to speak here today, and also for the important work they – and you all – do in the area of financial inclusion.

Today, I fill-in for Deputy State Secretary Alex Karrer from the Swiss Finance Ministry, who unfortunately was not able to be here.

As you may know, Alex chairs the FSB's Correspondent Banking Coordination Group. It is from that perspective that I would like to address you this morning.

Specifically, I would like to touch on:

- i. the role of the FSB's Correspondent Banking Coordination Group and its angles of attack;
- ii. which reflections might be drawn from our work to address more generally the question of financial inclusion.

Role of the FSB's Correspondent Banking Coordination Group

The ability to make and receive international payments is vital for businesses and individuals. A decline in the number of correspondent banking relationships may affect this ability. This can, in turn, affect growth, financial stability and financial integrity as well as financial inclusion. So there is an obvious link between financial inclusion and correspondent banking.

The erosion in the correspondent banking sector is a source of concern for the international community. Consequently, there is a broad range of ongoing multilateral initiatives, including by the FSB, the IMF, the World Bank, the BCBS, CPMI, and others.

What is the FSB's approach to the issue? – At the Antalya Summit, G20 Leaders approved the FSB four-point action plan to assess and to address the decline in correspondent banking. Given the importance and cross-cutting nature of the issue, the FSB has created the Correspondent Banking Coordination Group - or CBCG.

The function of this Group is to promote the implementation of the action plan and to provide efficient high-level coordination. Switzerland takes an active role in this discussion and has agreed to chair the FSB's work on correspondent banking.

“Angles of Attack”

As you may know, the CBCG has four workstreams. These are interrelated and track the four elements of the FSB action plan:

- First on data analysis. To understand further the dimensions of the issues, the FSB recently launched a global data call. Authorities in some 50 jurisdictions will seek contributions from over 350 banks. With this survey, we hope to better assess the concentrations and other changes in the correspondent banking market. A better understanding in turn is needed to find the best way to tackle the issue. This comprehensive data gathering is a one-off exercise. In addition, the CBCG is working on establishing a process to monitor trends over time. This process should be less comprehensive to avoid a burdensome data exercise on a regular basis.
- A second workstream relates to the clarification of regulatory expectations. Just last Friday, the FATF adopted its new guidance on correspondent banking. This is an important milestone. Another important area for additional clarification is the definition of correspondent banking where discussions are ongoing. Also, the Basel Committee is currently working on refining its own guidance on correspondent banking.
- Domestic capacity building is the subject of a third workstream. The CBCG so far has developed a good view of existing technical assistance. In this context, further efforts are needed to make sure that we are deploying adequate technical assistance resources to jurisdictions that need it. Moreover, correspondent banks themselves can also contribute to the improvement of practices at respondent banks. Therefore, the CBCG is engaging with the

Wolfsberg Group which is collecting information on these efforts, as well as exploring additional avenues.

- Last, but not least, the fourth workstream relates to strengthening tools for due diligence. The CBCG is monitoring implementation of this part of the action plan jointly with the CPMI. In particular, we encourage joint work between the public and the private sector on the quality of payment messages, KYC utilities and information exchange.

These are, in a nutshell, the 4 dimensions on which the CBCG is working.

Reflections on the CBCG's work so far

Let me now offer a few reflections that might provide insights for the financial inclusion discussion more generally: First on the role of data, and then on processes and collaboration.

Role of Data

As mentioned, one central piece of the FSB action plan relates to data. The CPMI and the World Bank have done important work in this area. The CBCG identified some areas where additional data is necessary to support policy work. To address these data gaps, a survey has been designed and launched by the FSB.

The FSB's data call so far has shown us a number of things. Let me point out a few:

- First, calling for additional data may seem relatively easy. However, actually designing and implementing a data call is a challenging endeavor. In particular, adequate processes must ensure that banks are able to respond in a globally consistent manner.
- Second, data is valuable and there is an increasing appetite of international bodies to obtain data. However, the production and analysis of data is costly and there is increasing survey fatigue on the side of data providers. In addition, it is not always easy to bring the needs of data users to a common denominator. Therefore, it is necessary to strike balance between what is ideal from a data user perspective, what is necessary, and what is realistic in practice. This is admittedly difficult. The upshot is that we should not simply strive to get *more* data, but rather to get *relevant* data. All of this requires a lot of collaboration and coordination.

- Finally, privacy and data security concerns are real concerns. When working with data, effective processes need to be put in place and communicated clearly to data providers. For instance: Where will data be stored? Will data be anonymized and/or aggregated? And what does this all mean for the data analysis?

Importance of appropriate Processes and Collaboration

As mentioned, the drivers in the correspondent banking space are multiple, interrelated and complex. The same certainly holds for digital financial inclusion, which you will be discussing in your last session today. These complexities require effective global collaboration and coordination.

Let me therefore offer a few thoughts on our experience with processes, collaboration and coordination:

- First and foremost, having a high-level political support is fundamental. The issues surrounding correspondent banking receive attention from a very broad range of organizations, including the leaders of the G-20. Such political support is instrumental for creating and maintaining momentum.
- Second, both effective collaboration and coordination are key. Relevant expertise needs to be combined. What seems important is to involve all relevant players. Membership of the CBCG spans not only across FSB member jurisdictions, but includes also other affected jurisdictions and relevant international fora such as the Basel Committee, CPMI, FATF, the FSI, the IMF or the World Bank. This, however, does not mean that everybody needs to do everything. Rather, expertise should be combined in a coordinated manner. While this may be more difficult from a procedural perspective, it will eventually be more effective than differing individual agendas.
- Third, in complex collaborative projects, it may be more effective to address issues in multiple, sequential steps. An example is the work on clarifying regulatory expectations where we first dealt with the FATF guidance on correspondent banking and are seeking to tackle the definition of correspondent banking in a subsequent step.
- Finally, collaborating closely with the private sector is indispensable to encourage the involvement of the industry. Processes should allow bringing-in

the views of the private sector. For the FSB's work on correspondent banking, interactions with the private sector take place at numerous fora and various formats.

Conclusion

In closing, I would like to make three overarching observations that I think are common to our work on correspondent banking as well as on financial inclusion:

First: In areas such as correspondent banking, or financial inclusion, there are obviously different goals. It is natural that different bodies, or even different units in the same government, may have different objectives. Even the best process cannot – and should not – prevent that. But this makes collaboration and coordination all the more relevant.

Second: A similar conclusion holds for technology: In seeking solutions, technology can help: in the correspondent banking context for instance in the compliance space. But technology cannot solve all issues by itself. And while technology will evolve, the basic issues inherent to correspondent banking will remain similar, at least in the short and possibly even mid-term.

Third: There is no magic recipe and no silver bullet to solve the key issues. We need to address a whole range of small, tedious and usually unspectacular steps. It is therefore important to address holistically the issues relating to correspondent banking. First steps have been made on this path forward. And I am optimistic that we will continue to make steady progress together.

On this note, I wish you a very productive morning. Thank you.

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