



Financial
Intelligence Centre

Integrity and Safety

6 June 2019



OVERVIEW

Introduction

AML/CFT controls and safety

Integrity and Management



Introduction

- Integrity of the financial system:

Abuses of the institutions that operate within the financial system are detected and addressed through appropriate responses.

Measures to promote the integrity of the financial system ensure that when products and services of financial institutions are exploited for illicit purposes, it is not tolerated or allowed to compete unfairly with the legitimate objectives that the sector is meant to serve.



AML/CFT controls and safety

- Decline in correspondent banking relationships is still continuing
- Various drivers, but weak regulatory environments in affected regions is a major contributing factor
 - Risk management decisions in correspondent banks
 - Regulatory expectations of supervisors of correspondent banks
 - Balancing cost and returns
- Smaller banks in affected regions appear to be unable to influence de-risking decisions
 - Recognition for quality of AML/CFT programmes in individual banks



AML/CFT controls and safety

- Protection for respondent banks
 - Improve AML/CFT programmes in individual banks and among peers
 - Robustness of supervision of respondent banks
- Engagement between supervisors of respondent banks and correspondent banks
 - Understanding risk management expectations on both sides
- Wider implementation of international standards
 - Jurisdictions in the Global Network must take implementation of international standards seriously



AML/CFT controls and safety

- Volumes and values of payments appear not to decline as a consequence of declining correspondent banking relationships
- Larger regional banks / smaller global banks step in to fill the void
 - Quality of AML/CFT programmes in these banks
 - Intensity of supervision of these banks
- Implications for banks taking up correspondent banking relationships
 - Costs of business
 - Ability to serve their own customers



Integrity and Management

- Responsibility for implementation of integrity measures
 - Implications of weaknesses in AML/CFT programmes
 - Implications of failures in systems and controls
- Require capacity to discharge functions and provide assurance
 - Smart use of technology
 - Levels of authority of those responsible for discharging compliance functions



Integrity and Management

- When Management becomes a threat to safety
 - Bank's Board and Management involved in exploitation of the bank instead of ensuring integrity
- Some of the lessons
 - Audit reports need to be treated with circumspection
 - Supervising small banks require similar resources to large banks



Thank you for your attention