

---

# **Correspondent Banking Relationships (CBRs) in Arab Countries**

**Recent Trends, Drivers, and Impact – Results of a Survey of Banks**

---

**February 2019**

## ACKNOWLEDGEMENTS

This report was produced by drawing from resources and information channeled by Central Banks in the Arab region, whose made an important effort in collecting responses from banks operating in the Arab region on the survey conducted from April through July 2018.

The report was prepared by Yisr Barnieh, Habib Attia and Ghassan Abu Mwis from the Arab Monetary Fund, in collaboration with Stephane Roudet, Phil de Imus and Tucker Stone from International Monetary Fund and has benefited from valuable review, comments and suggestions provided by Jean Denis Pesme and Emile J.M. Van der Does de Willebois and Matei Dohotaru from the World Bank.

Any queries regarding this report should be addressed to:

Mr. Habib Attia  
Senior Financial Sector Specialist  
Arab Monetary Fund  
Economic and Technical department  
Financial Market Division  
Corniche Street, P.O Box 2818,  
Abu Dhabi, United Arab Emirates  
Tel. +971 2617 1454  
E-mail: [Habib.Attia@amf.org.ae](mailto:Habib.Attia@amf.org.ae) ; [FinancialMarkets@amfad.org.ae](mailto:FinancialMarkets@amfad.org.ae)  
Website: [www.amf.org.ae](http://www.amf.org.ae)

## TABLE OF CONTENTS

<b>ACRONYMS AND ABBREVIATIONS</b>	<b>4</b>
<b>I. INTRODUCTION</b>	<b>5</b>
1. Background	5
2. Data Gathering and Participations	5
<b>II. KEY FINDINGS</b>	<b>6</b>
1. Overall trend in CBRs	6
2. Drivers/causes of decline in correspondent banking relationships	9
3. Impact of Withdrawal and/or Restrictions on CBRs	12
4. Ability to find CBRs replacement / alternative arrangements	13
<b>III. CONCLUSIONS AND NEXT STEPS</b>	<b>16</b>
<b>REFERENCES</b>	<b>18</b>
<b>ANNEX</b>	<b>19</b>

## LIST OF FIGURES

Figure 1. Number of Banking Relationships	6
Figure 2. Total Number of CBRs in Each Currency	7
Figure 3. Changes in the Scale of CBRs – Overall Trends	8
Figure 4. Trends in Termination/Restriction of CBRs	9
Figure 5. Reasons Given for Terminating or Restricting CBR	10
Figure 6. Impact of Withdrawal and/or Restriction of CBRs	12
Figure 7. Impact of Withdrawal and/or Restriction of CBRs on Clients/Client Segments	13
Figure 8. Finding CBRs Replacements	14
Figure 9. Promising Solutions to Limit CBR Pressures	15

## **ACRONYMS AND ABBREVIATIONS**

<b>AED</b>	Arab Emirates Dirham
<b>AMF</b>	Arab Monetary Fund
<b>AML/CFT</b>	Anti-Money Laundering /Counter-Financing of Terrorism
<b>AUD</b>	Australian Dollar
<b>CAD</b>	Canadian Dollar
<b>CBRs</b>	Correspondent Banking Relationships
<b>CDD</b>	Customer Due Diligence
<b>CHF</b>	Switzerland Franc
<b>CPMI</b>	Committee on Payments and Market Infrastructures
<b>DKK</b>	Denmark Krone
<b>FATCA</b>	Foreign Account Tax Compliance Act
<b>FATF</b>	Financial Action Task Force
<b>FSB</b>	Financial Stability Board
<b>GBP</b>	Pound sterling
<b>IMF</b>	International Monetary Fund
<b>JPY</b>	Japanese Yen
<b>KSA</b>	Kingdom of Saudi Arabia
<b>KYC</b>	Know Your Customer
<b>LKR</b>	Sri Lanka Rupee
<b>MENAFATF</b>	Middle East & North Africa Financial Action Task Force
<b>MTOs</b>	Money Transfer Operators
<b>SAR</b>	Saudi Arabia Riyal
<b>SDG</b>	Soudan Livre
<b>TRY</b>	Turkish Lira
<b>UAB</b>	Union of Arab Banks
<b>UAE</b>	United Arab Emirates
<b>UK</b>	United Kingdom
<b>USD</b>	US Dollar
<b>ZAR</b>	South Africa Rand

# I. INTRODUCTION

## 1. Background

During the Second High-Level Regional Workshop on the withdrawal of correspondent banking relationships (CBRs), jointly organized by Arab Monetary Fund (AMF) and the International Monetary Fund (IMF) in Collaboration with the FSB and the World Bank Group, which was held in Abu Dhabi on September 17<sup>th</sup>, 2017, **participants highlighted the need for the AMF/IMF/WB to continue engaging with various stakeholders and monitoring trends in the withdrawal of CBRs.**<sup>1</sup> In this regard regulators welcomed the idea of a follow-up survey in the region focused on the effectiveness of emerging solutions.

**A previous survey had been conducted in 2016**<sup>2</sup>. At that time, a total of 216 banks operating in seventeen Arab countries provided answers, with roughly 40 percent of participating banks indicating that they had experienced a significant decline in the scale and breadth of CBRs, 55 percent reporting no significant change, and 5 percent indicating an increase. The main causes/drivers in foreign financial institutions' decisions to terminate or restrict CBRs with banks operating in the Arab region were perceived to include: (1) overall risk appetite of foreign financial institutions, (2) changes to legal, regulatory or supervisory requirements in foreign financial institutions' jurisdictions, (3) lack of profitability of certain CBRs services and products, (4) sovereign credit risk rating in Arab countries' jurisdictions, and (5) concerns about money laundering/terrorism financing risks in Arab countries' jurisdictions.

## 2. Data Gathering and Participations

**In this follow up survey, the assessment was focused on the scale, reasons, and effects of possible withdrawal of CBRs on banks operating in the Arab region.** In doing so, this report aims to provide a better and more up-to-date understanding of not only the direct effects, but also the indirect effects as well as the root-causes of such policy changes. The type of questions covered by this survey include those related to the extent that Arab banks have seen changes in terminations of their CBRs in the past few years; which factors do participating banks believe may have contributed to

---

<sup>1</sup> The Second High-Level Workshop on the Withdrawal of Correspondent Banking Relationships in the Arab region, Working Towards Solutions, which was jointly organized by Arab Monetary Fund (AMF) and the International Monetary Fund (IMF) in Collaboration with the FSB and the World Bank Group, was held in Abu Dhabi on September 17<sup>th</sup>, 2017 (<https://www.amf.org.ae/en/content/second-joint-arab-monetary-fund-amf-%E2%80%93-international-monetary-fund-imf-high-level-workshop>).

<sup>2</sup> The full report could be found on AMF Website at [https://www.amf.org.ae/sites/default/files/Files/content/CBRs%20in%20the%20Arab%20Region%20Survey\\_FI\\_NAL%20Report\\_Final.pdf](https://www.amf.org.ae/sites/default/files/Files/content/CBRs%20in%20the%20Arab%20Region%20Survey_FI_NAL%20Report_Final.pdf)

correspondent banks' decision to terminate or restrict an account; and which products or services affected by the Withdrawal of CBRs practices.

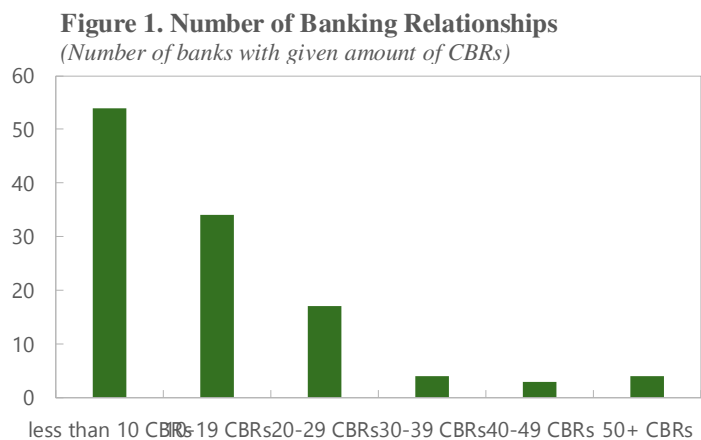
**Moreover, the survey explores the effectiveness of emerging solutions.** These include, for instance, establishing new CBRs or implementing alternative arrangements to mitigate pressure on CBRs, expanding the volume of transactions through existing CBRs, using intermediary institutions as proxy for dealing with correspondent banks, further relying on alternative remittance channels or Fintech, among others.

**The survey consists of 22 questions grouped into four areas:** (i) client perspective, (ii) causes of withdrawal and / or restrictions of CBRs, (iii) impacts of the decline, and (iv) possible solutions. The survey was distributed by the Arab Central Banks to banks operating in their local jurisdiction. The full questionnaire is available in Annex 1. A total of 145 banks from 11 Arab countries provided responses. Not all participants' banks have provided answers to all questions; however, there were enough responses to each of the questions so that the data gathered is considered representative. The analysis of the responses to the survey is carried out on an aggregate basis.

## II. KEY FINDINGS

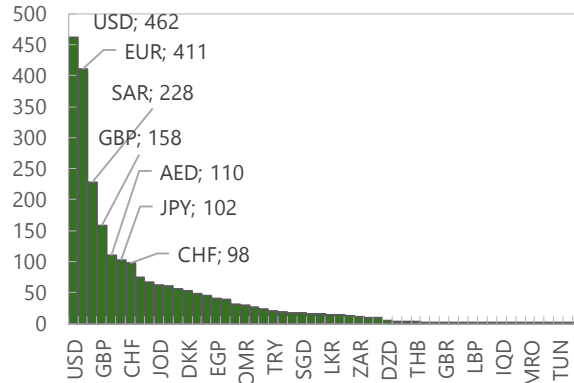
### 1. Overall trends in CBRs

**Almost all the banks reported that they hold CBR accounts, in various global and regional currencies.** In total, 134 banks responded that they have held CBRs. With roughly 40 per cent of surveyed banks having less than 10 CBRs, the average number of CBRs per bank was about 15.



116 banks provided data on the currency denomination of CBRs. Most of the CBRs accounts were in US dollar, Euro, Saudi Rial, British pound, and UAE Dirham. Many banks also reported holding CBR accounts that were in multiple currencies with about 1.4 currencies per account on average. With regards to the jurisdiction of correspondent banks, 58 percent are in advanced countries, 39 percent in emerging and developing countries. Figure 2 provides an overview of the currencies of CBR accounts.

Figure 2. Total Number of CBRs in Each Currency

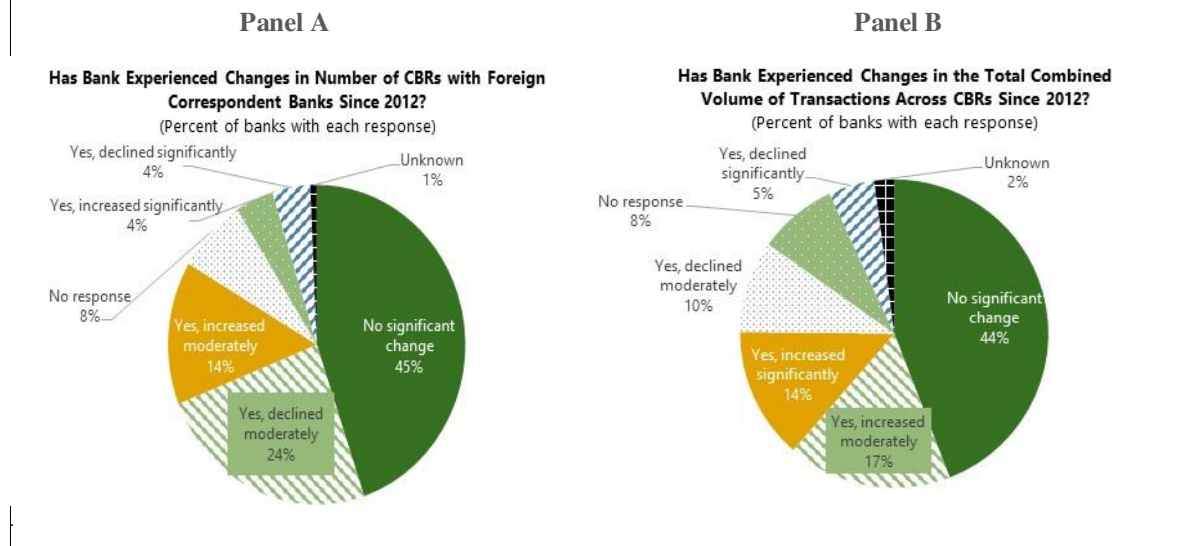


**A little under one-third of banks reported a decline in the number of CBRs accounts since 2012.** Only a small percentage of the banks, 4 percent, reported a significant decrease. Another 24 percent reported a moderate decline.<sup>3</sup> Forty-five percent of survey participants did not experience significant changes to CBRs. Fourteen percent experienced a moderate increase, and 4 percent experienced a significant increase in the number in CBR accounts. About 9 percent had no response or indicated unknown to this question. Figure 3, Panel A provides an overview.

**Some fifteen percent of banks indicated a decline in the volume of transactions processed through foreign CBRs since 2012.** Five percent reported a significant decline, while 10 percent reported a moderate decrease. Forty-four percent of banks reported no significant change. Seventeen and 14 percent, respectively, reported that the volume of transactions processed through foreign CBRs either increased moderately or significantly. The remainder did not report or indicated unknown. Of the subset of banks that experienced a decline in the number of CBRs (moderate or significant), 44 percent of those also experienced a decline in total volume (moderate or significant), but 27 percent reported an increase in total volume. The latter respondents noted that they were able to open accounts with other correspondent banks and were able to increase their volume with existing correspondent banks. Figure 3, Panel B provides an overview.

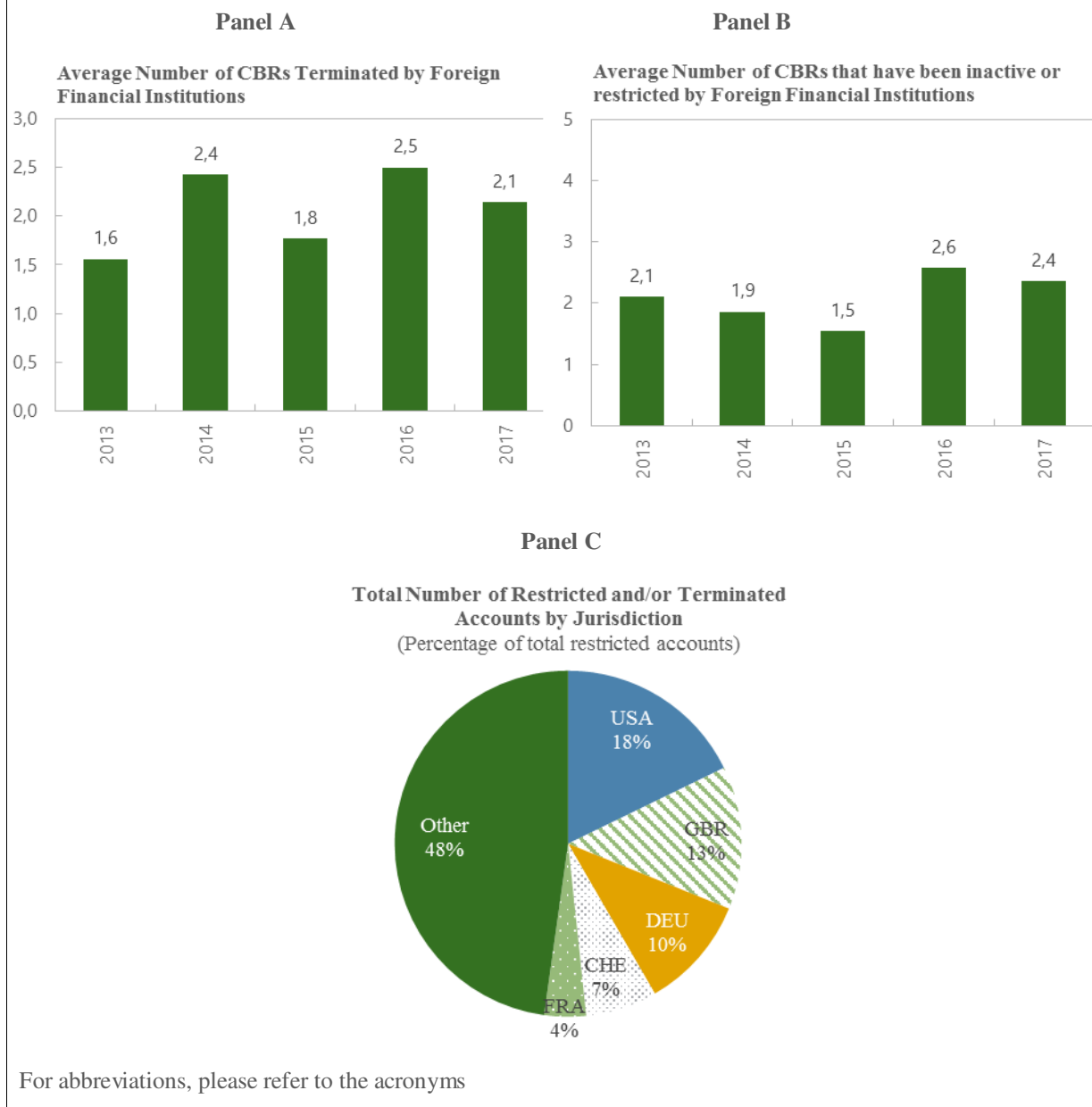
<sup>3</sup> While close to 40 percent of banks had reported a significant decline during the 2016 survey, no distinction was made between “significant” and “moderate” declines at the time, making the comparison between the two surveys difficult.

Figure 3. Changes in the Scale of CBRs – Overall Trends



The average number of accounts being terminated and those that have become inactive or restricted per year appear to have increased slightly in 2016-17 compared to the previous few years. The average number of accounts being terminated on an annual basis increased to 2.3 per year per bank in 2016-17, compared to 1.9 in the previous three years (Figure 4, Panel A). The average number of accounts that were inactive or restricted remained relatively low but increased to about 2.5 per bank in 2016 and 2017 after falling to 1.5 in 2015 (Figure 4, Panel B). Roughly half of the accounts terminated or restricted were held in five advanced country jurisdictions, the U.S., the U.K., Germany, Switzerland, and France (Figure 4, Panel C). Of those who responded, over half noted that they were given 1 to 3 months lead time before termination or restriction of an account, 23 percent indicated less than 1 month, and another 21 percent 3 to 6 months.

**Figure 4. Trends in Termination/Restriction of CBRs**



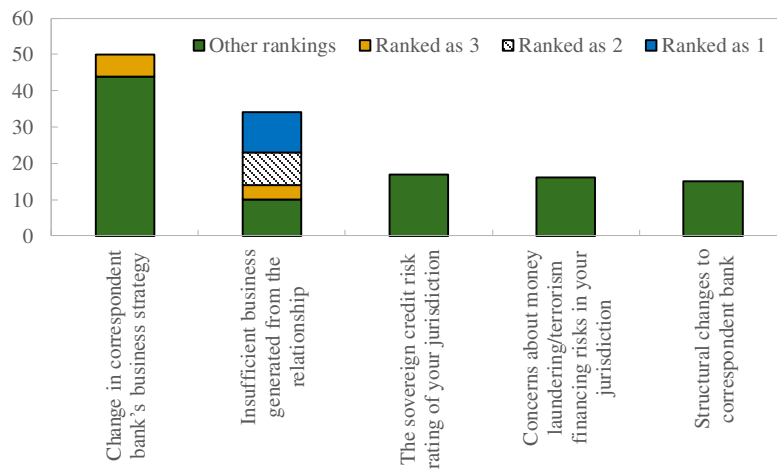
## 2. Drivers/causes of decline in correspondent banking relationships

As shown in figure 5<sup>4</sup>, participants ranked insufficient business generated from the relationship as the highest ranked among the reasons for the termination or restriction of CBR accounts. Factors relating to AML/CFT frameworks or sanctions

<sup>4</sup> Only 64 banks provided answers for question 11, and of those not every bank provided a rank for every category in Table 1. While a change in business strategy received the most responses, some researchers have noted that this is a response to a motive, rather than a rationale for a termination or restriction per se. So it is more difficult to interpret the significance of the responses to this category.

were also significantly cited. Banks were asked to provide their view on the causes of the termination or restriction in CBRs accounts (Table 1). Respondents were also asked their views about which factors contributed to the decision to terminate or restrict an account. Ninety-one percent of them listed a change in the business strategy of the correspondent bank as the

**Figure 5. Reasons Given for Terminating or Restricting CBR**  
(Survey respondents ranked the reasons for restricting or terminating)



main cause. Sixty-two percent in the sample also indicated “insufficient business to justify the cost of additional customer due diligence” as the second most important perceived driver. Several other factors such as “the sovereign credit risk of the respondent bank’s jurisdiction” and “concerns about money laundering/terrorism financing risks”, and “Structural changes to correspondent bank (including merger/acquisition) and/or reorganization of business portfolio” were reported to play a smaller role. According to these responses, about 47 percent indicated that reasons related to AML/CFT and sanctions were viewed as a principal factor for the termination or restriction.<sup>5</sup>

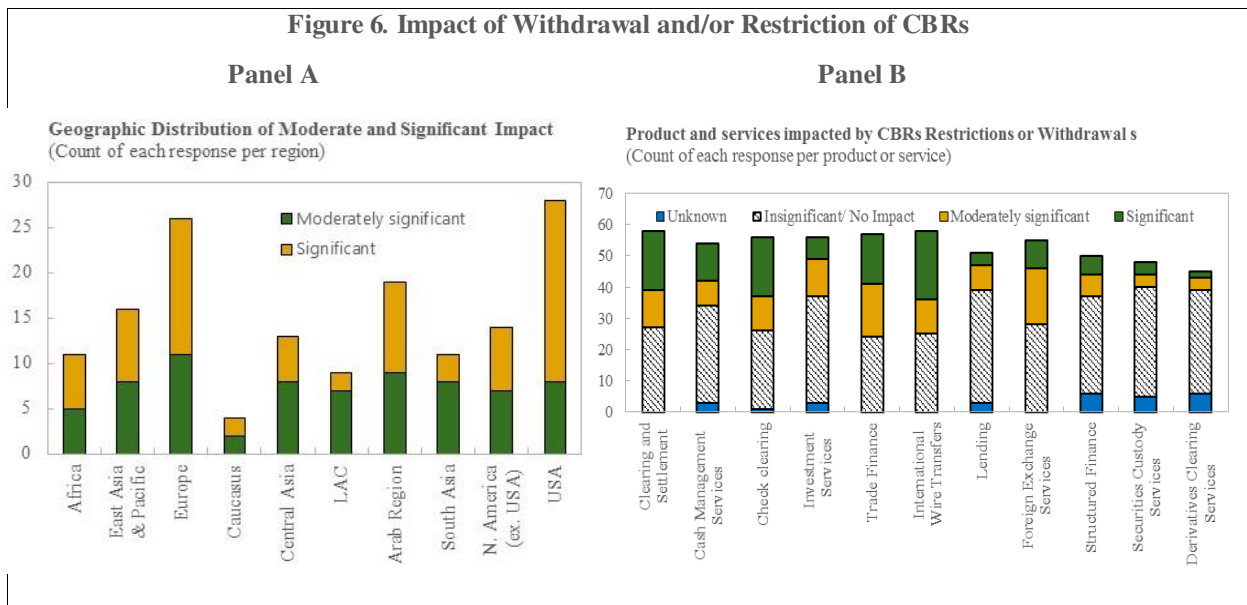
<sup>5</sup> This represent the percentage of participants that indicated at least one of the items from numbers 4, 7, 8, 9, 10, 11, 12, 13, 14, 15, 17, 18, and 19 in Table 1.

**Table 1. Perceived Drivers of the Decline in CBRs**

Reasons Given for Terminating or Restricting CBRs		
Reasons	Number of Responses per Reason	Percent of Banks
1. Change in correspondent bank's business strategy	50	91%
2. Insufficient business generated from the relationship to justify cost of additional Customer Due Diligence (CDD) on your financial institutions' customers.	34	62%
3. The sovereign credit risk rating of your jurisdiction	17	31%
4. Concerns about money laundering/terrorism financing risks in your jurisdiction	16	29%
5. Structural changes to correspondent bank (including merger/acquisition) and/or reorganization of business portfolio	15	27%
6. Dormant correspondent banking relationships	13	24%
7. Concerns about customer base (remittance service providers, CSOs, trade)	12	22%
8. Changes to legal, regulatory or supervisory requirements in foreign financial institutions' jurisdiction that have implications for maintaining CBRs (e.g., US sanctions and FATCA, tax transparency and exchange of tax information)	11	20%
9. Compliance with pre-existing legal/ supervisory / regulatory requirement (e.g., US sanctions and FATCA) by correspondent bank	10	18%
10. Imposition of international sanctions on your correspondent bank's jurisdiction	7	13%
11. Your jurisdiction is identified as having strategic AML/CFT deficiencies by FATF (or another international body)	7	13%
12. Perceptions that your financial institution has a higher-risk customer base	7	13%
13. Your jurisdiction is subject to countermeasures because of strategic AML/CFT deficiencies by FATF (or another international body)	6	11%
14. Imposition of international sanctions on your bank's jurisdiction	5	9%
15. Imposition of enforcement actions by the domestic authority on the relevant foreign financial institution	5	9%
16. Impact of internationally agreed financial regulatory reforms (other than AML/CFT) (e.g. Basel III capital and liquidity standards)	5	9%
17. Your jurisdiction is subject to trade, economic or similar sanctions by other jurisdictions	4	7%
18. Perception or lack of information by correspondent banks of your financial institution's insufficient compliance with AML regulations (including internal controls and CDD)	4	7%
19. Perception or lack of information by correspondent banks of your financial institution's insufficient compliance with CFT regulations (including internal controls and CDD)	4	7%
20. Industry consolidation within jurisdiction of correspondent bank	4	7%
21. Other cause/driver ranking	4	7%
22. Impact of internationally agreed non-financial regulatory reforms (other than AML/CFT) (e.g. tax transparency and exchange of tax information)	3	5%

### 3. Impact of Withdrawal and/or Restrictions on CBRs

Regarding geographical impact<sup>6</sup>, participants reported an adverse impact on their ability to conduct foreign currency transactions in the U.S. and Europe. Approximately 54 respondents (37 percent) indicated either a moderately significant or significant decline in their ability to conduct transactions in the U.S. and Europe, respectively, followed by the Arab region and East Asia. Other regions were also cited, but to a lesser extent (Figure 6, Panel A).



Participants reported “international wire transfers”, “trade finance”, “clearing and settlements”, and “check clearing” as their most significantly affected products and services.<sup>7</sup> Of the participating banks, 25 percent indicated that the decline in their CBRs had a significant impact on their ability to access international wire transfers. The second most significant impact was on clearing and settlement and check clearing, with both 22 percent of responses. This is followed by trade finance and cash management service at 18 and 13 percent, respectively. The impact is even greater if products and services that are moderately affected are considered (Figure 6, Panel B).

<sup>6</sup> Only between 89 and 101 banks provided responses to question 12, and there were a different number of respondents for each region indicated in the survey.

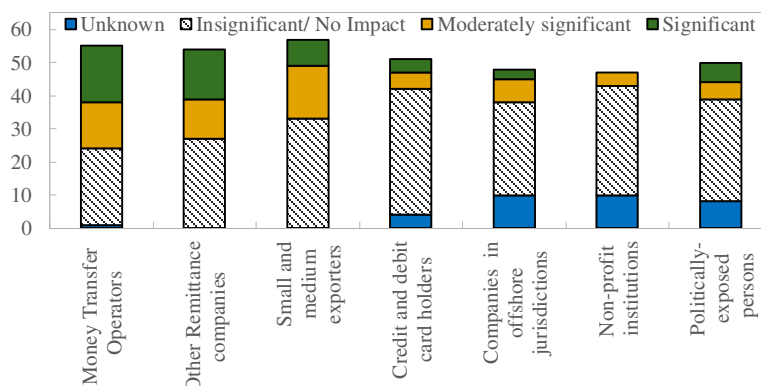
<sup>7</sup> Only between 87 and 140 banks provided responses to question 13, and there were a different number of respondents for each product or service indicated in the survey.

**Among their clients, participants indicated that the decline in CBRs had the most significant impact on banks' ability to service money transfer operators, other remittance companies, and small and medium exporters.<sup>8</sup>**

Thirty-one percent of those banks that responded reported that transactions of money transfer operators were significantly impacted by the decline in CBRs, while 27 percent indicated that other remittance companies and 23 percent

mentioned small and medium exporters as experiencing significant impact. Other client segments that mentioned by participants as significantly affected included politically exposed persons, credit card holders, and companies established in offshore jurisdictions. Figure 7 provides an overview of the impact on client segments.

**Figure 7. Impact of Withdrawal and/or Restriction of CBRs on Clients/Client Segments**

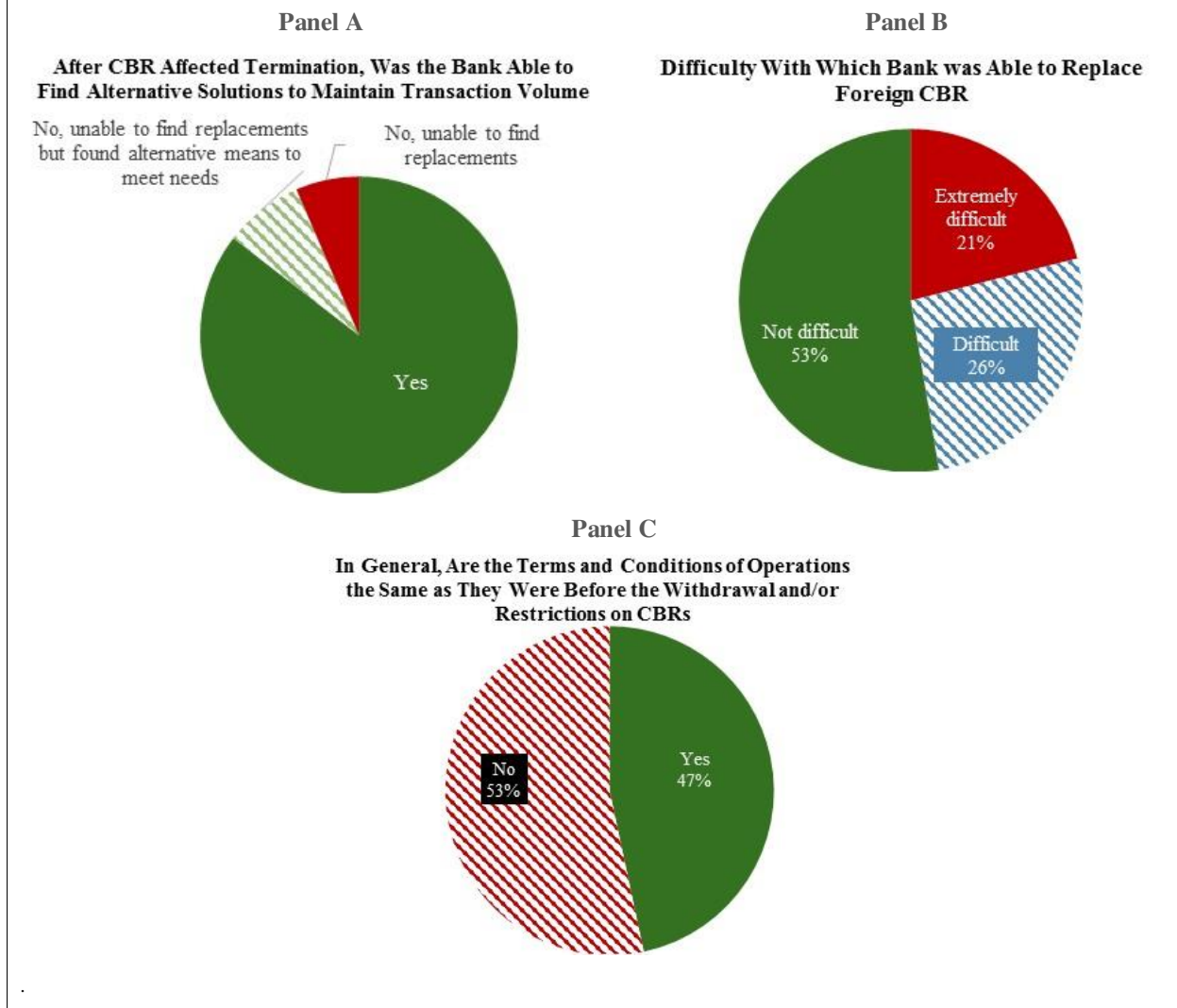


#### **4. Ability to find CBRs replacement / alternative arrangements**

**A clear majority of banks indicated they have been able to find replacement accounts or alternative means.** Almost 85 percent of the participating banks that had their CBRs terminated or restricted were able to find replacement accounts. An additional 8 percent were not able to find replacements but managed to establish alternative means. Some banks commented that they increased the volume of CBR transactions via the remaining accounts or increased the number of currencies they transacted in through those accounts. Some also noted that they needed to go through a third bank to transact. Just 6 percent of banks that responded have remained unable to find replacement or alternative relationship for terminated or restricted CBRs (Figure 8, Panel A).

<sup>8</sup> Only between 88 and 136 banks provided responses to question 14, and there were a different number of respondents for each product or service indicated in the survey.

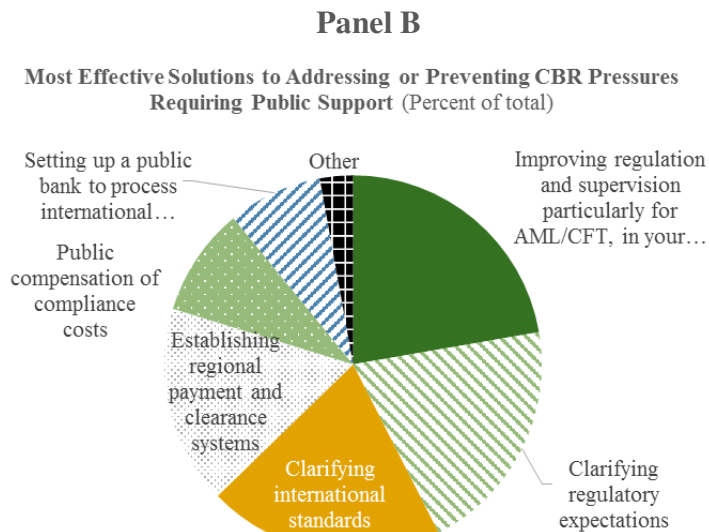
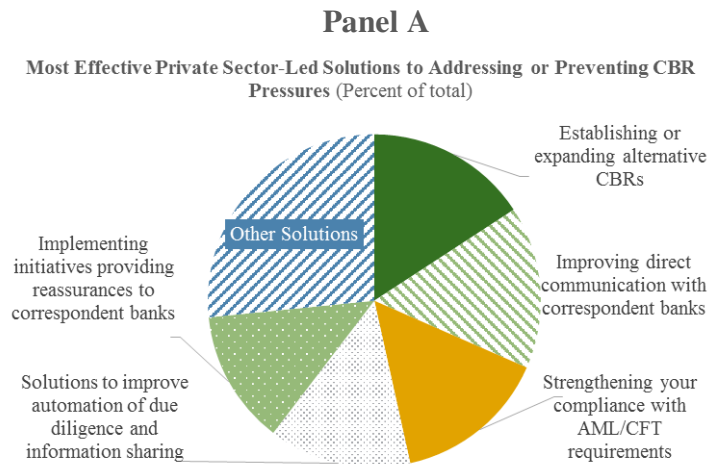
Figure 8. Finding CBRs Replacements



However, almost one-half of the banks that reported finding replacement accounts found it difficult or extremely difficult to get replacements. See Figure 9, Panel B. Of those participants, some banks noted that new terms and conditions had more requirements and controls, which slowed the speed of processing. At least one respondent noted that the cost of operations had increased. Moreover, for the banks that reported experiencing withdrawals and/or restrictions, more than one half indicated that the conditions were less favorable to prior arrangements (Figure 9, Panel C). A few respondents specifically noted that they had to step up their know-your-customer (KYC) training and enhance due diligence of customers, and one suggested that this may have led to termination of relationships deemed non-compliant.<sup>9</sup>

<sup>9</sup> An important caveat to the survey is that the question of the impact via dropped customers by respondent banks in an effort to maintain CBRs was not explicitly addressed, possibly understating the full economic impact of CBR pressures.

**Figure 9. Promising Solutions to Limit CBR Pressures**



**A multi-pronged approach is needed to help banks mitigate risks arising from the reduction of CBRs.** When asked about private sector solutions to limit CBR pressures, respondent banks stated that establishing or expanding alternative CBRs, strengthening compliance with AML/CFT requirements, and improving direct communication with correspondent banks to clarify risk management policies and expectations were viewed as the most effective solutions to addressing or preventing CBR pressures. Improving automation of due diligence and information sharing, as well as initiatives to provide reassurances to correspondent banks were also considered important. In their written comments, many banks indicated that they had established or expanded alternative CBRs, strengthened compliance, and tried to improve communications, which they found effective in limiting the termination or restriction of accounts. A few highlighted

the increased use of automation to help improve customer due diligence. (Figure 9, Panel A).

**Survey participants were also asked to rank the actions that can be taken by the public sector to alleviate CBR pressures.** The ranking suggests that banks think it would be beneficial to improve on a set of issues. Improving regulation, supervision, and enforcement of AML/CFT was ranked first, but closely followed by clarifying both regulatory expectations and international standards such as the Financial Action Task Force and establishing a Regional Payment and Clearing Systems. Other solutions that participants recommended were the public compensation of compliance costs and the setting up of a public bank to process international payments. (Figure 9, Panel B).

### **III. CONCLUSIONS AND NEXT STEPS**

Broadly consistent with the findings of the 2016 survey, this exercise indicates that about one third of respondent banks experienced a decline in the number of CBRs accounts since 2012. The average number of accounts being terminated and those that have become inactive or restricted per year appear to have increased slightly in 2016-17 compared to the previous few years.

About 30 percent of participants indicated a moderate or significant impact on their ability to transact in the U.S. followed by the U.K., then, Germany, Switzerland, and then France. Of those that experienced a withdrawal or restriction of accounts, about 85 percent were able to find replacements, but with difficulty and/or increased cost, and 8 percent had to resort to alternative means to compensate for terminated or restricted CBRs. A small portion of participants, 6 percent, were unable to find replacements or alternative options.

The participating banks ranked insufficient business generated from the relationship to justify the cost as the highest reason for the decline in CBR accounts. Also, almost one half of respondents viewed that AML/CFT and sanctions related reasons were behind the termination or restriction of accounts. The withdrawals of CBRs has impacted several products and services, including international wire transfers, clearing and settlements, check clearing, and trade finance. Moreover, survey participants indicated that money transfer operators, other remittance services providers, and small and medium exporters were the most negatively impacted by the termination and restriction of CBRs. This appears consistent with the view—not directly assessed by the survey—that respondent banks may have dropped a significant number of customers in an effort to maintain CBRs. Many banks reported worsening terms and conditions under the newly established CBRs or alternative channels.

The participating banks also offered their opinions on which solutions could help alleviate CBR strains. A host of solutions were recommended. The highest ranked choices included private sector efforts to establish alternative CBRs or expand existing ones, improving direct dialogue with correspondent banks, and improving compliance with AML/CFT requirements. For the public sector, they suggested that improving the regulation, supervision, and enforcement of AML/CFT, and clarifying both regulatory expectations and international standards would also help.

## REFERENCES

Arab Monetary Fund, International Monetary Fund, and World Bank Group. *Withdrawal of Correspondent Banking Relationships (CBRs) in the Arab Region: Recent trends and thoughts for policy debate*. September 2016 ([https://www.amf.org.ae/sites/default/files/Files/content/CBRs%20in%20the%20Arab%20Region%20Survey\\_FINAL%20Report\\_Final.pdf](https://www.amf.org.ae/sites/default/files/Files/content/CBRs%20in%20the%20Arab%20Region%20Survey_FINAL%20Report_Final.pdf)).

Financial Stability Board. *FSB Action Plan to Assess and Address the Decline in Corresponding Banking: Progress Report to G20 Finance Ministers and Central Bank Governors Meeting*. March 2018.

International Monetary Fund. *The Withdrawal of Correspondent Banking Relationships: A Case for Policy Action*. SDN/16/06.

International Monetary Fund. *Recent Trends in Correspondent Banking Relationships: Further Considerations*. April 2017.

**ANNEX**

**Confidential**

**Survey on “Correspondent Banking Relationships (CBRs) in the  
Arab Countries”**

**Confidential**

**Survey on Correspondent Banking Relationships (CBRs)**  
**in Arab Countries**

During the Second High-Level Workshop on the Withdrawal of Correspondent Banking Relationships, Working Towards Solutions, jointly organized by Arab Monetary Fund (AMF) and the International Monetary Fund (IMF) in Collaboration with the FSB and the World Bank Group, held in Abu Dhabi on September 17<sup>th</sup>, 2017, regulators highlighted the need for the AMF/ IMF/WB to continue engaging with various stakeholders, monitor global trends in the withdrawal of CBRs, including experiences with implementation of the various potential solutions. In this regard regulators welcomed the idea of a follow-up survey in the region focused on the effectiveness of emerging solutions and covering both regulators and private sector entities.

In this survey, we try again to capture the effect of de-risking practices conducted by correspondent banks internationally and regionally? on banks operating in the Arab region. In doing so, we aim to have a better understanding of not only the direct effects, but also the indirect effects as well as the root-causes of such policy changes. We limit our focus here to client banks (Nostro accounts) with an aim to understand how they were directly affected by de-risking. To what extent have Arab banks seen changes in terminations of their CBRs in the past years? How have increased KYC requirements led Arab banks themselves to de-risk at the expense of losing business with clients or jurisdictions all together? All these questions we hope can be answered by this survey.

Moreover, the survey is exploring the effectiveness of emerging solutions such as establishing new CBRs; expanding the number of correspondent banking relationships or volume of transactions through existing CBRs; using intermediary institutions as proxy for dealing with correspondents; further reliance on alternative remittance channels or fintech.

To the extent possible, please answer all questions for the period of the past 6 years (2012-2017), where that information is available. Where you are unable to fully respond to the question for lack of information, please answer as fully as you can. This survey should be sent by the Central Banks to their local financial institutions, which shall return the survey back to the Central Banks. The Central Banks will collect the surveys and forward them to the Arab Monetary Fund (AMF).

**Confidentiality:** Please be assured that your responses will be treated as strictly confidential by the project team. Only aggregated data will be referenced publicly, including in a report to be shared with respondents, national central banks and other regional and international stakeholders.

**Confidential**

**Survey on Correspondent Banking Relationships**  
**in Arab Countries**

Note: Responses to the survey will be treated as **strictly confidential** and no individual bank will be mentioned in the results.

**Name of Respondent** (an individual who could be contacted in case of follow-up questions):

**Title:**

**Institution:**

**Jurisdiction:**

**Phone:**

**Email:**

**Date:**

---

**Client/Nostro Account Perspective (correspondent banking relationship)**

1. Does your bank hold or has held correspondent banking relationships (an account provided by a correspondent bank to a respondent bank to facilitate cross-border payments and trade finance transactions of the clients of the respondent bank)?

☐ Yes

☐ No

**If you answered “no”, there is no need to respond to the subsequent questions and thank you for participating in the survey.**

2. Please provide names of banks where the correspondent banking relationships are currently held, their jurisdiction, and the currency in which the accounts are held.
3. What proportion of your bank’s cross-border flows are processed by correspondent banks?
4. Has your Bank experienced changes in the number of correspondent banking relationships with foreign correspondent banks since 2012?

- ☐ Yes, increased significantly
- ☐ Yes, increased moderately
- ☐ Yes, declined significantly
- ☐ Yes, declined moderately
- ☐ No significant change
- ☐ Unknown

5. Has your Bank experienced changes in the total combined volume of transactions across all of your correspondent banking relationships since 2012?

- ☐ Yes, increased significantly
- ☐ Yes, increased moderately
- ☐ Yes, declined significantly
- ☐ Yes, declined moderately
- ☐ No significant change
- ☐ Unknown

**If you answered, “No significant change,” or “Unknown,”, there is no need to respond to the subsequent questions and thank you for participating in the survey.**

6. Please indicate the number and currency of correspondent banking relationships that have been terminated by foreign financial institution(s) between 2012 and 2017.

	Number of accounts terminated	Currency of account terminated	% of total cross border payments handled through terminated accounts in the year prior to termination
2012			
2013			
2014			
2015			
2016			
2017			
Total			

7. Please indicate the number and currency of correspondent banking relationships that became inactive and/or subject to restrictions by foreign financial institution(s) between 2012 and 2017. Restrictions can be in terms of types of clients or transactions, or geographic locations, thresholds to individual or aggregate transactions, or other.

	Number of accounts restricted.	Currency of accounts restricted.	Specify types of restrictions.	For accounts restricted, what is the % decline in total combined volume compared to previous year?	% of total cross border payments handled through restricted accounts in the year prior to restriction.
2012					
2013					
2014					
2015					
2016					
2017					
Total					

8. Please list **up to fifteen** jurisdictions (locations) where foreign correspondent banks have terminated and/or imposed restrictions on your bank as clients

1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	
13.	
14.	
15.	

### Causes of withdrawal and / or restrictions of CBRs

9. Has the correspondent bank given you any reason for the decision to restrict or terminate the relationship? If so, what reason(s) did they give?

10. How much time/notice has the correspondent bank given for the decision to restrict or terminate the relationship?

11. Which of the following, in your view, contributed to the decision? **Please check all applicable:**

Causes/Drivers	Check if applicable	Rank by significance (1 most-16 least)
a. Insufficient business generated from the relationship to justify cost of additional Customer Due Diligence (CDD) on your financial institutions' customers.	<input type="checkbox"/>	
b. Change in correspondent bank's business strategy	<input type="checkbox"/>	
c. Dormant correspondent banking relationships	<input type="checkbox"/>	
d. Imposition of international sanctions on your bank's jurisdiction	<input type="checkbox"/>	
e. Imposition of international sanctions on your correspondent bank's jurisdiction	<input type="checkbox"/>	
f. Imposition of enforcement actions by the domestic authority on the relevant foreign financial institution	<input type="checkbox"/>	
g. Your jurisdiction is identified as having strategic AML/CFT deficiencies by FATF (or another international body)	<input type="checkbox"/>	
h. Your jurisdiction is subject to countermeasures because of strategic AML/CFT deficiencies by FATF (or another international body)	<input type="checkbox"/>	
i. Your jurisdiction is subject to trade, economic or similar sanctions by other jurisdictions	<input type="checkbox"/>	
j. Concerns about money laundering/terrorism financing risks in your jurisdiction	<input type="checkbox"/>	
k. Concerns about customer base (remittance service providers, CSOs, trade)	<input type="checkbox"/>	
l. The sovereign credit risk rating of your jurisdiction	<input type="checkbox"/>	
m. Perceptions that your financial institution has a higher-risk customer base	<input type="checkbox"/>	
n. Perception or lack of information by correspondent banks of your financial institution's insufficient compliance with AML regulations (including internal controls and CDD)	<input type="checkbox"/>	
o. Perception or lack of information by correspondent banks of your financial institution's insufficient compliance with CFT regulations (including internal controls and CDD)	<input type="checkbox"/>	
p. Impact of internationally agreed financial regulatory reforms (other than AML/CFT) (e.g. Basel III capital and liquidity standards)	<input type="checkbox"/>	
q. Impact of internationally agreed non-financial regulatory reforms (other than AML/CFT) (e.g. tax transparency and exchange of tax information)	<input type="checkbox"/>	
r. Changes to legal, regulatory or supervisory requirements in foreign financial institutions' jurisdiction that have implications for maintaining CBRs (e.g., US sanctions and FATCA, tax transparency and exchange of tax information)	<input type="checkbox"/>	

s. Compliance with pre-existing legal/ supervisory / regulatory requirement (e.g., US sanctions and FATCA) by correspondent bank	<input type="checkbox"/>	
t. Industry consolidation within jurisdiction of correspondent bank	<input type="checkbox"/>	
u. Structural changes to correspondent bank (including merger/acquisition) and/or reorganization of business portfolio	<input type="checkbox"/>	

If the cause/driver is not mentioned above or if you need to clarify (some of) your rankings, please specify below:

--

## Impact of withdrawal and / or restrictions of CBRs

12. On Geographical access: Please describe the impact of the withdrawal and / or restrictions on CBRs of your bank on your ability to conduct foreign currency denominated capital and current account transactions (on your behalf, or on behalf of your customers), by region:

Region	Significant	Moderately significant	Insignificant / No Impact	Unknown
1. Africa				
2. East Asia & Pacific				
3. Europe				
4. Caucasus				
5. Central Asia				
6. Latin America and Caribbean				
7. Arab Region				
8. South Asia				
9. North America, excluding US				
10. USA				

13. On access to Products/services: Please describe the impact of the withdrawal and / or restrictions on CBRs of your bank on your ability to access the following cross-border products/services:

Product/Service	Significant	Moderately significant	Insignificant / No impact	Unknown
Clearing and Settlement				

Cash Management Services (Deposit accounts, payable through accounts)				
Check clearing				
Investment Services (money market accounts, investment accounts, certificates of deposit, securities trading accounts)				
Trade Finance/Letters of Credit/Documentary Collections				
International Wire Transfers (Please specify currency/currencies):				
Lending				
Foreign Exchange Services				
Structured Finance/Foreign Investments				
Securities Custody Services				
Derivatives Clearing Services				
Others (Please specify, adding rows as needed):				

14. On clients: Please describe the impact of the withdrawal and / or restrictions on CBRs of your bank on your ability to service the following clients/client segments:

<b>Client/Client Segments</b>	<b>Significant</b>	<b>Moderately significant</b>	<b>Insignificant / No impact</b>	<b>Unknown</b>
Money Transfer Operators (MTOs)				
Other Remittance companies/service providers				
Small and medium exporters				
Visa, Mastercard and other credit and debit cards holders				
Companies established in offshore jurisdictions				
Non-profit institutions				
Politically-exposed persons				
Others (Please specify, adding rows as needed)				

15. In general, are the terms and conditions (and speed of processing) of operations the same as they were before the withdrawal and / or restrictions on CBRs? If not, what are the differences compared to previous arrangements?

16. Other comments you would like to add?

## Possible Solutions

17. When your bank had its CBRs affected by termination, inactivity, or restriction, was your bank able to find alternative solutions to maintain the volume of transactions through CBR to support its business needs? (e.g.: establishing new CBRs; expanding the number of correspondent banking relationships or volume of transactions through existing CBRs; using intermediary institutions as proxy for dealing with correspondents; further reliance on alternative remittance channels or fintech)

☐ Yes, found replacements

Please explain the level of difficulty with which you were able to replace your foreign CBRs:

Extremely difficult	Difficult	Not difficult

☐ No, unable to find replacements

☐ No, unable to find replacements but found alternative means to meet needs.

Please elaborate on what alternative means your bank has found to meet its needs.

18. Has the geographical location of the CBR service provider had any impact on the ease of restoring / finding new CBRs?

19. Besides alternative relationships, what steps has your bank taken to address the withdrawal and / or restrictions of CBRs or prevent such issues in the future?

20. In particular, what steps has your bank taken with respect to improving customer due diligence measures? And the implementation of targeted financial sanctions?

--

21. Which of the following, in your view, are the most effective private sector-led solutions to addressing or preventing CBR pressures? **Please check all applicable. Please rank by significance.**

Private sector solutions	Check if applicable	Rank by significance (1 most; -9 least)
a. Establishing or expanding alternative CBRs	<input type="checkbox"/>	
b. Consolidating transaction traffic through intermediary banks (“downstreaming”)	<input type="checkbox"/>	
c. Strengthening your compliance with AML/CFT requirements	<input type="checkbox"/>	
d. Improving direct communication with correspondent banks to clarify risk management policies and expectations	<input type="checkbox"/>	
e. Asking the relevant bank regulator or central bank to act as a mediator with the relevant authorities of the correspondent bank	<input type="checkbox"/>	
f. Implementing initiatives providing reassurances to correspondent banks (e.g., Wolfsberg questionnaire on correspondent banking)	<input type="checkbox"/>	
g. Consolidating transactions (downstream) by correspondents	<input type="checkbox"/>	
h. Solutions to improve automation of due diligence and information sharing (e.g., KYC utilities; legal entity identifier)	<input type="checkbox"/>	
i. Use of Fintech (e.g., digital identity, blockchain)	<input type="checkbox"/>	
j. Adjustments to customer base	<input type="checkbox"/>	
k. Others (Please specify)	<input type="checkbox"/>	

22. Which of the following, in your view, are the most effective solutions—to addressing or preventing CBR pressures—requiring public support? **Please check all applicable. Please rank by significance.**

Public sector solutions	Check if applicable	Rank by significance (1 most; 7 least)
a. Improving regulation and supervision particularly for AML/CFT, in your jurisdiction	<input type="checkbox"/>	
b. Clarifying regulatory expectations (by regulators of jurisdictions that host correspondent banks)	<input type="checkbox"/>	
c. Clarifying international standards	<input type="checkbox"/>	

d. Public compensation of compliance costs	<input type="checkbox"/>	
e. Establishing regional payment and clearance systems	<input type="checkbox"/>	
f. Setting up a public bank to process international payments	<input type="checkbox"/>	
g. Other options for the public sector to take over part of the risk (please specify)	<input type="checkbox"/>	
h. Other (please specify)	<input type="checkbox"/>	

**Thank You**  
**Arab Monetary Fund**