

ANTI-MONEY LAUNDERING/COUNTER FINANCING OF TERRORISM /COUNTER PROLIFERATION FINANCING IN FOCUS

Part Fifteen:

An In-depth Look at the Financial Action Task Force (FATF) Forty Recommendations- Recommendation 13: Correspondent Banking

By: The Attorney General's Chambers and the National Anti-Money Laundering Oversight Committee (NAMLOC)

The Financial Action Task Force (FATF) Forty Recommendations provide very detailed guidelines to financial institutions. Recommendation 13 which explores *Correspondent Banking* does the same.

The definition of correspondent banking as provided by the FATF is “the provision of banking services by one bank (the “correspondent bank”) to another bank (the “respondent bank”).” Therefore, a larger international bank may provide a wide array of services to local banks. These services may include international wire transfers. Transactions for the local banks are processed by the large international banks.

As a result, correspondent banks (financial institutions) are required to conduct customer due diligence on the respondent bank prior to entering into any transaction. This is to satisfy itself about the integrity and reputation of the respondent bank. There should be a clear understanding about the quality of supervision at the respondent bank, to include uncovering whether the bank has been the subject of any sanctions due to money laundering or terrorist financing breaches. It is also important to determine the quality of the anti-money laundering, countering the financing of terrorism controls that the respondent bank has in place. Recommendation 13 also prohibits financial institutions from entering into or continuing a correspondent relationship with a shell bank. A shell bank is one with no meaningful mind and management located in the country in which it is incorporated and licensed. It is also unaffiliated with a regulated financial group, which is supervised. Correspondent banks may opt not to conduct business with any respondent bank that is found wanting, as they may be exposed to money laundering and terrorist financing risks through the respondent bank. It should be noted that the respondent bank must also conduct customer due on correspondent banks.

The Money Laundering (Prevention) Act, Cap.12.20 of the Revised Laws of Saint Lucia in section 94 captures several responsibilities of financial institutions when undertaking correspondent banking. These include but are not limited to: “(a) Obtaining authenticated/certified copies of Certificates of Incorporation and Articles of Incorporation (and any other company documents to show registration of the institution within its identified jurisdiction of residence); (b) Obtaining authenticated/certified copies of banking licences or similar authorization documents, as well as any additional licences needed to deal in foreign exchange”

From September 16-27, 2019, assessors from the Caribbean Financial Action Task Force (CFATF) which is the regional styled body to the FATF will come on-site and seek to determine Saint Lucia's compliance with the Forty Recommendations. Financial institutions are therefore encouraged to acquaint themselves with the Recommendations which can be found on the CFATF's website at <https://www.cfatf-gafic.org>.