

**INTERNATIONAL COMMISSION OF ASSOCIATIONS OF
MONEY TRANSFERS COMPANIES, NON-BANK FINANCIAL SERVICES COMPANIES, FOREIGN
EXCHANGE FIRMS AND THEIR AGENTS OF MERCOSUL¹**

(Comissão Internacional das Associações das Instituições Transferidoras Internacionais de Recursos)

The signatory associations and entities of this document met at IMTC WORLD 2016, the International Money Transfers & Payments Conference, in Miami Beach, Florida, held at the Eden Roc Hotel in Miami Beach on Nov. 8-11, 2016 that gathered more than 300 companies and institutions that provide non-bank financial services, international money transfers, international payments and foreign exchange services. At the conference, beside the "DE-RISKING" Forum held on November 11 there were several meetings and discussions on the role of Associations and Regulators to address the "DE-RISKING" crisis.

Following these discussions, on December 12, 2016 in São Paulo, Brazil at the 2nd ABRACAM COMPLIANCE DAY an International Commission of Associations of Money Transfers Companies, Non-Bank Financial Services Companies, Foreign Exchange Firms and their Agents, was formed to make a public statement, signed by all the Associations, voicing their extreme concern regarding the negative impacts of "DE-RISKING" in the economic, financial e social areas of several countries in the region, situation that has been recognized by many international organisms and entities.

This "DE-RISKING" phenomenon is characterized by banking discontinuance measures adopted by a large number of international banking institutions due to a complete and exaggerated rejection to a perceived risk; these institutions are simply abdicating to exercise their institutional and social role of risk management, according to recommendations issued by the Financial Action Task Force against Money Laundering and Financing of Terrorism (GAFI/FATF¹) and international regulators. These institutions are discontinuing commercial banking relationships with individuals, companies and licensed financial institutions in several countries without justifiable reasons.

The signatory entities recognize the importance of the directives and international guidance to prevent and to fight money laundering and the financing of terrorism, as recommended by international organizations, committing themselves to continue their contributions to the improvement and strengthening of the internal controls of its members, in alignment with these recommendations.

Also, they feel that it is important to alert authorities and the public in general of the risks that such discontinuance and the expansion of "DE-RISKING" by international banks, is causing to small financial institutions, when they are not able to continue offering their services of transferring money between people, families, companies and countries.

The interruption of global financial flows by lack of bank accounts has humanitarian consequences, to the extent that it prevents or makes more expensive the receipt of funds by people that depend on remittances for their

¹ Mercosur or Mercosul (Spanish: Mercado Común del Sur, Portuguese: Mercado Comum do Sul) is a sub-regional bloc. Its full members are Argentina, Brazil, Paraguay, Uruguay and Venezuela (which was suspended on Dec 1, 2016). Its associate countries are Bolivia, Chile, Peru, Colombia, Ecuador and Suriname. Observer countries are New Zealand and Mexico. Its purpose is to promote free trade and the fluid movement of goods, people, and currency.

maintenance. "DE-RISKING", therefore, is becoming a process of financial exclusion, of companies and people, going against years of international efforts that have been developed by the international community.

The closing of accounts of banking correspondent presents, also, a tangible threat to the flow and financing of international commerce, especially for small and emergent countries, as it removes from the global market smaller companies that have little access to large banks and major financial centers.

It is also important to emphasize, that regulated entities that have spent millions in training, compliance upgrades, etc. are forced by "DE_RISKING" to close down and the shift of remittances and foreign exchange to alternative non-regulated markets, or to illegal and parallel markets, will seriously damage the transparency of the system and will weaken the controls, resulting, paradoxically, in a decline of the prevention procedures for money laundering and financing of terrorism, the main objective of the FATF recommendations.

FATF itself, in the document entitled **GUIDANCE ON CORRESPONDENT BANKING SERVICES**, published on October 2016², offer the following clarifications and guidance:

a) Correspondent Banking relationships are essential in the global payment system and vital to international trade and the global economy as a whole, including for emerging markets and developing economies.³

b) In recent years, financial institutions have increasingly decided to avoid, rather than to manage, possible money laundering or terrorist financing risks, by terminating business relationships with entire regions or classes of customers. This so-called "DE-RISKING" practice has negatively impacted correspondent banking. De-risking is not in line with the FATF Recommendations, and is a serious concern to the international community, including the FATF and the FATF-Style Regional Bodies. De-risking can result in financial exclusion, less transparency and greater exposure to money laundering and terrorist financing risks.

c) FATF Recommendations does not require that financial institutions conduct client's due-diligence over the clients of their clients;

d) The supervisors and regulators need to be clear about how they assess the financial institutions against these expectations and should also ensure that financial institutions adopt an approach based on risk of adequate form and aligned with their recommendations;

e) The Approach Based on Risk, recommendation that guides all the risk management by the several institutions, is based on effective implementation of norms for the prevention of money laundering and financing of terrorism upon adequate identification of the client, assessment and comprehension of each risk and implementation of measures proportional to the identified risks;

f) FATF is committed to cover the "DE-RISKING" matter in the best way possible, via the emission of guidance clarifying how to implement the Approach Based on Risk policy in a correct and efficient way.

The signatory associations want to also inform the authorities and public in general that they have approved, in this date, the creation of the **INTERNATIONAL COMMISSION OF MONEY TRANSFER ASSOCIATIONS** (Comissão Internacional das Associações das Instituições Transferidoras Internacionais de Recursos) in order to:

² <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Correspondent-Banking-Services.pdf>

³ <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/correspondent-banking-services.html>

1. Coordinate the development of research on the international transfer of funds, prioritizing the study of the socioeconomic impacts caused by "DE-RISKING" practices;
2. Elaborate uniform, harmonized and standardized institutional policies, depending on the individual practices of their affiliated institutions, aware of the social and humanitarian role that their associates play, taking special attention to the best market practices that strengthen a risk-based approach, in order to avoid disproportionate practices such as the measures taken by international commercial banks that have resulted in the practice of "DE-RISKING";
3. Keep a permanent communication with association members and the local regulatory bodies as well as international organisms, seeking to contribute effectively in the search for solutions that focus on suitable policies that can be adopted by commercial banks that may ultimately eliminate the "DE-RISKING" practice;
4. Request the immediate involvement of Monetary Authorities and local Regulators in developing a directive aimed at the banking institution they regulate, with the objective of ending the senseless "DE-RISKING" practice as an act of financial and banking exclusion.

The signatory associations clarify, finally, that the aforementioned Commission is open and receptive to any other entities representing institutions acting in the area of international money transfers, payments and foreign exchange services and that have a similar position as described in this document.

SIGNATORY INSTITUTIONS

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¹GAFI/FATF - The Financial Action Task Force against Money Laundering and the Financing of Terrorism (GAFI/FATF) is an intergovernmental organization whose purpose is to develop and promote national and international policies to fight money laundering and financing of terrorism.

Note: This translation of the Portuguese document was done by Davidson G O Fatima & Hugo Cuevas-Mohr and was not intended to be precise and 100% accurate.