

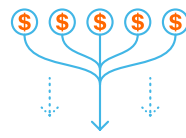
EXPLORE A VIABLE ALTERNATIVE TO WHOLESALE DE-RISKING

Effectively balance compliance, security and financial inclusion with a risk-based financial crime compliance strategy

CORRESPONDENT BANKING IS ON A GLOBAL DECLINE



From 2012-2018 active relationships **declined ≈ 20%**¹

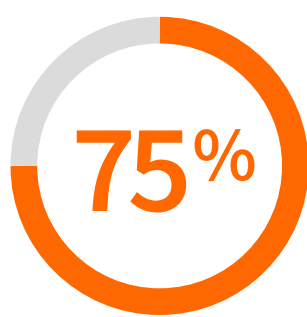


Correspondent banking networks are becoming more concentrated as active corridors have **fallen by ≈ 10%**²

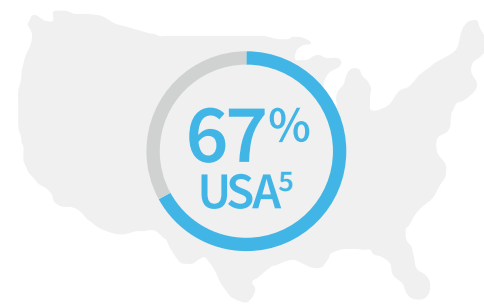


2022 estimated global cross-border payment flows **≈ US\$156 trillion**³

COMBINED REGULATORY AND BUSINESS PRESSURES HAVE DRIVEN DE-RISKING TO NEW LEVELS



75% of the largest banks have terminated their local correspondent bank relationships⁴



67% USA⁵

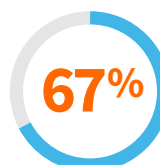
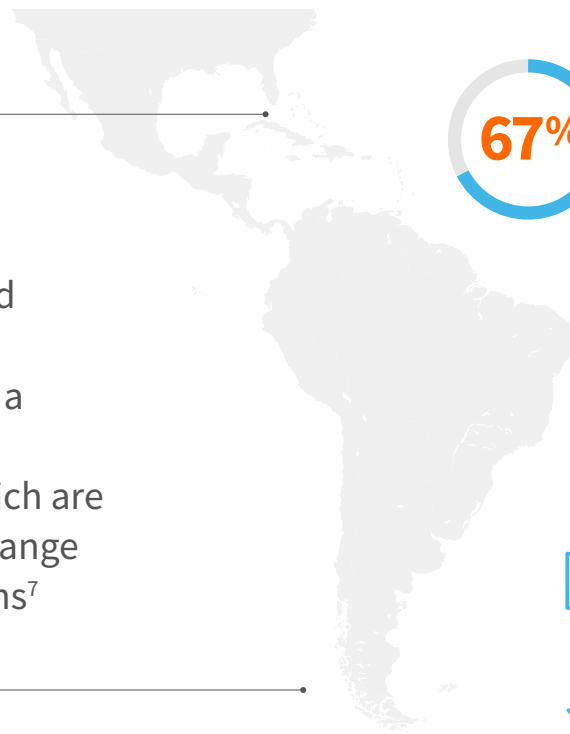


30% UK⁶

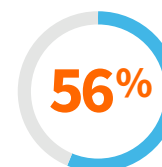
LATIN AMERICA AND THE CARIBBEAN HAVE BEEN DISPROPORTIONATELY IMPACTED BY DE-RISKING

50%+

of Latin American and Caribbean financial institutions reported a significant decline in nostros accounts which are used for foreign exchange and trade transactions⁷



67% reported the existence of de-risking in the Caribbean⁸



56% reported the existence of de-risking in Latin America⁹



60% of Latin American financial institutions report de-risking has impacted remittances¹⁰

WHOLESALE DE-RISKING WEAKENS COMPLIANCE INFRASTRUCTURES AND INADVERTENTLY INCREASES RISKS

Wholesale de-risking removes anti-money laundering (AML) and combating the financing of terrorism (CFT) risks from the radar, diverting and pushing funds to less regulated areas and shadow banking services.

- ▶ **Disrupts legitimate financial patterns**
- ▶ **Increases regulatory scrutiny**
- ▶ **Sets the stage for legal risk**



PROMOTE COMMERCE WHILE AVOIDING FINANCIAL CRIME WITH A RISK-BASED STRATEGY

Implementing a risk-based financial crime compliance strategy helps organizations increase financial inclusion without incurring the consequences of AML and CFT risks.

Visit risk.lexisnexis.com/FCC-EN to learn more.

¹ Holden, Henry, The Bank for International Settlements (BIS), https://www.bis.org/cpmi/paysysinfo/corr_bank_data/corr_bank_data_commentary_1905.htm

² Ibid.

³ Seeh, Florian, "How new entrants are redefining cross-border payments," www.ey.com/en_us/banking-capital-markets/how-new-entrants-are-redefining-cross-border-payments#:~:text=The%20size%20of%20the%20market,account%20for%20US%24150t,2021

⁴ Michaela Erbenová, Yan Liu, Nadim Kyriakos-Saad, Alejandro López-Mejía, Giancarlo Gasha, Emmanuel Mathias, Mohamed Norat, Francisca Fernando and Yasmin Almeida, IMF Staff Discussion Note - The Withdrawal of Correspondent Banking Relationships: A Case for Policy Action, <https://www.imf.org/external/pubs/ft/sdn/2016/sdn1606.pdf>, (June 2016)

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.