

## **SWIFT NATIONAL MEMBER GROUP MEETING**

Welcome words

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Central Bank of Curaçao and St. Maarten

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Ladies and gentlemen, good morning!

I welcome you to the SWIFT national member group meeting. A special welcome goes to the representatives of SWIFT that flew into our island to attend this meeting.

Payments and payment system infrastructures have received a lot of attention during recent years. This shows the increasing relevance of this area worldwide. As a central bank, we are responsible for a safe and efficient payment system within the Countries of Curacao and Sint Maarten. Therefore, as the executive director responsible for the payments section of the Bank, I am pleased to speak to you this morning. You will cover many interesting topics. However, I wish to focus your attention on a very current topic-the recent de-risking practices of correspondent banks towards general and international banks in Curaçao and Sint Maarten.

Continued globalization demands that financial institutions worldwide conform to the growing requirements of correspondent banking relationships. A correspondent banking relationship is a key prerequisite for a bank to effectively perform cross-border banking services. All banking institutions in Curaçao and Sint Maarten utilize correspondent banks to facilitate foreign exchange and/or transactions on behalf of their customers. The rules for correspondent banking relationships are based among other things on global standards. Because of continuous developments and increased scrutiny arising from the need to regulate against financial crime, the rules for correspondent banking relationships have become more stringent and their impact on

small economies is becoming more evident. This is also the case for Curacao and Sint Maarten.

Our banking industry has experienced an increase in the severing or deterioration of correspondent banking relationships due to the correspondents' concerns related to AML/CTF, costs, and regulatory pressures. In 2015 the local general banks and international banks in Curaçao and Sint Maarten experienced 14 de-risking events. These experiences have negatively impacted banking operations and profitability. The smaller stand-alone banks and international banks in Curaçao have especially felt the impact. The problem of de-risking is not only an issue in Curacao and Sint Maarten, but also for the Caribbean region and South America. The perceived increased risk of financial crimes led several US financial institutions to stop offering correspondent services to our regions, the so-called de-risking practices. In most cases, the increased perceived risk is fueled by existing information asymmetry about the particular respondent bank and a lack of transparency with respect to the legal framework in which that bank operates. Therefore, an increase in transparency will benefit both general banks and international banks in Curacao and Sint Maarten.

In the beginning of this year, the CBCS and the local financial sector joined efforts to address the de-risking issue with the relevant US authorities. Our target is to convince them that the regulatory framework in Curacao and Sint Maarten complies with global standards. In this context, amongst others, a delegation from the CBCS and representatives of the local financial sector attended a regional correspondent banking meeting with US authorities in Jamaica this year. We are pleased to say that some progress has been made in getting the attention of these authorities, and we are now in the process of preparing some additional information to support our statement that our local legal AML/CTF framework and supervision is robust.

To this point, we believe that participation by the banking sector in Curacao and Sint Maarten in the SWIFT KYC Registry will complement our efforts to convince the US authorities that our local financial institutions are unjustifiably the victim of the de-risking practices by their financial institutions. Given that SWIFT stands for quality and integrity and considering its experience as a trusted partner in payment messages worldwide, it is worth considering the benefits of this tool to our financial sector. This SWIFT initiative seeks to alleviate the issue of asymmetric information, a factor which conceals the level of risk that actually exists within a correspondent banking relationship. The registry is an opportunity to help clarify possible unfounded perceptions of correspondent banks. Relevant standardized information is readily accessible and immediately furnished upon request to satisfy KYC and Customer Due Diligence (CDD) obligations of the correspondent banks. Given these benefits, we have decided to endorse the SWIFT KYC Registry as an important tool for the Curacao and Sint Maarten banking sector to use in responding to the mentioned de-risking practices. We have issued a white paper about the SWIFT KYC Registry in which we elaborate on the reasons for this endorsement. Therefore, we urge those of you who do not yet participate in the SWIFT KYC Registry to consider joining soon.

Other very interesting topics will be covered this morning, including cyber security and the SWIFT customer security program. I hope that you will share a lot of information during this session and that you will be able to have some good discussions.

Ladies and gentlemen, I thank you for your attention.