Annex 1

ASSOCIATION OF AFRICAN

CENTRAL BANKS (AACB)

42nd ORDINARY MEETING

OF THE ASSEMBLY OF GOVERNORS

(Kigali, Rwanda, 1st August 2019)

2018 SYMPOSIUM ON THE THEME:

«DECLINING CORRESPONDENT BANKING RELATIONSHIPS AND ILLICIT CAPITAL FLOWS: RISKS AND POLICY CHALLENGES FOR AFRICA»

(Sharm El Sheikh, Egypt, 8 August 2018)

DRAFT REPORT

----

1. INTRODUCTION

1.1. The Association of African Central Banks (AACB) organized its traditional annual Symposium on August 8, 2018 in Charm El Sheikh, Egypt, on the theme '*Declining Correspondent Banking Relationships and Illicit Capital Flows: Risks and Policy Challenges for Africa',* prior to the 41st Ordinary Meeting of the Assembly of Governors, held on August 9, 2018.

1.2. More than two hundred fifty (250) participants, including Governors and Senior management of thirty-five (35) central banks as well as high level officials of Partner institutions, regional and international organizations participated in the meeting to exchange views, among others, on constraints in correspondent banking relationships and the importance of illicit financial flows.

1.3. The work was organized in the form of presentations by resource persons followed by discussions. The report provides a synthesis of the speeches made during the opening ceremony, the presentations by resource persons as well as the statements by the panelists.

2. OPENING CEREMONY

2.1. The opening ceremony was marked by four speeches that were delivered respectively by Mr. Tarek Amer, Vice-Chairperson of the AACB, Governor of the Central Bank of Egypt (CBE), His Excellency, Prof. Victor Harison, Commissioner for Economic Affairs of the African Union Commission (UAC), Mr. Lesetja Kganyago, Chairperson of the AACB, Governor of the South African Reserve Bank (SARB) and His Excellency, Dr. Mostafa Madbouly, Prime Minister of the Arab Republic of Egypt, who officially opened the meeting.

2.2. The Governor Tarek Amer expressed great pleasure to welcome the Prime Minister and all participants to the Symposium. He noted that the meeting is a good opportunity to discuss, consult and exchange expertise and experiences in order to enhance the performance of central banks. He indicated that it is our continent's right to put its banks on the map of integrated banking services, to set policies that contribute the most to development in its broad and comprehensive sense, as well as to defend the peoples' economic capabilities, amid highly challenging circumstances. Therefore, he stated that the challenges that face us in Africa are worth discussing when leaders and decision-makers meet.

2.3. The Governor of the CBE stressed that central banks of the world, especially in Africa, today bear burdens and responsibilities, as a result of international political events and the implications of instability in the Middle East, which is directly reflected on monetary policies and stability. Also, central banks are bearing the consequences of the burdens of the budget deficits in our countries and accelerated public expenditures.

2.4. In this context, Mr. Amer noted that the political decision taken by the Egyptian President Abdel Fattah Al-Sissi to implement a reform program had become inevitable after Egyptian's indicators entered into a crisis status, after years of financial and monetary disruptions.

2.5. He indicated that there has been a significant positive change over the past three years, as a result of those decisions in addressing the difficult situations in Egypt. Economic indicators and conditions had improved, wiith the large deficits in balance of payments and unemployment have significant and unprecedented changed.

2.6. Governor Amer noted that central banks face multiple challenges as a result of the global conditions, large protectionist forces and restrictive monetary policies in the West, which affected the emerging markets. Thus, he argued that African countries had to take a firm position and address these challenges. He added that the Governors of the Central banks of African countries needed to discussed these issues and agreed that central banks can't move towards stability on their own without having fiscal policies that address budget deficits.

2.7. Given the era in which we are, he stressed the need for African countries to make many revisions to the previous policies and many of the matters and concepts we have lived with for years, especially private and government spending.

2.8. He indicated that flooding our markets with locally-produced imports costs us hundreds of billions of US dollars which could have been enough to build our industrial, agricultural and technological bases. He added that in Egypt, the economic approach in the coming stage is to develop education, build human capacities and scientific research capabilities, in order to maximize the productivity of our economies and reduce the external dependence.

2.9. He noted that our aspirations require strenuous and continuous efforts as the only way towards economic development and to protect our financial and economic stability, safety and security is to work hard, exert efforts and persevere.

2.10. Before ending his speech, the Governor of the CBE called on the African Central Banks' Governors to look forward to working together over the coming years, and to exert efforts and develop realistic policies with integrity, which is a key to enjoy a stable and secure future for our people, our children and our societies at large.

2.11. Finally, he wished a fruitful meeting which will achieve all our goals and to participants a pleasant stay in the beautiful country, especially Sharm El- Sheikh and the exceptional Sinai Peninsula.

2.12. Following this intervention, Prof. Victor Harison, Commissioner for Economic Affairs of the AUC, on behalf of the President of his Institution, His Excellency, Moussa Faki Mahamat, and on his own behalf, thanked the Authorities and the people of the Arab Republic of Egypt, for the warm and fraternal welcome that has been reserved to his delegation and himself. He also thanked the AACB members for the excellent arrangements made to ensure the success of this annual event.

2.13. He said that although African countries have shown resilience following the collapse of commodity prices, they remain vulnerable to the global and domestic shocks of 2016, which had contributed to slowing the pace of growth in Africa. He noted that the economic growth rate, estimated at 3.6% in 2017, and forecast at 4.1% in 2018 and 2019, remains weak and fragile.

2.14. He noted that in order to fulfill the aspirations of Agenda 2063, African countries must undertake a structural transformation of their economies, notably through the development of industrialization, infrastructure and energy as well as the agricultural and manufacturing sectors and services. He pointed out that development requires financing, including US 130 billion to US 170 billion per year for infrastructure needs according to new estimates by the African Development Bank (AfDB).

2.15. In this regard, the AUC Commissioner for Economic Affairs has emphasized improving domestic resources as an indispensable lever for African countries that are focusing their efforts on transforming their economies. In this perspective, the African Union (AU) had chosen as theme for the year 2018, "*Overcoming Corruption: a Sustainable Option for Transforming Africa*". The choice of this theme should make it possible to bring illicit financial flows (IFFs) to the heart of the concerted discussions between the different actors in order to reinforce cooperation and to adopt a common approach. He noted that IFFs account for more than US $ 50 billion annually compared to US $ 29 billion in annual official development assistance (ODA) to Africa, according to the Organisation for Economic Co-operation and Development (OECD), which is a potential source of domestic ressources mobilization for African countries.

2.16. He pointed out that corruption and illicit financial flows accentuate poverty and inequality, hampering development. He called on the AU, the Member States and all stakeholders to work together to overcome these scourges. He reported on the key recommendations of the

AU Specialized Technical Committee (STC) session held in April 2018 on '*Domestic Resource Mobilization: Combating Corruption and Illict Financial Flows*', in particular:

2.16.1. The formulation of capacity-building strategies with broad participation by the relevant bodies, in particular to strengthen their capacities in the use of ICT for the dematerialization of fiscal and administrative procedures;

2.16.2. The establishment of an African instrument for sharing good practices and a system for sharing data between the customs and banking systems of the Member States;

2.16.3. The harmonization of customs procedures and methods to produce harmonized trade statistics.

2.17. Following the meeting of the Working Group on Illicit Financial Flows held on 17 July 2018 in Addis Ababa discussions on the practical implementation of the recommendations of the report of the AU / UNECA High-Level Group on Illicit Financial Flows from Africa centered around the strengthening of the institutional and regulatory capacity of African countries to combat illicit flows, the intensification of advocacy for national and continental political change and the establishment of a united but multifaceted front, but multifaceted to address the complexity of the continent's illicit financial flows.

2.18. However, he indicated that many challenges remain. In this regard, he emphasized the importance of African central banks in the fight against illicit financial flows, particularly in terms of supervision of banks and non-bank financial institutions and the transfer of capital.

2.19. Prof. Harison added that the African market is the future which could, in conjunction with the ripple effect on demand for higher value-added goods and services, multiply by seven the consumption of high value-added processed food products by 2040.

2.20. However, he added that the creation of new common market requires accompanying measures including the establishment of pan-African financial institutions, with a view to ensuring the harmonization of monetary and fiscal policies, and ultimately launching a common currency to facilitate the trade and payment of goods and services. In this regard, he noted the AACB's central role in achieving this monetary union objective.

2.21. Before closing his remarks, he gave information on the developments on the establishment of the African Central Bank (BCA), in particular the recruitment of consultants to work on the implementation of the joint strategy which is under way.

2.22. In this context, he said that the discussions during this symposium on the theme '*Declining correspondent banking relationships and illicit financial flows: risks and strategic challenges for Africa*' were timely. To circumvent the risks and address the challenges of illicit financial flows and create pan-African financial institutions, he said the AUC calls for close collaboration with the AACB and will ensure that it will make every effort to consolidate this cooperation.

2.23. Finally, the Commissioner for Economic Affairs of the AUC wished participants fruitful discussions for the symposium.

2.24. The Governor Lesetja Kganyago first thanked the host, the Central Bank of Egypt for their warm hospitality and excellent arrangements. He had, in his capacity as Chair of the AACB, welcomed all of the participants to the 2018 Symposium in this beautiful setting, also known as the « Pearl of the Red Sea ». He added that the theme of the symposium is very apt and was a top of mind issue for not only African policy-makers, but also for the global community.

2.25. He stated out that the decline in global correspondent relationships (CBRs)-as part of the so-called de-risking trend- and the problem of illicit financial flows (IFFs) have been receiving increasing attention by International Organisations and standard-setting bodies. He noticed that there is an increased focus on obtaining a better understanding of the effects on emerging markets and developing economies.

2.26. The Chairman of AACB said that it is acknowledged that the de-risking trend is a complex issue driven by various considerations, related to changes in banks' business models affecting risk appeties, increased compliance costs, declining economic activity, sanctions and perceived weak supervisory and regulatory frameworks related to money laudering and terrorist financing controls. This had led to global financial institutions terminating what they deemed or perceived to be high-risk relationships with mostly smaller banks. However, these smaller banks play an important rôle in facilitating the developement of regional local economies.

2.27. He added that it is well recognised that access to a well-functioning global financial system assists countries to develop and prosper. The negative impact of de-risking particularly on the African continent, and in more affected regions such as sub-Saharan Africa, are disrupting some countries' ability to process international trade as well as remittance flows to the continent.

2.28. To adress de-risking concerns, International Organisations and Standard-setting bodies have undertaken multiple interventions to date. However, more still needs to be done at both a national and global level to build on the objectives of creating an open and inclusive world economy that serves and benefits all countries.

2.29. The Governor of SARB stated out that persistent increases in illicit financial flows are a global problem, requiring actions from the countries where these flows originate, as well as from the recipient countries, including off-shore financial centres. He noted that illicit financial flows remain significantly large for developing countries according to the 2017 study released by Global Financial integrity. This study revealed that over the period between 2005 and 2014, IFFs averaged between about 14.1 percent and 24.0 percent of total developing country trade. In addition, illicit financial outflows from sub-Saharan African countries ranged from 5.3 percent to 9.9 percent of total trade in 2014, a ratio higher than any other geographic region.

2.30. He indicated that it is pleasant to note that the Illicit Financial Flows Working Group which was the technical arm of the Consortium to Stem IFFs from Africa, recently reported that they have initiated Phase 2 of the Consortium's work. This entails direct implementation of the recommendations stemming from the High Level Panel chaired by H. E. Thabo Mbeki, the former President of South Africa.

2.31. To enhance information sharing among African banking supervisors, the Community of African Banking Supervisors (CABS), which is a technical committee of the AACB, recently discussed amongst other relevant topic, the impact of declining correspondent banking relationships on trade finance, where the magnitude of the problem was once again confirmed.

2.32. On the basis on a few ideas emanated from this workshop on how the phenomenon of de-risking and related problem of IFF could be adressed, the Chair of the AACB firstly advised that more attention should be given to the role of proportionality and risk-based supervision. Proportionality means simpler rules and not less stringent rules. He claimed that through the application of these principles, we can manage, rather than avoid, the risks associated with correspondent banking relationships. He added that closing data gaps and ensuring that monitoring frameworks are strenghened will help inform regulatory decisions that are fit for purpose.

2.33. Secondly, he stated out that Pan-African banks play an important rôle in driving financial integration, inclusion, spurring innovation, competition and development in Africa. He noted that these banks could potentially step-in and develop cross-border networks to settle trade flows in reserve currencies.

2.34. Thirdly, he underlined the potential role of financial innovation opportunities such as crypto-assets that could improve the financial landscape over time, assuming we can manage the risk that come with such innovation. He added that the fundamental issue however, is that these developments must be considered actively, albeit carefully.

2.35. To conclude, the Governor Kganyago encouraged the participants to share their views on these issues and developpments with international Organisations and Standard-Setting bodies on an on-going basis, because this is crucial to get a good understanding of the full and true impact of de-risking and IFF which is pivotal to developing the appropriate responses to adress the policy challenges confronting the continent. He recommended collaboration and the appropriate harmonisation of regulatory frameworks to enable us to enhance the global community's risk perceptions of Africa and improve the overall risk management practices of African financial systems.

2.36. Mr. Mostafa Madbouly, Prime Minister and Minister, on behalf of the President of the Arab Republic of Egypt, President Abdel Fattah El-Sissi, welcomed the different delegations to Egypt. He said that Egypt has the pleasure of welcoming its brothers and stated that AACB meetings are important events for the African continent, given the quality of the participating institutions and the number of African countries represented. In addition, meetings between central banks are those that provide the opportunity to discuss topics related to economic and financial problems and their impact on the economy. As such, he hoped that this 2018 AACB Symposium should allow African central banks and continental and international institutions to discuss and provide concrete answers to some challenges in Africa, particularly the important issues of the deterioration of relationships between African banks and their foreign correspondents.

2.37. The Prime Minister also highlighted the importance of illicit financial flows in Africa and stressed the need for African countries to join forces on a permanent basis, in order to face these challenges and allow Africa to occupy a place of choice on the international scene.

2.38. Mr. Madbouly noted that this symposium is also an opportunity for Egypt to share its experiences on the issue, drawing on recent developments in its own economic and financial situation, marked in recent years by the implementation of important reforms. In this context, he said that three years earlier his country was facing challenges related to the lack of foreign exchange reserves. In response, the Government had implemented structural economic reforms aimed at liberalizing the exchange rate regime. These measures proved to be beneficial as they contributed to a $ 100 billion increase in foreign exchange reserves. He recalled that last month, reserves were estimated at 8 months of import and noted that the tourism sector was doing better.

2.39. In this perspective, he underlined that Egypt was trying to maintain close relations with other African countries, in line with the aspirations of the African people.

2.40. Before concluding his remarks, the Prime Minister wished great success of the AACB's activities that the discussions during the Symposium would lead to recommendations that are relevant to the entire African continent. Finally, he declared the Symposium opened.

3. KEYNOTE ADRESS BY DR. VERA SONGWE

3.1. Dr. Vera Songwe, Executive Secretary of the United Nations Economic Commission for Africa (UNECA), firstly thanked the AACB for inviting the UNECA to discuss an important topic for the development of the continent. Then, she focused her presentation on the illicit financial flows, the development of the African financial market, regional integration, the issue of de-risking and some recommendations.

3.2. She noted that before the recent global financial crisis, the economic growth rate in Africa was high, averaging 5.7% per annum during the period 2001-2008, with low inflation rates ranging from 5% to 10% and declining poverty rates since the 1990s.

3.3. Dr. Songwe indicated that the crisis had some impacts on the African economies, particularly the declining trade flows and capital inflows, deteriorating foreign exchange reserves, increasing deficits in Governments revenues and overall balances and large financing gaps for growth drivers. However, Africa recovered from the crisis with significant GDP growth, high demand leading to favorable terms of trade, robust foreign investment and upward trend in remittances.

3.4. With respect to illicit financial flow the UNECA Executive Secretary said Africa has continued to face many challenges. Among them, she cited the fight against illicit financial flows, where Africa has lost close to 1.4 trillion US dollars in the last three decades to 2009. She added that her Institution worked with former President H. E. Thabo Mbeki in the preparation of the report on illicit financial flows, and the report noted losses estimated on average US $ 27 billion per year between 2005 and 2014 through non-commercial channels and US $ 73 billion through mis-invoicing between 2005 and 2015. She noted that the geographical distribution of illicit capital flight was uneven, with West and Central Africa surpassing the rest of the other regions. She pointed out that illicit financial flows concern money laundering as well as tax evasion, pricing errors and stolen goods leaving the continent.

3.5. The UNECA Executive Secretary then recalled the important role played by central banks in achieving strong growth of 7.0% in Africa. She focused on the development of African financial markets driven by improved macroeconomic fundamentals, increased political stability, high commodity prices and strong domestic demand. Deepening financial markets would help increase trading volumes and market capitalization, which could increase returns. She noted that the bond markets in Africa are dominated by short-term government securities with activity focused on domestic primary market. Precarious conditions hamper the development and growth of corporate debt markets. She added that the bond markets in Africa were also characterized by ineffictive domestic market infrastructure and very low foreign holdings of domestic debts.

3.6. Dr. Songwe stated that deep and well-functioning domestic debt markets played an important role in financing Africa's development. As such, efforts should aim at adressing the market infrastructure and microstructure problems and attract more investment in domestic bond markets through regular and liquid benchmark auctions /issues, development of maturity instruments, the removal of regulatory costs of corporate issuance and the promotion of the domestic savings industry.

3.7. She recalled that African private equity industry has been expdanding during the past few years with new funds flowing into the continent. The issue of traditional barriers such as poorly developed financial markets, political instability and fragmentation of the economy were also being adressed.

3.8. Moreover, the UNECA Executive Secretary stated that regional integration is vital for Africa, providing benefits and opportunities for growth, structural transformation and strong and integrated markets. In this regard, 44 African countries signed the Agreement establishing the African Continental Free Trade Area (CFTA), which is an important step towards boosting intra-African trade and achieving the Sustainabe Development Goals (SDGs) and leaving no one behind. Long-term gains were estimated at about 16 billion US dollars annually when all tariffs are eliminated, based on expected increase in intra-African trade of about 30% which would contribute to structural transformation, higher returns on investments, increased efficiency of domectic firms and employment expansion.

3.9. On the issue of de-risking, Dr. Songwe noted that an increasing number of large international banks have reported a decline in their correspondent banking relationships, i.e. more than 70% of banks globally. Many global banks were concerned about the risks of money laundering, terrorist financing, as well as costs related to operations and regulatory requirements. However, she noted uneven levels of de-risking in Africa. Changes in the number of active correspondent banking relationships have been significant for many African countries , particularly for Sudan (around -40%), Madagascar (around -30%), Libya (around -27%), Eritrea (around -25%), and Zimbabwe (around -18%) between 2012 and 2016.

3.10. She stated that the phenomenon of de-risking has impacts on African economies, i.e. on local/regional banks as well as at the economic and social level. For local/regional banks, she pointed out the concentration of relationshiphs in smaller financial institutions, the increased costs of funds/transactions, the compliance and regulatory challenges as well as the capacity constraints. At the economic and social level, she noted the reduced effectiveness of domestic banking system, the adverse effect on financial inclusion, the lower level of exports and imports, the loss of Foreign Direct Investments (FDI) and remittances and the threats to poverty reduction as well as the rise of informal financial systems and increasing illicit transactions.

3.11. In order to mitigate the risks and negative effects of de-risking, Dr. Songwe recommended various intitiaves to halt the flow of illicit financial flow. These initiatives include the development of compliance and legal entity identifier database platforms, the creation of national and regional credit rating agencies, the development and strenghening of effective information-sharing platforms, the promotion of innovation and technology developments, the enhancement of regulatory and legal framework and the advocacy for more harmonization of regulations across jurisdictions and cross-border banking.

3.12. With regard to the creation of an African Credit Rating Agency, she said that it would help broaden the scope and coverage of credit rating, facilitate in-depth country/regional analysis and timely reporting of country ratings. It would also help boost investors confidence, deepen local understanding of the country risks and how best to mitigate those sovereign, credit, market and operational risks. An African credit rating Agency would take an in-depth analysis of the transactions and balance-sheet activities of a large number of companies across the continent. Based on the nature of the market, issuers and investors place a high value on the reputation and expertise of Credit Rating Agencies. However, the establishment of an African Rating Agency required finding the right business model and methodology.

3.13. To conclude, Dr. Songwe said that African central banks need to deliberate on the business model of such an agency in order to ensure its transparency.

4. <u>FIRST SESSION</u>

4.1. <u>Introduction</u>

4.1.1. This session were chaired by Mr. Mohamed Loukal, Governor of the Banque d'Algérie, on the theme "*Declining Correspondent Banking Relationships and Possible Rise of Underground Financial Sectors in Developing Countries*", presented by Mr. David Robinson, Deputy Director, IMF/AFR and Mr. Gilles Noblet, Principal Adviser, International & European Relations, European Central Bank (ECB).

4.2. <u>Summary of the presentations</u>

4.2.1. Mr. Robinson's presentation focused on the declining correspondent banking relationships (CBRs), the root cause of this phenomenon and somes solutions for addressing it.

4.2.2. He noted that the CBRs are still declining but not everywhere and the number of active counterparty countries varies across the regions. In Africa, the number of active counterparty countries declined by around 10% and 2% in the periods from January 2011 to June 2017 and from December 2016 to June 2017 respectively. However, the situation may vary country by country. For instance, in South Sudan and Central African Republic, the situation worsened while it improved in Tanzania and Zambia.

4.2.3. He highlighted two main root causes of the declining correspondent banking relationships that are profitability and risks. As regard profitability, M. Robinson stated that the high-volume, the low-return and the balance-sheet-intensive activities made correspondence banking business less attractive. He also noted that the increasing compliance costs and the cost of measures aimed at safeguarding against cyber risks weigh on profit margins. He indicated that the causes related to risk assessment were related to the clarity and consistency of regulatory expectations, the proper implementation of AML/CFT risk-based approach, the high-profile enforcement actions, the quality and timeliness of information provided by respondent banks, and data protection and privacy requirements.

4.2.4. He noted that to foster solutions, the source of the decline in correspondent banking relationships should be addressed. In this regard, there is need, inter alia, to strengthen AML/CFT regimes and banking supervision and develop regional responses, as well as dialogue with all parties. Specific countries facing CBR pressures (e.g. Angola, Guatemala and Jamaica) could benefit tailored technical assistance from IMF and others.

4.2.5. In 2017, policy actions taken in Liberia included strengthening legislation to criminalize offences and intensifying efforts to facilitate money laundering convictions and incorporating into the AML/CFT legal framework powers to allow law enforcement agencies to identify and trace property that is subject to confiscation or suspected to be proceeds of crime. In Cabo Verde in 2018, policy recommendations aimed at improving domestic risk management capacity and the regulatory environment, and, also the information sharing and communication between global banks and respondent banks. In The Gambia, policy actions recommended in 2018 included tackling specific risks such as the sizable sovereign-bank nexus, and the high likelihood of fiscal shocks, including the issue of weak risk management at foreign bank subsidiaries.

4.2.6. During a high-level workshop on solutions to the withdrawal of CBRs in the Southern African Development Community (SADC), held in May 2018 in Pretoria, solutions were proposed for stakeholders, including industry and regulatory authorities. For industry-led solutions, four categories of proposals were considered. The first one concerns initiatives to address compliance costs and profitability. These initiatives were specifically aimed, inter alia, at consolidating transactional traffic, practicing the "Know Your Customer" utilities and central information repositories, using Fintech and the legal entity identifier, as well as enhancing the quality of information in payment messages.

4.2.7. The second proposal was related to initiatives to address bank's ability to assess and manage CBR risks, such as removing information sharing impediments, re-evaluating the sustainability of some business lines and products and developing client by client solutions. The initiatives also concern third party audits (of banks and Money Transfer Operator (MTOs)), enhancing outreach and communication between banks as well as encouraging global correspondent banks to provide technical assistance and training. The third proposal was about alternative arrangements that aimed at establishing replacement of CBRs, switching to CBRs in other currencies and adopting new technologies such as mobile payment platforms and Fintech in particular blockchain technology. The fourth proposal related to industry-led solutions was regional industry solutions, which sought to consolidate both the regional banking sector and AML/CFT supervision and regulation. It also concerned the setting up a regional information repository and the use of regional clearance payment system.

4.2.8. In addition, key solutions in the industry-led solutions would consist in strengthening capacity of respondent banks to manage risk and using an intermediary bank to provide "down-streaming" services, while ensuring strong compliance as well as facilitating the provision of technical assistance and training by correspondent banks. Key technology solutions could be used to facilitate information sharing and provide alternative payment mechanisms (e.g.

mobile payment) as well as regional payment and clearing systems.

4.2.9. Regulatory solutions include strengthening the legal, regulatory and supervisory frameworks, including for AML / CFT, enhancing communication, making concerted efforts at the regional level to engage correspondent banks and their regulators. The establishment of regional clearing systems and regional banks, as well as the provision of technical assistance and training, particularly to smaller jurisdictions, were also among the regulation solutions.

4.2.10. As takeaway Mr. Robinson pointed out that the current trends in CBRs suggest that the declining CBRs continues and potential negative macroeconomic impacts required continued attention. Moreover, drivers of CBR pressures remain the same, namely the lack of clarity over regulatory expectations, the weakness in regulatory and supervisory framework related to AML/CFT. In addition, some financial integrity issues eg. corruption, transparency, sanctions, had recently gained more attention.

4.2.11. In his presentation, Mr. Noblet focused on two main areas, namely ways to preserve the declining CBRs and the implications of this phenomenon on the financial system.

4.2.12. He indicated that initiatives to adopt anti-money laundering and counter financing of terrorism (AML / CFT) measures generate costs for banks, which lead them to review their pricing, in order to comply to the regulations.

4.2.13. He noted the creation in 2011 of an intelligence service whose role is to ensure that the conditions are met to take into account regulatory aspects of AML / CFT. In general, African central banks had, at national level, put in place mechanisms to fight money laundering and the financing of terrorism. He said that all these initiatives marked the beginning of the fight against financial crimes in Africa. In this respect, the establishment of a legal framework, involving the private sector, had become a necessity.

4.2.14. Several measures had been taken, including the mechanism for monitoring the establishment of AML / CFT regulatory systems. The purpose was to ensure compliance with these measures by all banks as they should in compliance with the basic policies pursued by the regulatory authorities in African countries.

4.2.15. He noted that African countries face challenges in terms of international standards which should be implemented at the national level. The financial sector was supposed to support the authorities in this regard.

4.2.16. Taking the example of Malta and Lithuania, he said that these countries had experienced problems of money laundering, leading to significant difficulties for some banks to access ressources denominated in dollar to repay their debts due to the loss of correspondent banks. In these circumstances, he emphasized the importance of the role of the central bank in providing the needed resources.

4.2.17. He mentioned regulations in Europe that require banks to apply AML / CFT measures and indicated that certain provisions made it possible to assess countries and identify those which were exposed to higher risks. In this respect, an entity called the "Council of Europe Expert Committee" was set up to assess the measures taken by the courts to combat money laundering and the financing of terrorism. New AML / CFT centers have been established in Europe to strengthen the control mechanism. At the ECB, changes had been made to facilitate access to all information. In this context, a single control mechanism was published in March 2018 to enable supervisors to better fulfill their mission.

4.2.18. In addition, Mr. Noblet noted the importance of the fight at the national level and called on the States to coordinate their efforts with a view to making their actions more effective. He added that anti-money laundering and combating terrorist financing units should be able to identify and analyze challenges. Central banks needed to put regulatory supervisory frameworks in place, and banks should focus on strengthening their supervisory framework, with technical assistance from the IMF. In this context, the latter has published a guide on

"Knowing Your Customer" that could be used in the framework of AML / CFT.

4.2.19. He said that measures to combat money laundering and terrorism financing should be adopted by all banks to allow central banks to protect the financial system.

4.2.20. Finally, he recalled that the ECB has established relations with the AACB that would allow both parties to join their efforts and benefit from each other's experiences.

4.3. Summary of the panel discussions

4.3.1. After the presentations, the panel composed of Dr. Ernest Kwamina Yedu Addison, Governor of the Bank of Ghana (BoG), Dr. Patrick Njoroge, Governor of the Central Bank of Kenya (CBK), and Mr. Majozi Vincent Sithole, Governor of the Central Bank of Eswatini, mentioned the following points in their intervention:

4.3.1.1. The panelists noted that the loss of correspondent banking relationships adversely affected trade, remittances and the domestic banking system, making it less efficient and this required solutions to limit its impact. In this regard, the panelists called for joining efforts to address this problem.

4.3.1.2. The main causes were non-compliance with international standards and concerns related to risk management by the corresponding international banks.

4.3.1.3. With reference to the experience of a UK-based Ghana International Bank, the panelists reported on the bank's difficulties in carrying out its task of identifying account holders, as requested by the regulatory authority, in order to better trace the origin of funds. In an effort to comply with international standards, Ghana's banks had joined forces to define approaches and how to facilitate compliance.

4.3.1.4. The panelists emphasized the need for bank coordination at the regional level to consolidate the financial system.

4.3.1.5. In this context, they called for the consolidation of international financial relations initiatives with a view to facilitating financial transactions. They focused on initiatives to make the financial system robust, regionally and internationally. In this perspective, they hoped that information would be aggregated and shared through collaboration at the regional level. They urged Governors to strengthen collaboration among themselves.

4.3.1.6. The panelists noted that financial information often came from central banks and it would be necessary to have inter-inconnectivity to facilitate the sharing of information. They also recommended to take the necessary steps to prevent difficulties, with a view to anticipating them and limiting the prospects of their occurrence. However, they noted the existence of a problem of trust and credibility among the actors.

4.3.1.7. The panelists, after acknowledging the importance of the subject, noted the richness of the presentations which have made it possible to better understand the problem of the declining correspondent banking relationships, the causes and the consequences as well as the solutions.

4.3.1.8. In terms of solutions, they highlighted the reduction of Africa's external dependence while promoting trade among African countries. They also noted the importance of the Fintech and the need for capacity building as well as the development of investment in financial services, in order to address the problems facing Africa.

4.3.1.9. In addition, the panelists noted that a correspondent bank could reject a transaction of a given bank on the basis of the information available, while at the same time, another correspondent bank accepted the transactions of the same bank. To avoid this situation, they emphasized the need for continental-level collaboration between the actors in the financial system, so as to ensure the dissemination of information held about banks.

4.3.1.10. The panelists expressed regret for the interruption of correspondent banking relations without leaving the possibility of negotiations. They called the correspondent banks for more communication, in order to foster dialogue between partners. The Governors also stressed the need to put in place an emergency plan to prevent the cessation of correspondent banking relationships.

4.3.1.11. The panelists indicated that the solutions should be implemented to mitigate the risks and consequences of CBR losses, including financial losses and the use of underground channels.

4.3.2. Drawing the conclusions of the session, the Governor of the Banque d'Algérie indicated that the problem of the loss of correspondent banking relationships was a major concern for African countries, given its impact on our economies. To address this problem, he highlighted the challenges ahead, including capacity building for African countries, where possible, technical assistance to countries affected by the problem of de-risking. With regard to illicit financial flows, he urged African States to combat this phenomenon, which was also one of the main causes of the declining CBRs. Finally, he called for collaboration among African countries to facilitate the exchange of financial information.

5. <u>SECOND SESSION</u>

5.1. <u>Introduction</u>

5.1.1. This session was chaired by Dr. Patrick Saidu Conteh, Governor of the Bank of Sierra Leone. Its theme was "*Illicit Capital Flows in Africa: Challenges and Policy Implications for African Countries*", presented by Mrs. Francisca Fernando, Counsel, IMF, and Mr. Lawrence M. Sweet, Senior Vice President, FRBNY, and member of the CPMI / BIS. The panelists were the Bank of Ghana, the Central Bank of Kenya and the Central Bank of Eswatini.

5.2. <u>Summary of the presentation</u>

5.2.1. Mrs. Fernando's presentation focused on the context of illicit capital flows in Africa, the challenges and the fund's work on the subject as well as the way forward.

5.2.2. After recalling that the IMF aims to promote international monetary and financial cooperation with a view to contributing to the promotion of peaceful and inclusive societies for sustainable development, providing access to justice for all and building effective, accountable and inclusive institutions at all levels, Ms. Fernando underlined one of the targets which is to reduce significantly by 2030 illicit financial and arms flows, to strengthen recovery and return of stolen assets, and to combat all forms of organized crime.

5.2.3. Defining the concept of illicit financial flows, she pointed out that there was no precise definition of illicit financial flows. She defined them as funds derived from illegal acts, funds transferred using illegal means or funds used for illegal purposes. She also considered that Money Laundering (ML) is related to all fund derived from criminal activities and terrorism financing and all fund used to finance terrorism acivities. Mrs. Fernando added that ML/TF have impact on financial and economic stability, development and financial inclusion, political stability as well as on effective operation of international monetary system.

5.2.4. Within the AML/CFT framework, Mrs. Fernando noted FATF 2012 recommandations and methodology which apply a risk-based apraoch and focus on effectiveness. These recommandations and methodology were based on understanding risks, implementing policies and domestic coordination, taking preventive measures, promoting transparency of legal entities, undertaking ML/TF investigations and prosecutions, encouraging international cooperation as well as confiscating and recovering assets. Execution and compliance with these standards require countries to make arrangements not only at the banking sector level, but also at the level of other actors, such as traders.

5.2.5. She noted that African countries face many challenges, given the low level of effectiveness in implementing AML / CFT measures. To prevent the supply and facilitation of illicit financial flows, the bribery of foreign public officials, the concealment of the proceeds of corruption and the transnational problem of corruption should be tackled. She pointed out that illicit financial flows, including money laundering and terrorism financing, were key drivers of pressures on correspondent banking relationships, which lead to their decline. She added that the concerns are related to banks' ability to manage risk and AML/CFT related compliance costs.

5.2.6. The passage of illicit financial flows into the financial system through Fintech also presents risks, such as the anonymity of crypto-currencies (e.g. Bitcoin) which are outside the financial / regulated sector channels. But the Fintechs may also be able to represent possible solutions for the AML / CFT.

5.2.7. Regarding the work of IMF, Mrs. Fernando mentioned examples of the Fund's AML / CFT advice in select African countries such as Nigeria 2016 Staff Report, Sudan CD Project, Madagascar 2016 Extended Credit Facility Program, South Africa 2014 FSAP as well as WAEMU 2017 Staff Report.

5.2.8. In Nigeria, the 2016 Staff Report recommended to take measures to tackle theft & corruption in the oil sector and strengthen the regulatory framework for AML/CFT in the oil sector while enhancing its transparency and integrity. In Sudan, the CD project advocates the need to develop the legal AML / CFT framework and to strengthen the capacity of the the financial intelligence unit and enhance the capacity of the Central Bank of Sudan to conduct AML/CFT supervision. In Madagascar, the 2016 Extended Credit Facility Program recommended to strengthen collection, administration and management of assets seized following investigations related to corruption, embezzlement, ML/TF, or organized international criminal activities. In South Africa, the 2014 Financial Sector Assessment Program (FSAP) sought to address remaining legal deficiencies in the AML / CFT regime and to conduct a national risk assessment, while continuing to enhance supervisory efforts. In the WAEMU, there was need to strengthen AML / CFT supervision and to provide dissuasive sanctions for breach of compliance with preventive measures related to domestic politically-exposed persons.

5.2.9. In the area of governance, the Fund would urge its members to volunteer to have their own legal and institutional frameworks assessed in the context of bilateral surveillance for purposes of determining whether they criminalize and prosecute the bribery of foreign public officials and whether they have an effective AML/CFT system designed to prevent foreign officials from concealing the proceeds of corruption.

5.2.10. On Entity Transparency the IMF work includes research on transparency of entities involving challenges and best practices related to transparency of legal persons (e.g. companies) and arrangements (e.g. Trusts) as well as publication and technical assistance modules for Fund members.

5.2.11. She reported on other studies on entity transparency, notably in the United Kingdom and Seychelles. In the first country, the 2016 FSAP report and the 2017 staff report recommend the registration of people with significant control over legal entities and other measures enabling access to accurate information on the real property. In Seychelles, the 2017 Policy Coordination Instrument called for the strengthening of the AML / CFT legal framework, in particularly with regard to entity transparency measures.

5.2.12. In addition, the IMF's work focused on the services of correspondent banks in order to address pressures on the Correspondent Banking Relations (CBRs) in Africa, particularly in Angola, Cabo Verde, Djibouti, Guinea, Madagascar, Seychelles, Sudan, Tanzania and Zimbabwe. The work also concerned technical assistance in CBR diagnostic and AML / CFT in Angola and CBR monitoring framework in Seychelles.

5.2.13. In terms of the Fintech, the Fund has conducted work to better understand emerging challenges and opportunities with Fintech. It involves organizing meetings for cooperation, facilitating dialogue and encouraging knowledge sharing, guidance on principles for regulation and capacity development for less prepared members.

5.2.14. Paving the way forward, Mrs. Fernando underlined that efforts should focus on strengthening and effectively implementing AML/CFT frameworks including enhancing entity transparency, increasing international cooperation, combatiting corruption and keeping abreast of emerging risks such as CBRs and FinTech. She also stressed the need for capacity building, open dialogue as well as collective and coordinated action by all stakeholders.

5.2.15. Mr. Sweet's presentation focused on a summary of the report of the Bank for International Settlement (BIS)'s Committee on Payments and Market Infrastructures (CPMI) on "Reducing the Risk of Wholesale Payments Fraud related to Endpoint Security", published in May 2018. The presentation was centered around the key challenges of the CPMI report, the strategy of the CPMI, the next steps of the CPMI and the potential functions for AACB discussion.

5.2.16. From the outset of his presentation, Mr. Sweet indicated that the establishment of the CPMI Wholesale Payments Security Task Force was announced in September 2016 to explore and address the broader, systemic vulnerabilities related to endpoint security, as revealed by the Bangladesh Bank[1] (BB) event and other high profile cases. This initiative was motivated by central bank concerns for financial system stability and in the BIS's roles as operators, overseers, supervisors and participants in the wholesale payments ecosystem.

5.2.17. Initial stocktaking among CPMI members revealed knowledge gaps, inconsistencies in approaches, and important opportunities to reduce the risk of wholesale payments fraud. For example, many operators had not set clear participant requirements for preventing, detecting, and responding to actual, attempted, or suspected fraud. Even when requirements were set, many did not require an assessment or confirmation of adherence. Stocktaking and industry engagement pointed to clear need for urgent action to strengthen endpoint security. In September 2017, a public consultation on the proposed CPMI strategy was held and the final CPMI report and strategy was published in May 2018.

5.2.18. Mr. Sweet highlightened that Wholesale payments fraud was sophisticated and evolving. This reflects both criminal and state-sponsored actors and activity, as each participant or "endpoint" in a payment system or payment messaging network had a strong incentive to prevent fraud. In the BIS's role as custodians of our nations' reserves, including central banks, we should prevent individual financial loss and reputational risk.

5.2.19. However, he noted that interconnectedness also creates potential systemic risk and individual breaches can undermine confidence in the integrity of the system. He added that defensive responses can lead to gridlock and reduced market liquidity. In addition, a large and sudden build up of unsettled payments could trigger financial system instability and impede economic activity. Operators cannot solve this alone, nor can individual participants. The response requires a holistic strategy and coordinated action by all stakeholders to "internalize" these system-wide "externalities" and to develop solutions that are effective and cost effective.

5.2.20. In the report, the CPMI has proposed the sevent following strategy elements:

5.2.20.1. Identify and understand the range of risks to ensure operators and participants understand their individual risks and their collective risk of loss in confidence in the

[1]/ Bangladesh Bank is a participant, or "endpoint", of the SWIFT payment messaging network.

integrity of the wholesale payment system;

5.2.20.2. Establish endpoint security requirements to identify and address any gaps for prevention, detection, and response;

5.2.20.3. Promote adherence to provide incentives and confidence that endpoint requirements are being met;

5.2.20.4. Provide and use info and tools to improve prevention and detection to enhance current capabilities of operators and participants;

5.2.20.5. Respond in a timely way to potential fraud to ensure participants and operators know who to contact and how each should respond;

5.2.20.6. Support ongoing education, awareness, and information sharing to promote operator and participant collaboration on procedures, processes, and resources;

5.2.20.7. Learn, evolve, and coordinate to monitor and to keep up with ever-changing risks.

5.2.21. Mr. Sweet stated out that the CPMI recognised that important differences among payment systems and messaging networks need to be taken into consideration. These include the legal, regulatory, operational and technological structures and constraints under which they operate. Accordingly, the seven elements were intentionally flexible and they described what should be achieved while providing flexibility for determining how best to do so in light of the uniqueness of each system, network and jurisdiction. The report provided practical, non-prescriptive examples of points to consider when operationalising the strategy. But flexibility was not an excuse for inaction or slow progress.

5.2.22. He noted that the key objectives of the CPMI strategy are to encourage and help focus industry efforts aimed at reducing the risk of wholesale payments fraud related to endpoint security and to promote clear, comprehensive and effective industry efforts by providing an analytical approach and common terminology. The strategy also aimed at supporting industry dialogue aimed at exploring and potential common issues across systems/countries, as well as potential opportunities for coordination.

5.2.23. He provided the next steps of the CPMI which included the need to take ownership by the operators, participants, and other relevant private-sector and publicsector stakeholders in each system/jurisdiction for developing and carrying out an appropriate action plan for its system/jurisdiction. Each individual CPMI member has committed to support the strategy by promoting and monitoring progress in its respective jurisdiction and leveraging its roles as catalyst, operator, overseer, and/or supervisor. CPMI, as a committee, has committed to support the strategy by Promoting and monitoring timely progress among its members, supporting cross-system and cross-country coordination and promoting awareness and supporting adoption by all central banks. In this regard, the Governors of the BIS Global Economy Meeting have committed to putting the strategy into practice within their institutions and jurisdiction. CPMI is now reaching out directly to AACB, to other central bank associations, and to individual central banks around the world. Finally, the CPMI should also explore application of strategy to correspondent banking networks by engaging supervisors and commercial bankers to make correspondent bank safer and avoid any further de-risking.

5.2.24. To conlude, Mr. Sweet identified some potential questions for AACB discussion, including whether AACB members consider the CPMI strategy to be relevant, appropriate, and timely for their respective institutions and jurisdictions. It is also about the willingness of central banks to explore whether, and if so how, each central bank could promote, support, and monitor local progress in putting the strategy into practice in its respective jurisdiction and the willingness of members to explore whether, and if so how, the Association as a whole could act as a catalyst to promote and to support timely progress among its member jurisdictions. The question was also asked as to how best the CPMI could support AACB members' individual and collective efforts to put the strategy into practice in their jurisdictions.

5.3. Summary of panel discussions

5.3.1. For this session, the panel is composed of Dr. Okwu Joseph Nnanna, Deputy Governor of the Central Bank of Nigeria (CBN), Mr. Deogratias Mutombo Mwana Nyembo, Governor of the Banque Centrale du Congo (BCC) and Mr. Alain Herve Rasolofondraibe, Governor of Banky Foiben'I Madagasikara.

5.3.2. Dr. Okwu Joseph Nnanna shared Nigeria's experience on illicit financial flows (IFFs). Mr. Deogratias Mutombo Mwana Nyembo reported on the decline in correspondent banking relations in his country, in connection with possible lawsuits that could take the United States of America against some of the country's authorities. Mr. Alain Herve Rasolofondraibe, focused his remarks mainly on the main sources of IFFs

5.3.3. Overall, the panelists focused on the following points:

5.3.3.1. In Nigeria, the first factor behind the IFFs in his country is institutional, including the weak institutional framework for regulation in Nigeria and the problems of economic and political instability that contribute to increased illicit financial flows.

5.3.3.2. The panelists argued that a favorable economic environment and the conduct of non-counter-cyclical policies would reassure the population and facilitate their access to financial services. In this regard, they emphasized the need for an adequate legal framework to reduce IFFs. They added that solving the problem requires sound management of foreign exchange reserves.

5.3.3.3. The panelists stated that strengthening the supervision of banking institutions would limit IFFs, in the sense that the transfer operations are mostly through the banking system.

5.3.3.4. They argued that the most important thing is to know what was being done to solve this problem.

5.3.3.5. They said that these measures had huge consequences on people and businesses and noted that the accounts of sanctioned authorities should be frozen by the central bank, not counting the probable lawsuits. The BCC needed to collaborate, as part of the implementation of these sanctions, with the US Secretary of State on how to manage this situation. The United States could sanction any correspondent bank which does not comply by this decision.

5.3.3.6. The panelists recalled that a report by Global Transparency revealed that 416 million US dollars left the country each year. They argued that these estimates are just the tip of the iceberg and are far from reality. Taking the example of the only telecoms sector in the DRC, they indicated that the telecom regulator has estimated the turnover reported at 375 million USD for the year 2017. Yet with 40 million subscribers paying on average monthly only 10 US dollars, the estimated annual turnover would be 4.8 billion USD. The difference of more than $ 4 billion would disappear in the non-apparent IFFs. This amount, which was considered to be IFFs, does not include IFFs from the natural resource and other sectors. They noted that because of the IFFs, the Congolese economy does not benefit, each time, from the booms of raw materials.

5.3.3.7. In addition, it was noted that the main mechanisms of IFFs in the DRC were, among other things, opacity, tax evasion, tax optimization by companies, organization of fraudulent exports of minerals covered by armed groups, goods cleared in neighboring states, etc.

5.3.3.8. In general, it was noted that the IFFs weaken the potential benefits of external positive shocks to the DRC economy in particular and to the African continent in general. In this regard, the Governors stressed the need to urgently and orderly tackle the IFFs, which was becoming a major issue. However, they wondered about the way and the strategies to be implemented in the long term.

5.3.3.9. To limit these abuses, the panelists emphasized on the role of African central banks in the fight against IFFs. They advocated the strengthening of the requirements for the control and auditing of client operations, notably through the KYC, the strengthening of the AML / CFT system to detect suspicious transactions and the declaration of suspicion to the intelligence unit, the development of electronic money infrastructure to reduce fraud and exit from IFFs, as well as the intensification and systematization of awareness-raising actions and bank staff assigned to anti-money laundering structures.

5.3.3.10. At the national level, they advocated the strengthening of governance, institutional capacities and legal, regulatory and operational mechanisms against money laundering and terrorist financing.

5.3.3.11. At the continental and international levels, they stressed the need to involve the AU, the Regional Economic Communities (RECs), the international community and institutional donors in the fight against the IFFs, to set up a mechanism for efficient exchange of information between countries to deter tax evaders and increase tax revenues, to harmonize taxation in Africa and to publish information on actual business owners and international banking assets according to international standards, for reasons of transparency and traceability.

5.3.3.12. Morever, the panelists said that the main actors of the IFFs are above all the real commercial sector (telephony, mines, etc.). they recalled that IFFs are driven by corruption and that the role of regulatory bodies remains central.

5.3.3.13. They supported the intervention of the Governor of SARB, on the scale of IFFs in Africa. They said that the figures often reported on IFFs seem wrong, in relation to statistical problems in Africa.

5.3.3.14. The panelists noted that intra-group phenomena, political shocks and macroeconomic policy decisions, especially fiscal or import decisions, were factors that could have a significant impact on IFFs. They justified these effects by the corruption induced by these shocks and also cited the elections which lead to an increase in illicit capital transfers.

5.3.3.15. Faced with these challenges, the Governors recalled that some laws had been passed in some countries. However, they pointed out difficulties in their implementation and the complexity of the network, because of the political interests and the complicity of the recipient countries.

5.3.3.16. The panelists encouraged commitment and political will to face the challenges of fighting IFFs. They have also encouraged cooperation at the regional level, through the assistance of financial institutions, as well as the action of central banks through the support of technological advances.

5.3.4. Summarizing the presentations, the Chairperson of the session noted the negative impact of IFFs on African economies and their magnitude, given the large amounts mentioned above. In this regard, he called for coordination of efforts, which should be supported by international organizations, such as the IMF, through capacity building. He also noted the need to strengthen the legal and institutional framework on IFFs, preferring a regional approach, with a view to reducing the negative impact of IFFs on African economies.

6. THIRD SESSION

6.1. Introduction

6.1.1. This session was chaired by Mr. Lesetja Kganyago, Governor of the South African Reserve Bank (SARB). The theme was on "*Impact of Declining Correspondent Banking Relations on Financial Sector Development and Economic Growth in Africa*" presented by Mr. Andries du Toit, Group Treasurer FirstRand Group and Dr. George Elombi, Executive Vice President of Afreximbank. The panel consisted of the Banque Centrale de Tunisie, the Central Bank of The Gambia and the Bank of Mauritius.

6.2. Summary of presentation

6.2.1. Mr. Andries Du Toit focused his presentation on the missions of the banking sector, the deterioration of correspondent banking relationships and the formulation of recommendations.

6.2.2. He indicated that the banking sector in the economy was a custodian and a transmission mechanism. The banking sector was the interface between borrowers and savers. Deposit taking was not only systemic function banks performed. The banking sector functions included facilitating the access to the payment system, settling the foreign receipts and payments, providing custody of the nations monetary balances, and access to the operating banking platform.

6.2.3. In addition to safeguarding the interests of creditors and maintaining positive net asset value for its shareholders, banks provided various systemically important functions which need to be protected to prevent disruption to the greater economy, namely lending, deposit taking, capital markets activities and payments, clearing and settelment.

6.2.4. Mr. du Toit noted that stability was structural and the market structure contributes to creating systemically important institutions. Banks were given a license to operate by their regulators and act as custodians of public monies, as well as bearer of a fiduciary responsability.

6.2.5. The Financial Stability Board (FSB) correspondent banking data report, updated 6 March 2018 showed a decline in swift interbank messages, due to changes in the average number of counterparty countries in several regions in the world. For example, in Africa, the average number of counterparty countries decreased from 38.8 in January 2011 to 34.8 in June 2017 compared to a decline from 109.2 to 97.6 in the same period in Europe (excluding Eastern Europe) and from 95.0 to 93.2 in Northern America.

6.2.6. Overall, the report of the survey to assess the existence, causes and impact of de-risking within the Eastern and Southern Africa Anti-Money Laundering (ESAAMLG) established that de-risking has affected the majority of the member countries within the ESAAMLG region, though at varying levels. Whilst some countries had relatively low levels of impact, others were severely affected particularly countries perceived to be high risk. Economic impacts of de-risking had also been felt across the region. These include difficulties in accessing international payment systems and foreign markets for trade, closure of operations by institutions, reduced scale of operations, diminished financial performance and job losses.

6.2.7. The report also assessed the impact of de-risking on CBR, Customer relationship, remittances and financial inclusion.

6.2.8. The Committee on Payments and Market Infrastructures Consultative report and the BIS report on Correspondent banking made recommendations on the use of « Know Your Customers (KYC) » utilities, including the use of the Legal Entity Identifier (LEI) in correspondent banking and the information-sharing initiatives.

6.2.9. In analyzing the drivers of the withdrawal of CBRs, Mr. du Toit argued that they were related to profitability and risk assessment considerations. Thus, policy responses and industry initiatives should have significant impact to adress CBR pressures and limited impact to address CBR withdrawal. They should also have alternative arrangements to mitigate the impact of CBR withdrawal and temporary measures in the event of abrupt and comprehensive loss of CBRs.

6.2.10. He added that over the last 18 months, the Financial Services Roundtable (FSR) has extensively engaged with key stakeholders including the International Finance Corporation (IFC), the World Bank (via the National Treasury), and ESAAMLG (via SARB) as well as African and Global Banks on potential solutions to de-risking in Sub-Saharan Africa. From these engagements there appeared to be a compelling case for an African Bank to act as a Regional Clearing Hub to clear USD, GBP and EUR, on behalf of smaller African banks in Sub-Saharan Africa.

6.2.11. In conclusion, Mr. du Toit emphasized that consideration should be given to the adoption of market standards and regulatory standards for payment, settlement and clearing and other regulatory reforms to ease interregional trading. Furthermore, KYC / AML / CFD (Contract For Difference) utility vehicles should be used to further assist interregional trade. He added that central banks could also provide clearing services.

6.2.12. After this presentation, Dr. George Elombi, Executive Vice President of Afreximbank, made a presentation on « On Going Initiatives for African Financial Institutions: Afreximbank Mansa Repository Platform and Africa Ressource Mobilization ».

6.2.13. He focused his presentation on the impact 2021 strategic plan, the presentation of the "Mansa" repository platform, the mobilization of Africa resources and the support which could be provided by African central banks.

6.2.14. He state out that Afreximbank is a Pan-African supranational Trade Finance Institution created in 1993 under the auspices of the African Development Bank with a vision of being the rade Finance Bank for Africa which mission is to stimulate a consistent expansion and diversification of African trade so as to rapidly increase Africa's share of global trade and in doing so, to operate as a first class, profit-oriented, socially responsible financial institution and a centre of excellence in African trade matters. The mandate of the Bank is to finance and promote intra- and extra-African trade using three broad services, namely credit, risk bearing as well as trade information and advisory services.

6.2.15. Its main objectives are to facilitate and finance intra-African and African-South Trade, increase access to trade finance and facilitate and finance exports from Africa to the rest of the world, with emphasis on high value added exports. The Bank also aims to facilitate and finance export-generative imports as well as essentiel imports into Africa, improve capacity in trade matters and transform Africa's trade.

6.2.16. Taking into account the prevailing and forecast environment, the 5th strategic Plan of the Bank, launched in December 2016, focuses on fulfilling the core mandate of promoting development in Africa through trade and trade finance. The strategic plan has 4 broad areas, namely:

6.2.16.1. The development of intra-African trade, with the objective of increasing its volume by more than 50% by 2021;

6.2.16.2. The industrialisation and the exports development, notably through the increasing financing of manufactured exports and services by 10% annually;

6.2.16.3. The development of trade finance leadership, by financing 7% of Africa's total trade annually and 1% of African manufactured exports;

6.2.16.4. The improvement of financial soundness and performance, in particular by achieving USD 3.5 billion capitalisation by 2021 and reducing the cost to income ratio at a level lower than 30%.

6.2.17. Furthermore, Dr. Elombi highlightened that Afreximbank had taken the lead in creating MANSA, a platform/single source of data for Customer Due Diligence (CDD)/Know Your Customer issues with specific focus on African Financial Institutions and Corporates. Mansa Platform derives its name from Mansa Musa, the 10th Emperor of Mali Empire (1312-1337).

6.2.18. Mansa repository platform is a centralized repository for sharing and accessing information required to conduct due diligence checks on African entities. It facilitates the availabily of KYC information on African entities and the conduct of due diligence checks on African counterparties in accordance to international best practices. It also aims at promoting good governance practices almonst African entities.

6.2.19. He argued that the MANSA platform was created to address the challenges impacting trade in Africa, including growing trend in global financial flows and financial crime, the lack of information on African entities and financial institutions in the due diligence repositories, the need to eliminate perceived risk of trading with African entities, leading to leading to de-risking.and the infrastructure gap, estimated at US$ 95-100 billion annually. He indicated that subscription to MANSA will be open to key players in Africa trade.

6.2.20. In addition, he presented the benefits of the adoption of the MANSA platform, including the promotion of good governance, transparency and accountability of African entities, the reduction of cost of compliance for international banks and global trading entities in maintain relationships with African counter parties. The platform also enables to reduce the perceived risk of trading in Africa, mitigate against negative implications of high risk perception of African entities as well as trade promotion by stimulating uptake of new trade avenue and payment systems such as mobile payment platforms.

6.2.21. Dr. Elombi stated that Afreximbank recognizes the need for an urgent mechanisms to mobilize domestic resources in Africa to support investment and development of export and trade related infrastructure across Africa. For him, Africa resources mobilization hinged on the understanding of the role of domestic resource mobilization and foreign direct investment in driving structural transformation in African economies, and expanding intra-African trade and promoting industrialization and export development are priorities that form the pillars of the bank's strategic plan 'impact 2021'.

6.2.22. He added that Afreximbank initiatives to support domestic resources mobilization are tied to core pillars of its strategic plan and necessitated by the need to curb capital flight from Africa and re-channel these resources to finance development in the continent. The need to leverage Africa's sovereign wealth funds and similar institutions, as well as the filling of the gap created by international development agencies in financing trade in Africa have also motivated these initiatives.

6.2.23. The Executive Vice President of Afreximbank reported on the Central Bank Deposit Programme (CENDEP), which is designed to mobilize part of the foreign exchange reserves of African central banks and funds of institutional investors to finance viable trade and projects ventures in Africa while providing favourable returns to the depositors. This programme is aimed at helping finance essential imports to CENDEP account holding countries from other African countries and contributing to ongoing efforts at improving regional trade and integration of African economies. It also aims at diversifying and minimizing agency/counterparty risks associated with the placement of foreign exchange reserves of African countries with a few OECD financial institutions. He argued that CENDEP will give further impetus to the development and growth of trade of the participating countries.

6.2.24. He concluded by indicating how central banks can support Afreximbank. He requested central banks to be advocates, subscribe and help embed the MANSA as a tool to help facilitate effective custome Due Diligence in their countries; to leverage the platform provided by CENDEP to support ressource mobilization for Africa's economic development and to discuss with the Bank on opportunies to explore areas of possible collaboration with regard to Afreximbank's initiatives.

6.3. Summary of panel discussions

6.3.1. The panel discussions was made by Prof. Marouane El Abassi, Governor of the Banque Centrale de Tunisie, Mr. Bakary Jammeh, Governor of the Central Bank of The Gambia, and Mr. Yandraduth Googoolye, Governor of the Bank of Mauritius.

6.3.2. The following main points were noted by the panelists :

6.3.2.1. The weakening of the Tunisian State, in connection with the insecurity prevailing on the border with Libya and Algeria. Indeed, several factors combined, including the emergence of terrorism in these regions, the attacks in Tunisia and the oil shocks have significantly affected the country's economy.

6.3.2.2. The geopolitical shocks, linked to the blacklist established by the United States on some Tunisian authorities, which were likely to amplify the economic difficulties.

6.3.2.3. As a result, the panelists urged financial institutions to take into account the unfavorable environment induced by these shocks, which favors IFFs.

6.3.2.4. To limit these flows, they emphasized on transparency, the sharing of financial information and the sharing of knowledge and know-how that should take into account the realities of the country as well as its capabilities.

6.3.2.5. The importance of the work on correspondent banking relationships was raised, in view of the problems faced by many small banks.

6.3.2.6. From a macroeconomic point of view, the lessons learned from the recent international financial and economic crises show a strong relationship between the financial sector and the real economic sector, due to the transmission of disturbances recorded in one sector in the other. To this end, central banks were advised to take into account the problems associated with the loss of correspondent banking relationships, in order to prevent any financial crisis that could also affect the real sector.

6.3.2.7. The panelists acknowledged that the problem of de-risking is an important challenge for central banks and that they should involve commercial banks in addressing this problem in all regions. They added that the persistence of de-risking will reduce commercial activities, which will negatively affect economic growth, in line with the aforementioned link between financial and economic sectors.

6.3.2.8. The challenges of combating illicit financial flows, money laundering and terrorist financing and de-risking should be tackled in a regional approach framework for more efficiency, given their complexity.

6.3.2.9. The panelists recalled that most African States are facing a decline in CBRs. They noted the importance of the role played by banks as financial intermediaries and their contribution to economic development and pointed out that correspondent banking relationships make it possible to boost payment systems and, consequently, their decline constitutes a major challenge for the financial system and other actors.

6.3.2.10. Taking the example of expatriates, they noticed that those who opt for formal channels need correspondent banking services to send their funds. In this respect, the Governors argued that de-risking inevitably has an impact on payment systems and the entire economic system, in connection with the decline in economic activity. With regard to Mauritius, it is indicated that 2 correspondent banks for the dollar and the Euro are concerned by the problem of de-risking.

6.3.2.11. In view of its negative impact, discussions were conducted within the central bank to provide solutions. In this context, the establishment of a committee against money laundering and financing of terrorism is under way in Mauritius. This committee will be responsible in particular for verifying customer data and types of transactions as well as updating the data.

6.3.2.12. For greater efficiency, the Governors called for the conduct of an adequate policy in countries and awareness abroad, in order to reach the expectation of correspondent banks. They also mentioned the need for a reliable database on financial technology (blockchain or Fintech). They argued that the fight against the informal economy, linked to mobile payment could help mitigate the effects of de-risking.

6.3.2.13. To ensure the effectiveness of these measures, the Governors recommended the involvement of all stakeholders, including the organization of periodic tripartite meetings between the central bank, banks and partners.

6.3.3. Following the presentations and comments on transfer of funds, the Chairperson of the session, Mr. Kganyago, indicated that, in general, the solutions presented relate to the sharing of information and the KYC issue, which becomes fundamental. He recalled that the information should be put in a platform that would reduce costs. In this case, it would be necessary to have adequate regulation. However, he noted that the presentations did not sufficiently identify Regtech as important.

7. FOURTH SESSION

7.1. Introduction

7.1.1. The fourth session on '*Sharing Experiences on Declining Correspondant Banking Relationships in Africa*' was chaired by Mr. Tarek Amer, Governor of the Central Bank of Egypt. Presentations were made by the Central Bank of Sudan, the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), the Bank of Zambia, the Banque des Etats de l'Afrique Centrale (BEAC) and the Bank of Uganda.

7.2. Summary of central banks presentations

7.2.1. Experience of the Central Bank of Sudan

7.2.1.1. The presentation was made by Mr. Massad Mohamed Ahmed, Acting Governor of the Central Bank of Sudan (CBS). Before starting the presentation, he said that the CBS is in a transition period, due to the death of the Governor and that he was in commercial banking four months earlier.

7.2.1.2. He noted that in Sudan, there was still a long way to go in terms of correspondent banking relations, given the international sanctions imposed on that country. He mentioned with satisfaction the lifting of sanctions, through direct consultations and efforts with the US.

7.2.1.3. However, he pointed out that in the 1980s, withdrawals from Western and Arab correspondent banks had been recorded.

7.2.1.4. He emphasized the potential of the country, given the large number of Sudanese working abroad. He underlined the enormous losses and the heavy price paid, because of the sanctions mentioned above.

7.2.1.5. Mr. Hamed added that precautions have been taken to face the interruption of foreign financial flows. Thus, at the organizational level, regulations had been made by the CBS and the Government to ensure the protection of Sudanese financial actors. In this regard, the Government had taken measures, including the establishment of financial information and an anti-corruption committee. He argued that Sudan has a unique experience in the financial sector, including the adoption of the principle of Islamic law, i. e., sharia law. The Central Bank also ensures the efficiency of banks. All these regulations have made it possible to limit illegal transactions.

7.2.1.6. In addition, the CBS strives to develop the Fintech and gives a lot of interest to microfinance, so as to give more opportunities for financing the economy.

7.2.1.7. Before concluding his remarks, he wondered how to balance all these regulations and the behaviour of businessmen who do not want impediments that are likely to affect their activities. There were also concerns about how to benefit from mutual experiences in order to improve regulatory arrangements to control IFFs.

7.2.1.8. In conclusion, he said that these concerns were vital and that efforts should be made to provide the appropriate responses.

7.2.2. Experience of the BCEAO

7.2.2.1. The experience of the BCEAO was presented by Mr. Oumar Tatam LY, Special Adviser to the Governor. He focused his presentation on the stylized facts of de-risking and financial flows, the general policy of the BCEAO and the avenues for reflection.

7.2.2.2. He said that according to a study by the Financial Stability Board published in March 2018, de-risking has affected all regions of the world, albeit in varying proportions. He noted that between 2013 to 2015 the most affected regions are Oceania (-22.3%) and Latin America (-15.8%). Africa is also affected by the declining number of correspondent banks, with a rate of -10.3%. At the continental level, changes in correspondent banking relationships have ranged between -37% and + 10% over the 2013-2015 period.

7.2.2.3. In the West African Economic and Monetary Union (WAEMU) which has 138 banks, he noted a decrease of 10.7% in the average number of foreign correspondents over the period of 2010-2017, notwithstanding an increase in the total number of correspondents. However, disparities have been noted across countries. With the exception of Guinea-Bissau, which has seen an increase in correspondent banking relations, two groups of countries are noted. On the one hand, were the countries where sharp declines in CBR are registered, namely Benin (-31%), Niger (-19%), Burkina (-16%) and Togo (-12%). On the other hand are country facing moderate declines of around -6% in CBR (Côte d'ivoire, Mali and Senegal.).

7.2.2.4. Mr. Ly argued that the reasons given by the WAEMU banking correspondents relate to the refocusing of activities on specific geographical areas (56%) and to the low volume of transactions which does not ensure their profitability, with regard to the costs of maintaining the relationships and the risks related to non-compliance (37%) as well as the inadequate internal governance of partner banks (2%) most often do not belong to international groups. Thus, economic rationality in a context of increased prudential requirements and the risk of regulatory non-compliance in the area of AML / CFT were the two main factors that prompted correspondent banks to reconsider their banking relationships.

7.2.2.5. In WAEMU, there is no explicit link between de-risking and Illicit Financial Flows orientation. Indeed, the average rate of IFFs in the WAEMU is estimated at 7.9% of international trade in 2014, a profile comparable to that of Sub-Saharan African countries (7.6%), even if the data on IFFs seem to be imprecise and fragmentary.

7.2.2.6. It was noted that de-risking does not seem to have had a negative impact on banking activity in WAEMU over the 2010-2016 period, due to the annual increase in the volume of international bank transfers (+7.7%), the increase in banks' net banking income (+ 11.5%) and the improvement of financial inclusion, with a rise in the strict banking rate ranging from 10.8% to 16.8% and in the rate of access to financial services from 23% to 61%.

7.2.2.7. The Special Adviser to the Governor argued that the relative resilience of WAEMU to the de-risking and IFFs was explained by the general policy of the BCEAO, including the regulatory policies implemented in the field of AML / CFT, the operational intelligence mechanism in the WAEMU countries and the internal arrangements adopted by the BCEAO for financial transactions carried out on own account.

7.2.2.8. With respect to regulation, a continuous process of taking into account international standards on AML / CFT in the Community's legal framework is followed, with the adoption in 2003 of two laws relating to AML and CFT in WAEMU, the 2015 enactment of an instruction specifying the terms and conditions of the fast transfer of money activity and a new law on AML / CFT taking into account the new FATF 2012 recommendations.

7.2.2.9. With regard to the financial intelligence system, a "National Financial Information Processing Unit (CENTIF)" was set up in 2004 to analyze and process the information needed to establish the origin of suspicious transactions (3,336 suspicious transactions were in WAEMU between 2013 and 2017) and report them to the courts.

7.2.2.10. As for the internal mechanism of the BCEAO, it is articulated around 3 axes (functional, strategic and operational), with a view to ensuring a reasonable level of prevention against transactions related to money laundering and the financing of terrorism. On the functional side the internal AML / CFT system is monitored at a high level, notably by the Auditor General of the BCEAO. At the strategic level, the responsibilities are ensured by an Advisor to the Auditor General who is in charge of the development and updating of internal procedures and the coordination of the exchange of information with correspondents. With respect to the operational level, it is in particular implemented by the deployment of "Sanctions Screening", the screening and monitoring tool for clients and transactions is provided by SWIFT.

7.2.2.11. In conclusion, Mr. Ly put forward some lines of thought, aimed at:

- Continuing efforts to better understand the IFFs and the de-risking phenomenon;
- Increasing collaboration and information exchange between banks and regulators;
- improving the technical capacities in jurisdictions affected by de-risking;
- Strengthening bank transaction, verification and compliance tools;
- promoting supervision of digital financial services and FinTech companies.

7.2.3. <u>Experience of the Bank of Zambia</u>

7.2.3.1. Dr. Denny Kalyalya, Governor of the Bank of Zambia made a presentation and noted that Zambia did not face a severe de-risking problem, partly related to its low exposure to the international financial system.

7.2.3.2. However, there were still challenges to be addressed due to potential risks. Thus, the Central Bank had implemented appropriate guidelines with regards to the monitoring of financial inflows and outflows. These were implemented within a broader framework of other Government institutions which also addressed issues of financial intelligence and money laundering.

7.2.3.3. He added that in Africa, in the fight against money laundering there was moe informaiton about internal financial flows than external flows, due to the lack of information and this was an area of concern. This was compounded by the existence of a large informal sector which was not compliant with AML/CFT.

7.2.3.4. Dr Kalyalya indicated that with regards to the legal framework prosecutions had been made but that they remained marginal. .

7.2.3.5. Zambia was focused on meeting the challenges that lay ahead. In this regard, focus was on engaging host countries of financial institutions ooerating in Zambia in order to promote data exchange and address identified deficiencies. In this framework, joint surveillance missions between Zambia and the host countries have been put in place and the first missions have begun.

7.2.3.6. Finally, he appreciated the discussions and the work presented by Afreximbank.

7.2.4. Experience of the BEAC

7.2.4.1. Mr. Dieudonné Evou Mekou, Deputy Governor of BEAC, presented the BEAC experience. At the beginning of his remarks, he indicated that the BEAC welcomes the choice of the topic of the symposium which is topical, in the sense that the question of the declining CBR is an obstacle to the development of activities in developing countries, especially in Africa. He argued that activities in developing countries should not be crowded out by the ones in developed countries.

7.2.4.2. He noted the progress made in the Community of Central African States (CCAS) on AML / CFT. In this respect, he mentioned, at the normative level, the setting up in April 2016 of a legal framework for the prevention and the fight against money laundering and the financing of terrorism and proliferation of weapons, aimed at criminalizing and preventing money laundering and terrorist financing, in line with the recommendations of the FATF.

7.2.4.3. At the institutional level, the Deputy Governor of BEAC reported on the establishment of the Action Group against Money Laundering in Central Africa (GABAC), which registered the accession of the Democratic Republic of Congo (DRC), thereby expanding the area of action of this institution. In addition, the creation of the Banking Commission of Central Africa (COBAC) in 1990 and the harmonization of banking regulations in Central Africa in 1992 helped to preserve the integrity of the banking system and ensure its resilience, while ensuring the control of financial flows and microfinance.

7.2.4.4. At the institutional level, the Deputy Governor oof BEAC reported on the establishment of the Banking Commission of Central Africa (BCCA), which has registered the accession of the Democratic Republic of Congo (DRC), thereby expanding the area of action of this institution geographically. BCCA is responsible for ensuring the integrity of the banking system and ensuring its resilience, while ensuring the control of financial flows and microfinance.

7.2.4.5. He added that CCAS has also put in place other procedures and arrangements at the institutional level. He said the regulations are moving towards the establishment of a single bank identifier. In general, he noted a constant evolution in AML / CFT matters.

7.2.4.6. Finally, Mr. Mekou emphasized the need for further refinement of regulation, both at the financial and non-financial actors levels. He added that mobile money is gaining momentum in the area and it is important to control it.

7.2.5. Experience of the Bank of Uganda

7.2.5.1. The experience of the Bank of Uganda (BOU) was presented by Dr. Louis Kasekende, Deputy Governor of Bank of Uganda. He stated that the issue of the termination of correspondent banking relationships has been a concern for the central banks in the East African Community (EAC). In 2017, the Monetary Affairs Committee of the EAC, which brings together all the EAC central banks, requested its members to assess the extent to which commercial banks in the EAC member States had lost correspondent banking relationships with international banks.

7.2.5.2. According to the responses of a survey of the domestic commercial banks carried out by Bank of Uganda (BOU), the extent to which these banks had suffered termination of correspondent banking relationships was relatively limited. Only three commercial banks, out of 24 in the domestic market seemed to be affected. The motivation for the termination of CBRs on the part of the correspondent bank was mainly commercial rather than to reduce risk per se.

7.2.5.3. With the exception of these three cases, commercial banks in Uganda have not been affected by de-risking. Many of the banks in Uganda are subsidiaries of international or regional banking groups and use institutions within their banking groups for correspondent banking transactions. Subsidiaries of international banks also enjoy strong support from their parent banks to improve Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT), risk management and for securing correspondent banking relationships.

7.2.5.4. To mitigate the risk of further loss of correspondent banking relationships, the Government of Uganda and the BOU have implemented measures to ensure that the Ugandan financial sector complies with international best practise with respect to safeguards against the abuse of the financial system for illicit purposes. These measures include particularly the establishing of a strong legal framework for AML/CFT, namely the enactment of the Anti-Money Laundering Act 2013 and complimentary regulations as well as the establishment of the Financial Intelligence Authority, the compliance with and the implementation of Know Your Customer and customer due diligence guidelines by banks, requiered by BOU, and the compliance with UN measures on AML/CFT as well as measures taken by BOU to enhance cooperation with regulatory authorities in other jurisdictions including establishing Memoranda of Understanding (MOUs).

7.2.5.5. Dr. Kasekende indicated that one major challenge has been the legal conundrum with respect to implementation of US sanctions that are not part of the UN list. He added that the other challenge is on forex bureaux. While they are part of the formal sector, they conduct across-the-counter transactions which may not take into account the AML/CFT guidelines. They need to be more vigilant on the KYC pratices.

7.2.5.6. He concluded by arguing that as a way forward in addressing illicit flows, there is need for stronger legislation, platform to share information, to strengthen financial intelligence units, to allow small banks to have joint platforms to discuss issues, strengthening identification systems such as national identity cards and for countries to ensure compliance to the AML/CFT laws and regulations.

7.2.5.7. Following the presentation of the various experiences, the Chairman of the session, Mr. Tarek Amer, Governor of the Central Bank of Egypt, noted the differences in the situations faced by the different countries with respect to de-risking and IFFs issues. He, inter alia, underscored the need to foster cooperation among AACB member central banks as well as with other partners to tackle the issues related to IFFs. The issue of de-risking should also be considered and proposals made to address the problem at the continental level.

7.3. <u>Some common ground derived from the discussions</u>

7.3.1. The Governors considered that the focus should be on the role of African central banks in the fight against IFFs, through the strengthening of the requirements for the control and auditing of client operations, notably through the KYC, the strengthening of the AML / CFT system to detect suspicious transactions and the declaration of suspicion to the Financial Intelligence Units, the development of electronic currency infrastructures to reduce fraud and IFFs, as well as the intensification and systematization of awareness-raising actions for bank staff assigned to anti-money laundering structures.

7.3.2. They called for coordination of central bank efforts, which should be supported by international organizations such as IMF, through capacity building. They also noted the need to strengthen the legal and institutional framework on IFFs, with a regional focus, to reduce the negative impact of IFFs on African economies.

7.3.3. Given the importance of the KYC with regard to the de-risking issue, the Governors encouraged the sharing of information, and wished that the information be available on a platform to reduce costs. They finally emphasized the need for adequate regulation.