



## **Governor Reports on De-risking at Financial Stability Board Meeting**

Governor of the Central Bank of Barbados, Dr. DeLisle told the Financial Stability Board meeting in Chengdu, China that de-risking is severely impacting banks in Latin America and the Caribbean.

He was at the time reporting to the FSB meeting on the workshop on "De-risking Strategies of International Banks" that had been organised by the Regional Consultative Group for the Americas (RCG\_A) in Montreal on May 27.

Governor Worrell explained that banks in the Caribbean and in Latin America had become very selective about opening new accounts, subjecting all clients to intensive scrutiny, arbitrarily closing accounts of customers of long standing, selling off subsidiaries, and cutting back in other ways, all in an effort to reduce their risks of incurring huge fines and penalties, of sustaining damage to the bank's reputation, or of other costs and sanctions.

That workshop attracted the participation of Canadian, American and Caribbean banks – both those offering correspondent banking services and local and regional banks affected by de-risking strategies – as well as the IMF, World Bank, and international regulatory bodies, together with central banks, national regulators and treasury officials from across the Americas.

Barbados and many other Caribbean countries see this as a matter of some urgency, because the problem is intensifying, as more and more reports come in of banks losing correspondent relationships, banks shedding customers and lines of business of long standing, and other anomalies.

Further work is needed to establish the scope, magnitude and impact of de-risking activities, as well as the efficacy of the measures that are being suggested as palliatives or remedial actions. Barbados and other members of the group are interested in continuing the discussion on this matter, with the involvement of all those who were invited to the Montreal meeting.

The FSB has appointed a task force on the withdrawal of correspondent banking relationships, of which Sadie Dixon, the Central Bank of Barbados' legal counsel, is a member. The Chair of the task force reported that investigations so far have revealed a decline in the number of active correspondents, across all regions of the world. The de-risking strategies of international banks also featured in reports to the FSB plenary from other regional groups from Asia, Africa and the Middle East. The IMF and the World Bank also reported to the FSB on their research on this matter.

Dr. Worrell said that RCG\_A members welcome the FSB's co-ordinating work on what is now recognized to be a global problem that is being discussed by institutions and conferences world-wide. Members of the RCG\_A will continue to provide inputs for this ongoing exercise.

Dr. Worrell shares the chairmanship of the Regional Consultative Group for the Americas with Carolyn Wilkins, Deputy Governor of the Bank of Canada, for the period 2015-17. The group is one of six regional affiliates of the Financial Stability Board, the co-ordinating body set up among the Group of 20 countries. Barbados hosted a meeting of the RCG\_A in December 2015.

**2016-07-26.**