

## CAB Actions Regarding the Correspondent Banking Issue

### Area of Concern: **Impacts on CAB Members and CAB's Responses to Correspondent Banking Relationship Issues.**

#### Impacts and Actions:-

##### **CAB's Actions:**

- CAB representatives attended the FIBA AML Conference in Miami, primarily to discuss this issue with key stakeholders.
- CAB wrote to the CARICOM Chair and Secretary General, on 17<sup>th</sup> February 2015, highlighting the issues and serious impact on the region and requested that the issue be raised at the highest level in the USA.
- CAB wrote to other stake holders such as CDB, World Bank, IMF and Bankers Associations throughout the Caribbean to bring the issue to their attention and solicit their support and assistance in raising the issue with other stakeholders.
- CAB conducted a survey among members in order to determine the extent of the challenge being faced. Twenty two members responded so far; the results of which indicate that there is a 77% dependence of Caribbean banks on one correspondent in particular, thus highlighting the vulnerability of the region.
- Discussions were held with an IMF representative to solicit their assistance.
- Discussions were held with three main correspondent banks.
- CAB recommended that CARICOM raise this matter with President Obama at the meeting with CARICOM Heads of Government in Jamaica, 9<sup>th</sup> April 2015.
- CAB issued a press release entitled "THE CARIBBEAN ASSOCIATION OF BANKS INC (CAB) LOOKS FORWARD TO A RESOLUTION ON THE ISSUE OF CORRESPONDENT BANKING RELATIONSHIPS"

##### **Key Outcomes (January – April 2015):**

- The matter was raised at the CARICOM Heads of Government meeting in the Bahamas in February 2015 and consequently, the CAB was invited to be part of a ministerial committee assigned to seek solutions to address the issue.
- Hon. Gaston Brown, PM of Antigua, addressed President Obama on this issue during his visit to the region in April and the President did promise to investigate the matter. (as

referred to in CAB's press release attached)

- CAB was contacted by the Political and Economic Affairs Officer in the US Embassy of Barbados who advised that the issue of Correspondent Banking Relationships which was raised with President Obama during his recent visit to Jamaica is receiving the attention of the National Security Council (President Obama's closest advisors). It was mentioned that individuals at all US embassies, in the region have been asked to speak with key stakeholders on the matter.

#### **CAB's Actions:**

In June 2015, the European Union Commission released the "**Action Plan for Fair and Efficient Corporate Taxation in the EU**" which included 15 Caribbean countries in a "black list" of non-cooperative jurisdictions.

- The CAB wrote to the CARICOM Secretary General, Irwin LaRoque, expressing concern that the EU's "blacklist" may serve to exacerbate the perception of our region as a high risk area and negatively impact the correspondent banking issue. The CAB requested that CARICOM develop a mechanism to ensure that the region is represented in such influential processes which can impact the growth and development of our economies.
- The CAB issued a Press Release calling upon the EU to carefully review the criteria used by its member states to assess and determine the countries that are non-compliant in tax matters. The CAB also recommended greater collaboration between the EU, the OECD and the Global Forum on Transparency and Exchange of Information for Tax Purposes before "Black List" reports are issued.

#### **Conference Participation**

- The Chair of Advocacy Committee- Director Eleuthere-JnMarie made a presentation on the topic "Surviving Correspondent Banking Risk Rating" at the Bahamas Institute of Financial Services Conference held Sep 16-17 in the Bahamas. The conference was very well attended by finance industry delegates from the region as well as internationally.
- The presentation by CAB was very well received with endorsements coming from the audience with regards to points made during the delivery for the need to present a unified approach to regulatory and legislative reform.
- The Chair – Ms. Charles participated in the Inter Expo 21<sup>st</sup> Trade Mission Conference in Amsterdam under the theme "Sustainable Business between the Kingdom of the Netherlands, the Caribbean and Latin America and made a presentation on the topic "Caribbean Banks: Facilitators of Trade and Investments for Growth and Development",

as well as participating in a round table discussion on Correspondent Banking and the issues faced by Banks worldwide especially small non US and Offshore banks. It was recognized that the approach to successful advocacy should be a collaborative one with all key stake holders making representation to Washington.

- The Chair – Ms. Charles was invited by Caribbean Central American Action and the Caribbean Export Development Agency to participate in a workshop on ***Caribbean Banking and the Caribbean International Financial Services Sector*** from Sep 30-Oct 1, 2015. This workshop brought together key members of the regional and international stakeholder community, including Central Banks and financial institutions, to identify possible solutions for regional institutions and economies. Of the three (3) key topics: **Correspondent Banking, Remittances and the Offshore Industry**, Ms. Charles was a panelist in the workshop on Correspondent Banking and presented on and discussed:

- Compliance trends and its impact on banking services, payments of trade and retail business.
- International compliance standards: CRS, FATCA and their implications for the business economy.

The ultimate aim of the workshop was to create a white paper, to be presented for consideration at the upcoming OECD Global Forum on Transparency and Exchange of Information for Tax Purposes taking place in Bridgetown, Barbados, on the 29-30<sup>th</sup> October 2015.

#### **Response to the District of Columbia’s 2015 Budget Support Act “tax haven” List**

The referred list appears within the District of Columbia’s 2015 Budget Support Act which expands the definition of “tax haven” (for purposes of the water’s-edge combined group rules) and includes 17 Caribbean countries, erroneously.

- The CAB sent letters requesting the removal of the Caribbean countries from this list to:
  - The US Congress - Chairman and Ranking Members of both the House Appropriations Committee and the Subcommittee on Financial Services.
  - The Mayor of the District of Columbia, Muriel Bowser, and 13 Council members.
- The CAB also circulated these letters to the Ambassadors of the named countries to the USA.
- The CAB released a Press Release which was circulated to local, regional and international media. The release was also translated into Spanish and circulated to Latin American and USA news agencies.

**Key Outcomes (June – October 2015):**

- The DC 2015 Budget Support Act was passed but without the tax-haven list.

The CAB is currently working on the possibility of making joint representation, with other stakeholders, to Washington this year, in order to further advocate on the correspondent banking issue.