



Correspondent Banking Risk Management

Course Objectives

The overall goal of this two-day course is to provide participants with an understanding of the risks in providing Correspondent Banking services in the current highly regulated operating environment and how these risks can be mitigated and therefore managed. The focus will be on combating financial crime in the form of money laundering and terrorist financing via the adoption of industry best practice and the avoidance of higher risk activity. Particular attention will be given to an examination of the key regulatory requirements and the importance of adhering to these. The course will also explain that Correspondent Banking can be a very remunerative line of business but only if the risks are understood and appropriately managed. The course is highly interactive via the use of exercises and practical examples to illustrate the key learning objectives.

1. Key Learning Outcomes

- What Correspondent Banking is and does; its history and relevance in today's world by facilitating international trade
- The current Regulatory regime that seeks to deter financial crime; to include an examination of the USA Patriot Act, OFAC and FATF requirements
- The Wolfsberg Group and the determination of industry best practice for Correspondent Banking
- The various types of counterparty involved in Correspondent Banking and the different risks they pose
- Key Correspondent Banking products and their inherent risks
- The infrastructure required to identify and manage the risk of Correspondent Banking

2. Target Audience

Participants should have a basic understanding of correspondent banking products before attending this course.

Course Content:

1. Overview:

This opening section provides an insight into the history of Correspondent Banking, its inherent risks and why there is a rigorous regulatory oversight.

- Definition and overview of Correspondent Banking and its importance today
- What constitutes financial crime, why it is a particularly applicable to Correspondent Banking and what should be done to combat it
- Lessons learned through failures to identify financial crime
- **Exercise:** Is Correspondent Banking an acceptable line of business given the risks?



REGISTRATION

: registrations@maximacorporation.org

URL: www.maximacorporation.org

CUSTOMER SUPPORT: customersupport@maximacorporation.org

Flat 303, Dominion Centre, 43 - 59 Queen's road East,
Wanchai, Hong Kong



2. Regulatory Oversight

This section focuses on key pieces of global regulation which govern financial crime risk management and compliance and draws-out the importance of meeting global and local regulatory requirements.

- The USA Patriot Act; the implications and requirements governing transactions in US Dollars or involving US citizens or entities
- OFAC Sanctions; including Wire Origination Rules and payments transparency
- Wolfsberg Group; industry best practice guidance and recommendations
- Exercise: Which regulation presents the greatest risk and why?

3. Types of Client and Accounts

This section covers the numerous types of client and accounts involved in Correspondent Banking and the risks which arise with each one.

- 3rd party Correspondent Banks
- Downstream or “Nested” Correspondent Banking
- Shell Banks
- Money Service Bureaus
- Anonymous Accounts
- Pass-through Accounts
- **Exercise:** risk appetite; which types of client and account are considered to be acceptable risk and why? What policies should a bank have in dealing with different types of client/account?

4. Products

This section focuses on the key products used in Correspondent Banking and the risks they pose.

- Payments:
 - Making and receiving payments through your Correspondent Banking network
 - Identification of the types of risk which arise in the payments process including currency risk
 - Exercise: identify risks within the payment process and how these can be managed
- Account services
- Trade Finance products:
 - Documentary Collections
 - Letters of Credit
 - Guarantees
- **Exercise:** which products represent the greatest risk from a financial crime perspective?





5. Risk Management

This section looks at the broad concepts of risk management designed to prevent financial crime.

- Defining the bank's appetite for risk within Correspondent Banking
- Communication of internal policies and procedures for financial crime compliance
- Compliance with global, international and local regulations & industry standards
- Customer Due Diligence, including KYC and ongoing due diligence throughout the life of the relationship
- Monitoring and Screening of transactions
- Procedures for customer risk investigation, escalation and potential exit
- Exercise: which risk mitigant is the most important to protect the bank?



REGISTRATION

: registrations@maximacorporation.org

URL: www.maximacorporation.org

CUSTOMER SUPPORT: customersupport@maximacorporation.org

Flat 303, Dominion Centre, 43 - 59 Queen's road East,
Wanchai, Hong Kong