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South Pacific Central Bank Governors consider possible solutions for De-Risking

The Governors of the South Pacific Central Banks continue to be concerned with the global banks' de-risking decisions. This was one of the key issues discussed at the 30th South Pacific Central Bank Governors' annual meeting in Wellington, New Zealand on 2-4 December 2015, which the Governor of the National Reserve Bank of Tonga (NRBT), Dr. Sione Ngongo Kioa, attended.

Tonga has been affected by the global banks' de-risking decisions based on heightened Money Laundering and Terrorist Financing risks that are associated with money transfer operators (MTOs), through the closing of the MTOs' bank accounts and the closing of domestic banks' US dollar correspondent bank accounts. It was agreed that the solutions provided to date are taking too long, and a more creative and innovative approach is urgently required to encourage banks, whose services are needed by Money Transfer Operators, to allow the flow of remittances to the small island countries.

Dr. Kioa reported that the Governors have agreed to require the banks operating in the South Pacific region to provide plans or solutions to addressing the de-risking issues. In addition, the Governors are to meet with the Anti-Money Laundering/Counter Terrorist Financing standard setters such as the Financial Action Task Force and the Asia Pacific Group on Money Laundering and Terrorist Financing to discuss the root cause of the de-risking issue and best possible solution. The Governors noted the importance of re-emphasising to the global forums the importance of remittances and the implications of de-risking on the small island countries.

The South Pacific Central Bank Governors' annual meeting was attended by the Governors from the Bank of Papua New Guinea, Reserve Bank of Fiji, Central Bank of Samoa, Central Bank of Solomon Islands, National Reserve Bank of Tonga, Reserve Bank of Vanuatu, Central Bank of Timor-Leste, Reserve Bank of New Zealand and the Deputy Governor of the Reserve Bank of Australia.

National Reserve Bank of Tonga