

Outcomes Statement of the Pacific Banking Forum

The Pacific Banking Forum (Forum) was co-hosted by the Australian and United States (U.S.) Governments and convened on 8–9 July 2024 in Brisbane, Australia. The Forum delivered Prime Minister Albanese’s and President Biden’s commitment to work with Pacific Island countries (PICs) and public, private and multilateral sector partners in the region to address the decline of correspondent banking relationships (CBRs) in the Pacific. The Forum supported the Pacific Islands Forum Secretariat’s (PIFS) [CBR Roadmap](#), a multi-year plan with recommendations, actions, and benchmarks for PICs and development partners to address the decline of Pacific CBRs. Specifically, the Forum complemented the CBR Roadmap initiative to convene public-private partners to understand the key issues and to support engagement between governments and correspondent banks.

The Forum brought together Finance Ministers, Central Bank Governors, regulators, international financial institutions (IFIs), multilateral development banks, policy makers, Financial Intelligence Units (FIUs) and commercial banks to address critical issues with CBRs in the region.

Summary of discussion

CBRs are an integral component of cross-border payments which support vital remittance, trade, and investment flows into and out of the Pacific. The Pacific region has experienced the fastest withdrawal of key CBRs in the world. The decline of local bank and remitter access to key payment systems presents challenges to economic resilience, economic growth and financial stability and inclusion in the Pacific. Limited profitability, higher costs, lack of scale, challenges in mitigating financial crime risks, and uneven effectiveness of anti-money laundering and combating the financing of terrorism (AML/CFT) frameworks are identified as key drivers of de-risking in the region.

Importance of AML / CFT compliance and effectiveness for access to global economy

Efforts to improve financial sector regulation and supervision across PICs are progressing. However, inconsistencies in the uptake and the effectiveness of AML/CFT regulatory frameworks continue to be a driver of de-risking in jurisdictions. At the Forum, correspondent banks and their home jurisdiction regulators emphasised the need for robust AML/CFT frameworks as a key requirement for receiving correspondent banking services. Participants also noted the benefits of regional harmonisation of PIC regulatory and AML/CFT supervisory frameworks where appropriate, and the role of multilateral partners and regional institutions like PIF and the Asia/Pacific Group on Money Laundering (APG) in facilitating this. Participants also noted the benefits of enduring regional engagement between AML/CFT supervisors. Participants also committed to coordinating the provision of AML/CFT technical assistance across PICs to support effectiveness.

Importance of enabling infrastructure and institutional capacity-building

Foundational building blocks of digital public infrastructure are integral to support both regulatory compliance and financial inclusion, including through well-functioning national payment identification and data exchange systems. At the Forum, participants acknowledged that investment in domestic enabling infrastructure, such as digital identification, payments infrastructure and digital solutions, will support broader financial system resilience in PICs. Government provision of digital identification and other systems to support due diligence will improve the accuracy of these processes and the capability of respondent banks to demonstrate their record keeping and compliance.

Delegate commitments

Pacific Island Countries (PICs)

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| <ul style="list-style-type: none">• Cook Islands• Federated States of Micronesia• Fiji• Kiribati• Nauru | <ul style="list-style-type: none">• New Caledonia• Niue• Palau• Papua New Guinea• Republic of Marshall Islands | <ul style="list-style-type: none">• Samoa• Solomon Islands• Tonga• Tuvalu• Vanuatu |
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Recognising the importance of sound AML/CFT frameworks for good governance, financial security, maintaining an environment conducive to investment and private sector development, and access to CBRs, PICs reiterated their ongoing commitment to the Financial Action Task Force (FATF) Standards and the APG mutual evaluation process and coordination of AML/CFT technical assistance through APG processes.

In line with the CBR Roadmap, PICs commit to supporting data collection efforts and acknowledge the development of the CBR Dashboard of Action on AML/CFT Compliance and the CBR Resilience Index will support them to track gaps in AML/CFT action and key information about CBRs in their countries, respectively. Additionally, participants recognised that enhanced cooperation, strong leadership, and sustained participation by key stakeholders are central for the CBR Roadmap's implementation.

PICs are committed to creating the necessary enabling environment to mitigate the growing potential of de-risking. PICs commit to exploring the development of context-appropriate systems and models of digital identification to support improvements to 'know your customer' (KYC) and 'customer due diligence' (CDD) measures, to support financial inclusion for vulnerable and disadvantaged groups and other development outcomes such as delivery of social protection, healthcare, and education, the digitalization of government and the economy, and disaster response. PICs will work with the PIF and development partners to agree to regional solutions that address access to CBRs, including through empowering organisations like the PIFS.

PICs commit to exploring regional solutions to address the long-standing structural issues, including through the World Bank's proposed *Pacific Strengthening Correspondent Banking Relationships (CBRs)* project.

Pacific Islands Forum Secretariat (PIFS)

PIFS will continue to coordinate efforts within PICs to implement the CBR Roadmap, including the outcomes of the Forum.

PIFS will progress through the Forum Economic Ministers Meeting the commitments from the Forum.

Development Partners

Development partners (including IFIs, Australia, U.S., New Zealand, Japan and Canada), commit to coordinate efforts and support solutions to address the structural causes of de-risking. This policy area is complex and there is no single solution to resolve the challenges. To avoid duplicating efforts or undertaking measures in siloes, development partners acknowledge the importance of collaboration and complementarity in their technical assistance activities and working jointly with other partners. The effective management of available resourcing for PICs is essential during this process. Development partners will support the Pacific De-risking Group efforts to coordinate and implement the CBR Roadmap, including institutional capacity-building objectives and other technical assistance efforts to achieve a long-term, practical and sustainable solution.

In line with U.S., Australian and New Zealand objectives to promote reliable, inclusive and trusted financial channels and connectivity in the Pacific, we strongly welcome the World Bank's efforts to enable continuous access to correspondent banking services in PICs. The U.S., Australia, New Zealand and other partners are closely engaged with the World Bank on the design and financing needs for the proposed *Pacific Strengthening CBRs* project, subject to project approval by the World Bank Board of Executive Directors.

United States

The U.S. remains committed to supporting the economic development and growth of PICs, including efforts outlined by the PIFS CBR roadmap to address the decline in Pacific CBRs.

The U.S. commits to provisioning AML/CFT assistance to the PICs in cooperation with the APG, including through the APG's technical assistance forum.

The U.S. commits to supporting the development of banking regulations and AML/CFT expertise in the Pacific through technical assistance capacity-building programs such as partnerships with key financial and law enforcement counterparts, technical exchanges, engaging with Pacific region supervisors in connection with U.S. regulatory agencies' training programs for foreign banking supervisors, and the State Department's International Visitor Leadership Program.

U.S. Treasury plans to host Pacific Finance Ministers, Banking Commissioners and Central Bank Governors during the 2024 Annual Meetings of the World Bank Group and International Monetary Fund (IMF) to discuss progress on commitments made at the Forum. U.S. Treasury will invite relevant stakeholders, including U.S. regulators and correspondent banks.

Australia

Australia commits to supporting PICs to tackle the challenges of de-risking. Australia recognises that addressing this challenge will support PICs' access to the global financial system, enhance economic development, promote gender equality and enable climate finance.

Australia commits to ongoing efforts around law enforcement and criminal justice support and collaboration directly relevant to AML/CFT and combatting financial crime. In addition, Australia continues efforts in supporting Pacific FIUs to build their capacity through the Taipan program and enhanced operation collaboration through the Pacific Financial Intelligence Community (PFIC).

Australia commits to working with PICs, IFIs and other development partners, including by providing:

- an additional AU\$2.9 million to the World Bank to support the development of inclusive and secure digital identity infrastructure across PICs,
- another AU\$1.7 million to the Asian Development Bank to enhance regional compliance with AML/CFT requirements, and
- AU\$1.7 million for the Attorney-General's Department to assist with criminal justice and law enforcement capacity in the region.

New Zealand

New Zealand remains committed to supporting a resilient and stable Pacific banking system in accordance with Pacific priorities. This will be achieved by supporting established programmes, such as the Pacific AML/CFT Capacity Development Programme through the APG, which address the underlying causes of de-risking, and coordinating with the private sector. New Zealand will continue to work closely with Pacific countries, development partners, the APG, and partners in the banking sector, to support the outcomes of the Forum and the implementation of the PIFS CBR roadmap, including a commitment of US\$2 million to the World Bank's proposed *Pacific Strengthening CBRs* project.

U.S., Australian and New Zealand financial regulatory authorities

U.S., Australian and New Zealand regulatory agencies (the regulatory agencies) commit to ongoing engagement with Pacific Island supervisory authorities to facilitate discussion on financial sector issues, regulatory and supervisory matters, and related challenges faced by PICs. In addition, the regulatory agencies will engage with the APG to coordinate and facilitate AML/CFT technical exchanges with PICs.

The regulatory agencies also commit to strengthening ongoing efforts to address de-risking practices from supervised or reporting entities and to continue to align supervisory practices with respective national governments' foreign policy, national security, and financial inclusion objectives.

Japan

Japan, as the incoming co-chair of the APG, plans to promote capacity-building activities for PICs as a priority of the APG. In addition, Japan will work with Australia, U.S., and other bilateral and multilateral development partners to support PICs in addressing the issue of the decline of CBRs.

World Bank Group

The World Bank Group is committed to continuing to support PICs to address the withdrawal of CBRs. The World Bank undertook a comprehensive CBR diagnostic study and is supporting PICs with the implementation of a series of sequenced and time-bound actions contained in the resulting CBR Roadmap.

The World Bank is continuing to support PICs through the preparation of a regional project to address CBR challenges. The proposed *Pacific Strengthening CBRs* project benefits from strong ownership by PICs. As part of project preparations, the World Bank has been providing technical assistance to PICs on key reforms to strengthen AML/CFT legal and regulatory frameworks. In parallel, the World Bank is working on supporting PICs with developing national payment systems and their oversight. This is complemented by ongoing preparation of projects to develop payment systems and digital public infrastructure in PNG, Samoa, and Tonga. These projects build on previous World Bank and IFC engagement to support payment system development in Fiji, PNG, Samoa, Solomon Islands, Tonga, and Vanuatu. Scaled up support for the development of inclusive and secure digital identification systems will help to improve CDD and promote greater access and usage of financial services by Pacific Islanders.

The World Bank is exploring with partners the mobilising of financing for non-IDA eligible countries to participate in the proposed *Pacific Strengthening CBRs* project.

Asian Development Bank

The Asian Development Bank (ADB) reaffirms its strong commitment to working with Pacific members to secure sustainable access to CBRs. The ADB is already assisting countries throughout the Pacific in improving their regulatory frameworks, enhancing their capabilities to comply with AML/CFT requirements, and expanding eKYC and digital CDD. The ADB will step up its support by developing a Pacific eKYC strategy, and addressing critical issues such as digital national IDs as a key building block in overcoming CBR constraints. The ADB will increase the support it provides through technical assistance and strengthening partnerships with other regional development partners, including the World Bank, to undertake investments that will help safeguard Pacific members' access to CBRs, such as enabling infrastructure.

Additionally, the ADB will broaden its networks with international banks, payment providers, and fintech companies to mitigate the shortage of correspondent banking services; and will continue to support Pacific banks through its Trade and Supply Chain Finance Program. These actions will complement ADB's ongoing commitment to improving financial inclusion in the Pacific as a key driver of future prosperity and greater economic and community resilience.

International Monetary Fund (IMF)

In line with the G20 Roadmap for cross-border payments (safe payment corridors building block), IMF staff support PICs' efforts to reduce CBR pressures by providing solutions to decrease compliance and regulatory costs, and more generally adapt the relevant regulatory frameworks to facilitate the use of effective cross-border payments in lower ML/TF risk payments corridors. In the context of the IMF's surveillance and convening powers roles, staff can continue to assist countries with undertaking safe payment corridor analyses and facilitating dialogue on de-risking, AML/CFT and financial regulation, and other factors to address the decline in CBRs. Finally, staff will continue to provide tailored capacity-building assistance to address AML/CFT-related drivers of CBR pressures.

The Asia/Pacific Group on Money Laundering (APG)

The APG supports efforts by its members, development partners, IFIs and the private sector to fast-track risk-based AML/CFT improvements across the Pacific. APG assessments have found mixed levels of compliance and effectiveness across Pacific members. The APG supports the PIFS CBR Roadmap and initiatives coming from the Forum. The APG continues to enhance its processes to coordinate AML/CFT technical assistance between Pacific members and development partners; accelerate the frequency of mutual evaluations to assess AML/CFT compliance and effectiveness of all Pacific members; and deliver targeted technical assistance through the New Zealand-funded Pacific AML/CFT Capacity Development Programme.

Correspondent banks

Participating correspondent banks (the banks) support the objectives of the Forum to address the decline of Pacific CBRs. The banks welcome the commitments from the PICs to enhance their institutional capacities and effectiveness of AML/CFT regimes. The banks further underscore the importance of modernizing financial systems and standardizing AML/CFT regimes to the greatest extent possible throughout the region.

The banks commit to exploring ongoing opportunities and engaging Pacific Island governments and respondent banks to consider strengthening CBRs through the region, in line with countries' enhancements of their AML/CFT frameworks and regional uplift of safe and sustainable banking sectors.

The banks also commit to closely engaging with and providing technical feedback to the World Bank's proposed *Pacific Strengthening CBRs* project to address CBR challenges in the Pacific.



Australian Government



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The Pacific Banking Forum
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Conclusion

All parties agree to work together to grow CBRs in the Pacific region. The Forum has promoted coordination between key stakeholders to uplift capacity and effectiveness in operationalising AML/CFT frameworks, and identify practical and innovative solutions to maintain access to and increase the CBRs available to PICs. Joint coordination between stakeholders is essential to ensure PICs have sustainable and enduring access to cross-border payments and global capital.