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De-risking and the Caribbean One-Page Summary

(1) Correspondent banking is an essential component of the global payment system. Through correspondent banking, banks can access financial services in different jurisdictions and provide cross-border payment services to their customers, supporting international trade and financial inclusion.

(2) Small states, like the Caribbean countries, are in danger of losing their correspondent banking connection to the US economy, as many large international banks have withdrawn from correspondent banking relationships.

(3) The loss of correspondent banking is foremost on the minds of Caribbean leaders. While trade amounts to one-third of the United States' gross domestic product, trade is equivalent to almost half the GDP of developing countries in Latin America and the Caribbean, and almost 100 percent of the GDP in small Caribbean states.

(4) The loss of correspondent banking is also on the minds of those who care about the ability of the United States to apply economic sanctions. If economies drop out of the US banking system, America's ability to influence global affairs will be reduced.

(5) The loss of correspondent banking is also important to the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) enforcement community, because enforcement is made more difficult when transactions occur outside the banking system.

(6) There appears to be a developing consensus that the solution to the de-risking problem is for an improved enforcement regime: one that balances the need for AML/CFT enforcement with the need for financial inclusion.

- The international banks, after a thorough review of the AML/CFT enforcement regime, drew that conclusion. See *A New Paradigm: Redesigning the U.S. AML/CFT Framework to Protect National Security and Aid Law Enforcement*, issued by The Clearing House in February 2017.
- In the 114th Congress, the House, after a thorough review of AML/CFT enforcement, passed H.R. 5594, calling for a new comprehensive national enforcement strategy. The Senate concurred with S.A. 5127, but not in time for adoption before the House adjourned.

(7) With the international banks and the two lead Congressional committees, House Financial Services and Senate Banking, demanding a new strategy and a change in Administration underway, the opportunity exists to reorient AML/CFT enforcement in a manner that retains effectiveness while making de-risking a thing of the past.

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