



Remarks by Acting Under Secretary for Terrorism and Financial Intelligence Brad Smith at a Roundtable with the Pacific Banking Forum and the Government of Australia

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As Prepared for Delivery

Good afternoon, it is great to be here with you today, and I am pleased that all of you were able to join us. For those who do not know me, I am Brad Smith, the U.S. Treasury's Acting Under Secretary for Terrorism and Financial Intelligence. My predecessor, Brian Nelson, attended the Pacific Banking Forum in Brisbane in early July. The offices I lead deploy the United States' financial intelligence, regulatory, enforcement, and accountability tools to combat terrorist financing, money laundering, and other urgent illicit finance threats. This work is critical to safeguarding the U.S. and international financial systems from those who misuse it and undermine U.S. national security. It is one of the Treasury Department's core missions, along with advancing a strong economy that promotes growth, fairness, and opportunity for all.

I am joining you here today to discuss how these two missions intersect, and how we can collectively take steps to safeguard our financial systems while also promoting greater financial inclusion. Before I begin, I want to thank all of you for the hard work your governments and teams have dedicated to this important effort and making time to be here during a busy week. I would especially like to thank our Australian counterparts for co-hosting this event with us. They have been an excellent partner in this endeavor, and I really appreciate all their efforts.

As you all know, financial inclusion is a critical driver of economic development, stability, and opportunity. A big piece of promoting financial inclusion is access to correspondent banking. Correspondent banking bolsters international trade by reducing financial friction and allowing for quick and lower-cost transactions across borders. At the macro-level, correspondent banking facilitates large-scale foreign investment, including financing for infrastructure and development projects, while also helping countries make their financial systems more

resilient. And at the micro-level, correspondent banking helps individuals more easily and affordably send funds—including remittances—across borders. Yet in recent years, we have seen the Pacific region experience the fastest withdrawal of correspondent banking relationships in the world. Limited profitability, higher costs, lack of scale, and uneven anti-money laundering and countering the financing of terrorism (AML/CFT) effectiveness have been identified as critical drivers of de-risking in the region.

The United States is committed to an Indo-Pacific that is free and open, connected, prosperous, secure, and resilient. A key part of achieving those goals is making sure people and businesses in the region have access to the global financial system. This is why President Biden and Prime Minister Albanese committed to working with Pacific Island countries and why the Pacific Banking Forum was created: to convene public and private partners, to understand the critical issues, and to support engagement between governments and correspondent banks. I want to commend the important pledges that PBF participants made in July to advance their work to address the decline of correspondent banking relationships in the region.

Since the Brisbane meetings, delegates from the PBF have continued to explore solutions to address the decline in correspondent banking relationships, including visits to the region, conversations with local Pacific banks, and engagements with development partners to coordinate efforts. It is important that we are all reconvening. We should use this opportunity to reaffirm the commitments we made in July and provide updates on our efforts since then. Having the Pacific Islands representatives here allows us to hear a regional perspective on current developments with regards to correspondent banking and financial inclusion. Having the financial institutions and regulators participate is essential for us to better understand the challenges and opportunities in restoring and expanding financial inclusion the region. Donors and IFI participation are critical to help deliver solutions. One of the potential solutions is being developed by the World Bank, which has recently launched a project to provide an emergency backstop for CBR services and to explore long-term solutions to de-risking. We strongly support these efforts. Later on, we will hear an update from the World Bank on this project. I would like to specifically thank them for participating and agreeing to share with us their progress on this important effort.

For our part, I'm proud to note that President Biden recently announced that the U.S. intends to contribute \$1.5 million to the World Bank's efforts to strengthen correspondent banking in the region, and I am pleased to hear that other countries including Australia and New Zealand

will also make similar contributions. At Treasury, we will continue our work with partners in this vital region. We have worked with the Asia Pacific Group on Money Laundering on technical assistance missions. Treasury also continues to work within the U.S. government to find technical assistance opportunities in the region. We have also engaged with U.S. banks and regulators to further the discussion on how better to support the growth of correspondent banking in the Pacific.

And we continue to work on making our own AML/CFT regulatory and supervisory regime more effective and risk-based, and to deliver on our de-risking strategy—including through ongoing FinCEN rulemaking that revises financial institutions' AML/CFT program requirements. This rulemaking effort will help ensure that financial institutions do not take a “one-size-fits-all” approach to customer risk. As our de-risking strategy highlights, collaboration and collective action among public and private stakeholders remains the most effective path to prevent the categorical termination of banking relationships. Today is an opportunity to do just that. Your experience and insights will help inform our next steps on this important issue, and we look forward to the conversation today. Thank you.

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