



# Wolfsberg Frequently Asked Questions ("FAQs") on Correspondent Banking Questionnaire v1.0

22 February 2018

## **Introduction**

The Correspondent Banking Due Diligence Questionnaire (“CBDDQ”) was released to the banking community in October 2017. Alongside Publication Guidance, Completion Guidance and Glossary, the Frequent Asked Questions (“FAQs”) was created to provide additional context to the CBDDQ and add clarification based on feedback received from the industry since its publication.

The FAQs is a live document and it will be updated as and when the need to include new topics is identified. The version control found on the cover and foot note of this document identifies the version number.

### **1. Why has the CBDDQ been updated?**

The original Questionnaire was a significant step forward when it was first published in 2004 and then updated in 2014; but as financial crime compliance programmes have evolved and become more sophisticated, the limitations of the original Questionnaire have become evident. This is evidenced by the creation of questionnaires by individual Financial institutions (FIs) (including Wolfsberg Group members) with significantly more questions than in the original.

In response to both an increase in regulatory expectations, as well as a call for action from the Financial Action Task Force (“FATF”), the Financial Stability Board (“FSB”) Correspondent Banking Coordination Group (CBCG) and the Committee on Payments and Market Infrastructure (“CPMI”), to strengthen and build efficiency in due diligence tools, the Wolfsberg Group (‘the Group’) has revised its 2014 AML Questionnaire, focusing on cross-border and/or other higher risk Correspondent Banking relationships. The CBDDQ constitutes a “reasonable and enhanced” question set likely to be satisfactory in most situations, barring very exceptional cases.

### **2. What is the difference between the previous Questionnaire and the CBDDQ?**

The CBDDQ is a considerably enhanced version, moving from 28 to 110 questions, expanding content to cover Anti-Bribery and Corruption, Counter terrorism Financing and Sanctions exposure controls and allowing for free text responses for certain questions. The Questionnaire covers a respondent’s control environment to allow FIs to obtain a greater level of understanding of the cross-border and/or other higher risk Correspondent Banking relationship they are entering into and/or continuing.

### **3. Why are there so many questions in the CBDDQ?**

The CBDDQ has a broader scope, (i.e. inclusion of Sanctions, Counter Terrorism Financing and Anti-Bribery and Corruption controls) and was created using the questionnaires of the Wolfsberg Group member banks as a starting point. While the increase in the number of questions appears dramatic, many FIs have already been answering a similar number of questions (or more) that are asked by different FIs to their respondents on a bilateral basis. The CBDDQ aims to introduce standardisation across the industry and reduce the inefficiency of multiple, different questionnaires.

As a result, the Wolfsberg Group expects this CBDDQ question set, when completed, to act as a baseline to help satisfy FATF's Recommendation 13, that for "cross border correspondent banking" additional due diligence requirements must be undertaken, including for so called "high risk" correspondent banking relationships.

### **4. Has the CBDDQ replaced the previous questionnaire?**

Yes. The 2014 Questionnaire has been retired.

### **5. What is the difference between the CBDDQ and the Wolfsberg Group Financial Crime Questionnaire (FCCQ)?**

The CBDDQ and its guidance material provides a much more comprehensive set of questions to address today's financial crime risks for cross-border and/or other higher risk Correspondent Banking relationships, aligning with FATF recommendation 13 and FATF Guidance on Correspondent Banking (October 2016). The latter states: "FATF Recommendation 13 requires additional measures to be applied to cross-border correspondent banking relationships, in addition to performing the CDD and enhanced due diligence (EDD) measures in FATF Recommendation 10 for high risk customers. Such additional measures are appropriate because cross-border correspondent banking relationships are seen to be inherently higher risk than domestic correspondent customer relationships. Consequently, simplified CDD measures are never appropriate in the cross-border correspondent banking context, when activities described in para. 13 (a) are conducted".

The Entity is required to complete all 110 questions if engaged in cross-border and/or other higher risk Correspondent Banking services.

The Group is also conscious that its original questionnaire has been used in multiple other customer type due diligence scenarios and therefore, while not seeking to prescribe how a revised questionnaire should be used for any other customer type, the Group has nonetheless updated the original version to align the phrasing with the CBDDQ for consistency purposes. This revised version of the original questionnaire is called **The Wolfsberg Group Financial Crime Questionnaire (FCCQ)**.

Whatever process an FI chooses to follow in this regard, however, is at the sole discretion of the FI, although the Group would recommend that the FIs document their course of action and decisions appropriately.

**6. Who should complete the CBDDQ?**

The questionnaire should be completed by any FI which engages in cross-border and/or other higher risk Correspondent Banking services.

**7. Is the CBDDQ sufficient for all cross-border and/or other higher risk Correspondent Banking relationships?**

Each FI should have its own risk appetite and risk tolerance and, while the Questionnaire will be sufficient in most circumstances, it is possible that the nature of the relationship, products used and geographies served may necessitate a broader conversation and, in exceptional cases, additional questions may have to be asked. As a general approach, the CBDDQ should be used as the basis of bilateral CDD discussions between respondent and correspondent.

**8. Should Central Banks complete the CBDDQ?**

If a Central Bank acts as a correspondent banking provider, either permanently or temporarily, then they should complete the questionnaire and identify themselves as Central Bank in the answer to question 13-J.

**9. Should the CBDDQ be completed for SWIFT Relationship Management Application (RMA) non- customer relationships?**

The Questionnaire was developed for cross-border and/or other higher risk Correspondent Banking relationships, which generate a higher risk compared to SWIFT RMA non-customer relationships.

The Wolfsberg Guidance on SWIFT RMA Due Diligence outlines the minimum due diligence standards required for non-customer RMAs.

**10. If the Entity completes the CBDDQ, does it mean it should be classified as High Risk?**

Not necessarily. As per FAQ 2, the 110 questions were designed to collect sufficient information to allow to make an informed assessment of the Entity's financial crime risk exposure.

**11. How should FIs complete the CBDDQ?**

FIs should complete the questionnaire accurately and with up to date information.

FIs completing the questionnaire should consider how the information can be validated and quality assured, to ensure reliability of the information provided.

## **12. Can additional questions be added by FIs? How should they be asked?**

As previously mentioned, it is the responsibility and choice of each FI should it wish to ask additional questions, in exceptional cases. These additional questions should not be added to the CBDDQ template as they are not endorsed by the Group.

Should a FI wish to add any questions, the Group would suggest that the FI undertake a review of the completion guidance and glossary, to ensure any separate gaps identified in the CBDDQ are not due to misinterpretation of the questions.

## **13. How often will the CBDDQ be updated?**

The Wolfsberg Group will review the CBDDQ at a minimum on an annual basis, however it is not anticipated that it will change fundamentally, unless key regulatory changes or a significant evolution in the industry best practices, are observed.

## **14. Can FIs adopt the CBDDQ immediately?**

The CBDDQ was released to the Banking community in October 2017. It has subsequently, been published on the 22 of February 2018 and can be used immediately.

The Group expects that Financial Institutions will start to operationalise the CBDDQ by way of updating their policies and procedures. The recommendation is to adopt the CBDDQ for any new to bank customers, such that, at a minimum, the information required as part of the CBDDQ be obtained and assessed to the new standard, even if processes / systems still need enhancing.

The Group also recommends adoption for existing customers as part of their periodic review processes, as of the moment that they can make the necessary internal operational/system changes, train their personnel on the revised requirements and establish an appropriate implementation timeline.

The Group would not expect adoption for existing customers to be completely implemented before the end of 2019.

## **15. How should the CBDDQ be signed off / approved by the Entity?**

The questionnaire's final page contains the 'Declaration Statement' which requires the signature of the Global Head of Correspondent Banking, or equivalent Business Senior Manager, and the MLRO, or equivalent Financial Crime Compliance Senior Manager.

Previously the questionnaire was signed by the Group MLRO or Head of FCC. In today's regulatory environment, the expectation is that the questionnaire, when completed and shared, whether through a Utility or bilaterally, should be signed by the Head of the submitting FI's Correspondent Banking business, or equivalent.

**16. How do I obtain a completed CBDDQ from my respondent?**

The extent of the information in the CBDDQ is such that it may no longer be available on an FI's public website. The CBDDQ can be obtained either from KYC utilities or directly from the respondent.

**17. What is the validity / expiring date of the completed CBDDQ?**

Whilst not prescribing any particular period, it is recommended that the questionnaire be reviewed and updated on an annual basis. Any material changes however, should be updated as soon as reasonably possible.

**18. Will the CBDDQ and its supporting material and the FCCQ be published in different languages? What about different formats?**

The CBDDQ and its supporting material and the FCCQ are published in English and there are no plans at present, to publish in other languages.

Currently, both questionnaires are published in PDF and Excel format. All supporting material is published in PDF. There are no plans at present to publish in any other format.

**19. If a potential error is identified in the CBDDQ, FCCQ and/or the guidance material, who should be notified?**

If any potential errors are identified with either questionnaires or any of the Correspondent Banking published material, please e-mail [ddq@wolfsberg-principles.com](mailto:ddq@wolfsberg-principles.com).

Note that although all e-mails will be read and dealt with, an answer may not always be provided to your e-mail.