



Valid from 1 March 2021

Guideline on infrastructure services provided by banks

I Preamble

Objective of the Guideline

The member banks of the Liechtenstein Bankers Association have undertaken to implement the Guideline on the due diligence obligations of banks in dealing with foreign correspondent banks (Correspondent Banking Guideline) as the industry standard. According to point III(4) of that guideline, member banks are in general prohibited from offering correspondent banking services to domestic and foreign banks / financial institutions. An exception applies exclusively to member banks which provide correspondent banking services or services similar to correspondent banking services as set out in the present Guideline and which comply with the following requirements.

This Guideline defines the permissible services as well as the minimum requirements for the provision of such services, subject in all cases to the legal and regulatory provisions.

II Principles / Scope of application

1 Scope of application of the Guideline

This Guideline applies to the establishment and maintenance of a business relationship between a member bank, in its capacity as a correspondent institution, and a respondent institution and is supplementary to the Correspondent Banking Guideline.

Respondent institutions are banks or MSB/MVTS providers for which a member bank maintains an account relationship, provides accounts, and executes or settles payment services on behalf of the respondent institution for its customers.

This Guideline does not apply to transactions of undertakings in connection with TT services¹ or services provided within a group as defined in Article 2(1)(s) of the Due Diligence Act (SPG).

¹ In accordance with the Token and TT Service Provider Act (TVTG).

2 Requirements for respondent institutions

Payment services within the meaning of this Guideline may be provided only to respondent institutions which cumulatively:

- are licensed as a bank, electronic money institution, payment service provider, or MSB/MVTS provider by the competent supervisory authority and/or are subject to equivalent supervision under due diligence law within the meaning of the money laundering regulations in force in Liechtenstein at the time in question;
- identify and monitor their customers in accordance with due diligence requirements equivalent to those in Liechtenstein;
- conduct their business in a country with comparable due diligence systems and requirements with regard to combating money laundering and terrorism;
- do not execute any occasional transactions for customers without such transactions being processed via an account or custody account in the customer's name.

III Industry standard

1 General requirements

The legal requirements apply to the establishment of a business relationship with a respondent institution. In addition, the minimum requirements defined below apply:

- The business activity must be conducted as part of the bank's business strategy, not on an opportunistic basis.
- Classification as a correspondent institution under the Correspondent Banking Guideline.
- Written agreement with the respondent institution ensuring that the requirements of the Correspondent Banking Guideline can be met (e.g. contractual agreement or definition of terms of business).
- The internal organisation must be endowed with the necessary expertise, human and technical resources, as well as appropriate internal control and monitoring measures to provide these payment services properly and to adequately monitor the customer relationship with the respondent institution as well as the payments settled on its behalf.
- Compliance with international requirements for correspondent institutions with regard to money laundering and terrorist financing, compliance with international sanction and embargo provisions² and anti-corruption requirements as well as avoidance of tax offences.
- Business relationships covered by this Guideline are considered to be customers with higher risk for purposes of FATF Recommendation 10 and Article 11(5) SPG. Respondent institutions are accordingly subject to application of enhanced due diligence.

² See point III(6) of the Correspondent Banking Guideline.



- The establishment of a business relationship with a respondent institution requires the approval of at least one member of the general management of the member bank.

2 Non-permissible business relationships and transactions

The member banks are obliged to comply with the prohibitions and restrictions imposed by their correspondent banks.

Member banks are also prohibited from conducting the following business relationships and/or transactions:

- With respondent institutions lacking equivalent licensing or supervision of money laundering and terrorist financing.
- Nested transactions or the processing of payment services in which the respondent institution acts as a correspondent institution for third parties.
- Business relationships and/or transactions concerning sanctioned persons, sanctioned products, or countries to which international sanctions or embargo provisions as referred to in the Correspondent Banking Guideline apply.
- Business relationships concerning customers or beneficial owners domiciled in states with strategic deficiencies³ as well as transactions for payers and payees and/or sending or receiving banks domiciled in a state with strategic deficiencies.⁴

No correspondent banking services may be offered except payment services as part of the business strategy for explicitly identified and defined business models or segments. This is assumed in particular in the function as a credit card issuing or acquiring bank,⁴ or as a third party processor for merchants.

3 Entering into the business relationship with a respondent institution

Before entering into the business relationship, the member bank shall ensure the following as part of its onboarding process:

- Prior to establishment of the business relationship, the member bank shall obtain the information and documentation necessary to understand the purpose and intended nature of the correspondent banking relationship with the respondent institution.
- The member bank shall identify, document, and evaluate all relevant facts and risks as part of the KYC process. At a minimum, the ownership structure, general management and business activities, services and their execution, customer portfolio, payment flows, conspicuous due diligence issues, reputational risks, and other potentially relevant aspects of the respondent institution in connection with the payment service must be taken into account.

³ According to Annex 4 SPV.

⁴ An acquiring bank is a bank that makes or settles payments to direct merchants or sub-merchants under the rules and regulations of a credit card franchise system; under certain circumstances, only the respondent institution maintains the relationship with the end customers (e.g. the merchants).



- In a manner commensurate with the risk, the member bank verifies and requests confirmation that the respondent institution has implemented and applies suitable processes and instructions for monitoring money laundering and terrorist financing risks, their predicate offences, and compliance with international sanction and embargo provisions as referred to in the Correspondent Banking Guideline. This includes the necessary specialist, human, and technical resources.
- If possible, the information provided by the respondent institution must be checked for plausibility using independent sources (e.g. audit reports, internet research, etc.) and other measures (e.g. on-site due diligence audit, external due diligence report). Negative reports concerning the respondent institution must be followed up and assessed in an appropriate manner.

4 Written agreement with the respondent institution

When entering into the business relationship, the member bank shall conclude a written agreement with the respondent institution concerning:

- Compliance with the obligations set out in this Guideline and the Correspondent Banking Guideline as well as all due diligence obligations assumed by the member bank vis-à-vis its correspondent bank.
- Immediate provision of all information and documentation necessary for due diligence and monitoring of the business relationship, both in relation to the respondent institution and to the respondent institution's customers and their transactions. Upon first request, all additional documents and information relevant to due diligence which are requested by the member bank in order to explain and prove a payment, its background, the payer, the payee, and the purpose or context of the payment must be provided. This also applies to the extent that this information is not available at the respondent institution itself but rather at third parties.
- Consent to on-site due diligence audits by the member bank and/or a third party engaged by it.
- Inspection of audit reports.
- A retention period⁵ of at least 10 years for information and documentation relevant to due diligence law in connection with executed transactions.

5 Transaction monitoring

The member bank shall implement processes to monitor the settlement of the payment transactions of the respondent institution in a suitable and appropriate manner.

⁵ See Article 20a(2) SPG.

As a basis for transaction monitoring, the member bank must have at least the following information at its disposal:

- name and address of the payer and payee
- name and domicile of the payer's and payee's bank
- the payment reference, where available

The member bank shall ensure that compliance with sanction and embargo provisions is monitored by means of real-time screening.

6 Review of the business relationship

The relationship with a respondent institution must be reviewed annually. Continuation of the business relationship must be approved by at least one member of the general management.

7 Internal governance

Groupwide compliance with this Guideline must be audited periodically by the internal audit department. The member banks commit to a regular review of their processes, procedures, and internal organisation as part of their institutional risk management.

IV Implementation

The LBA carries out specific clarifications for the purpose of implementing this Guideline. The LBA reports these clarifications to the Board of the LBA and has the following exhaustive powers and responsibilities in this regard:

- After entry into force of this Guideline, the LBA requests the member banks to notify whether the member bank offers correspondent banking services or services similar to correspondent banking services to third parties and, if so, to confirm in writing that this Guideline has been implemented or integrated in the internal instructions as referred to in Article 21 of the Due Diligence Act (SPG) in conjunction with Article 31 of the Due Diligence Ordinance (SPV). For reasons of transparency, the LBA maintains a continuously updated list in Annex 2 of those banks falling under this Guideline. Banks not appearing on the list do not offer the services set out in this Guideline.
- If the member bank offers correspondent banking services at a later time, it shall confirm implementation of this Guideline to the LBA upon taking up business.
- Moreover, as part of the supervisory process established under banking law to assess their risk management and risk coverage, the member banks are obliged to submit information annually to the FMA on the type, scope, and control of the correspondent banking services they provide as a correspondent bank. If no confirmation is provided and no reasons are provided for that omission, or if the confirmation is incomplete, the LBA reminds the member bank concerned and sets a new short deadline for submitting a confirmation, reasons, or completion.

- If the deadline expires without being met, the LBA informs the Board. After reviewing the situation, the Board will as a rule immediately notify the member bank's external auditor. In minor cases, such notification may be waived.
- Compliance with this Guideline is audited on a regular basis by the internal audit department of each member bank. The member banks are required to disclose to the LBA any violations discovered in the course of that audit, together with the measures defined to restore a state of affairs in compliance with the Guideline.
- The LBA is available to member banks on a non-committal basis with regard to questions concerning implementation of this Guideline as well as the enactment of internal instructions/regulations.

V Entry into force

This Guideline enters into force on 1 March 2021 and must be implemented by 1 May 2021 at the latest.

Vaduz, 24 February 2021

Annex I - Definitions

- Money or Value Transfer Services (MVTs), also known as Money Services Business (MSB)
Financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of the corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the MVTs provider belongs. Transactions performed by such services can involve one or more intermediaries and a final payment to a third party, and may include any new payment methods.⁶
- Third party processors for merchants or aggregators
Businesses that provide payment processing services to merchants and other business entities. These merchant transactions include credit card payments, debit card payments, covered automated clearing house transactions, remotely created cheques, and prepaid card transactions. They provide merchants with a portal to banks with access to financial transactions processing and clearing systems. Aggregators act on behalf of merchants collecting payments, and not on behalf of the merchants' customers who are obliged to make them for goods or services received.⁷
- Payment services
Services provided on a commercial basis relating to the execution of transactions such as direct debits, credit transfers, and payment transactions using payment cards, as well as services allowing funds to be paid in and out.⁸

⁶ Definition in Wolfsberg Group 2018, CBDDQ Glossary V1.0.

⁷ Definition in Wolfsberg Group 2018, CBDDQ Glossary V1.0.

⁸ See also the definitions in the Banking Act (BankG) and the Payment Services Act (ZDG).

Annex 2 – List of member banks providing services covered by this Guideline

The following list is updated on an ongoing basis upon notifications received by the Secretariat in accordance with Chapter IV.

Name of bank	Receipt of notification concerning internal implementation
Bank Frick & Co AG	24 February 2021