

**OFFICIAL PRESS RELEASE****Commercial Banks in Tonga closing accounts of foreign exchange dealers**

The National Reserve Bank of Tonga has been advised that some commercial banks are closing accounts of foreign exchange dealers. The closing of the accounts of foreign exchange dealers has been confirmed by the commercial banks to be a precaution towards the evolving money laundering / terrorist financing and sanctions risks as foreign exchange dealers are deemed to be highly prone to be used for criminal activities. The Reserve Bank is concerned that the impact of this decision on the financial markets would increase the costs of remittances, reduce competition and encourage the use of informal channels where it is difficult to track and monitor any suspicious activities.

The Reserve Bank has been in extensive consultations on this issue with the banks and other central banks regionally and globally. Closing of foreign exchange dealers' accounts was one of the key areas discussed during the South Pacific Central Bank Governors' Meeting in Suva, Fiji on 3-6 December 2014 which the Governor of the Reserve Bank, Dr. Sione Ngongo Kioa, attended. Dr. Kioa reported that a representative was chosen, to continuously update the Governors on the G20 developments relating to the closure of foreign exchange dealer accounts by the commercial banks and the issue of remittances more broadly. Recently, the G20 Leaders' Communiqué released at the conclusion of their November 2014 meeting in Brisbane stated:

"We commit to take strong practical measures to reduce the global average cost of transferring remittances to five percent and to enhance financial inclusion as a priority."

Tonga has adequate laws in place, including the Money Laundering and Proceeds of Crime (MLPC) Act, to combat money laundering / terrorist financing and other serious offences. The Reserve Bank as the statutorily appointed Transaction Reporting Authority is empowered to receive financial information from financial institutions including foreign exchange dealers with the key task of analyzing this information to uncover evidence of possible financial crime for use by law enforcement authorities. Collaboration with other law enforcement authorities and stakeholders is an essential element of successful anti-money laundering efforts.

If you need further clarifications, please contact:

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National Reserve Bank of Tonga
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