Observatoire ARGA

ARGA Atlas

DE-RISKING BY BANKS: ACCOUNT CLOSURES, COMPLIANCE DECISIONS, AND ACCESS TO FINANCIAL SERVICES

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Purpose of the document:

This report examines de-risking by banks as a distinct legal and institutional phenomenon at the intersection of AML/CFT, sanctions compliance, reputational-risk management, and access to financial services. Its purpose is to show that bank de-risking is not merely a private commercial decision to terminate a relationship with an inconvenient client, but a systemic mechanism for reallocating risk, in which banks, payment institutions, and other financial-sector actors pass onto clients the consequences of their own regulatory fear, supervisory pressure, and enforcement uncertainty. FATF expressly emphasizes that its standards do not envisage cutting off entire categories of customers and instead require a risk-based approach, while the EBA in its materials on de-risking and access to financial services defines de-risking as the refusal to enter into, or the termination of, relationships with customers associated with higher ML/TF risk, and separately points to the negative effects of unwarranted de-risking on legitimate customers. The real question is therefore no longer only whether a bank may manage risk, but where permissible risk management ends and unwarranted exclusion from the financial system begins. (fatf-gafi.org)

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1. EXECUTIVE SUMMARY

Bank de-risking refers to situations in which a financial institution refuses to open an account, restricts services, terminates a relationship, or declines to renew it based on an elevated assessment of ML/TF, sanctions, fraud, reputational, or supervisory risk. In its Opinion on de-risking and in its Guidelines on access to financial services, the EBA uses precisely this framework and links de-risking to refusals to enter into, or to terminate, relationships with individual customers or categories of customers associated with higher risk. At the same time, the EBA emphasizes that de-risking entire categories of customers without a proper individual assessment runs against the logic of a risk-based approach and may deprive lawful customers of access to the financial system. (European Banking Authority)

The main practical problem is that de-risking is almost never presented as a sanction. A bank does not usually say, “we consider you guilty.” It says, “our risk appetite, our internal policies, our AML/CFT framework, our correspondent-banking exposure, our supervisory expectations.” But for the customer, the result often looks like functional exclusion from economic life: account closure,

refusal of transfers, refusal to onboard, loss of payment rails, disruption of payroll, inability to transact, and reputational contamination. The World Bank and FATF have long pointed out that de-risking can cut remittance companies, local banks, and vulnerable customer groups off from the regulated financial system, while the EBA has developed specific measures to challenge unwarranted de-risking in the EU. (World Bank)

The central conclusion of this report is that de-risking by banks cannot be analyzed only as private freedom of contract or only as AML/CFT compliance. It is simultaneously a question of risk governance, financial inclusion, access to essential services, consumer protection, competition, sanctions spillover, and regulatory signaling. Defense in such matters must therefore work along two lines at once: first, on the formal regulatory line, showing where the bank has gone beyond the limits of a risk-based approach; and second, on the factual-operational line, rebuilding documents, risk profiles, ownership and control evidence, transaction explanations, and, where necessary, access-to-basic-services arguments. Otherwise the bank will comfortably describe arbitrary exclusion as prudence, and the system will dutifully pretend it is a neutral technique. (fatf-gafi.org)

2. WHY THIS ISSUE HAS LEGAL AND INTERNATIONAL SIGNIFICANCE

This issue matters because, in the modern financial system, access to banking services is no longer a pleasant convenience. It is an infrastructural condition for business existence, employment, family life, cross-border transfers, legal defense, and even basic participation in the economy. In its 2023 Guidelines, the EBA expressly states that access to at least basic financial products and services is necessary for participation in modern economic and social life. Accordingly, de-risking is not equivalent to an ordinary commercial inconvenience. In some cases, it means effective expulsion from the payment and contractual environment. (European Banking Authority)

Its international significance is reinforced by the fact that de-risking is often driven by cross-border pressures. Correspondent banks, global sanctions risks, OFAC exposure, high-risk-third-country concerns, correspondent-banking exits, remittance scrutiny, and cross-border payment controls shape the behavior even of local institutions. The World Bank has pointed out that de-risking by global financial institutions threatens access by remittance companies and local banks to the global financial system, while FATF reminds institutions that its standards do not require cutting off entire categories of customers and instead require a risk-based analysis. This means that de-risking often reflects transnational regulatory fear rather than client-specific proven misconduct. (World Bank)

The legal significance of the issue is particularly high for groups historically affected by bank exits: money remitters, NGOs, payment institutions, crypto-adjacent actors, cross-border traders, migrants, customers linked to higher-risk jurisdictions, politically exposed clients, sanctions-sensitive corporates, and persons with complex ownership structures. The EBA's 2022 Opinion and 2023 Guidelines were produced precisely because unwarranted de-risking in the EU had affected a variety of customers and raised concerns regarding lawful access to services. In other words, this is no longer a peripheral problem of a few disgruntled customers, but a recognized systemic issue at the level of international and supervisory institutions. (European Banking Authority)

3. NORMATIVE AND INSTITUTIONAL FRAMEWORK

The global baseline framework is set by FATF. The FATF Recommendations, as amended in October 2025, continue to be built around the risk-based approach, while the Guidance for the Banking Sector emphasizes that proper implementation of the risk-based approach should avoid the consequences of inappropriate de-risking behaviour. FATF also states directly in its materials on jurisdictions under increased monitoring that its standards do not envisage de-risking or cutting off entire classes of customers, but instead require institutions to assess and manage risk proportionately. This is the fundamental starting principle: higher risk does not automatically equal exclusion. (fatf-gafi.org)

At EU level, the most direct normative material comes from the EBA. In 2022 the EBA issued its Opinion on de-risking, and in 2023 it adopted Guidelines on policies and controls for the effective management of ML/TF risks when providing access to financial services. These texts directly describe de-risking, identify the scale of the problem, and establish that financial institutions should have policies, procedures, and controls allowing them to manage ML/TF risks effectively while safeguarding access to financial services, including for vulnerable or higher-risk customers where services should not be denied automatically. The EBA also separately noted that de-risking entire categories of customers without individual assessment is not required by the AML/CFT framework. (European Banking Authority)

The institutional environment in the EU has, however, changed. The EBA states that from 1 January 2026, responsibility for EU-level AML/CFT tasks moved from the EBA to AMLA, the new Anti-Money Laundering Authority. This matters in practice: the de-risking discussion now sits partly in a transition from EBA-led guidance to AMLA-era supervision and rulemaking. But the substantive concern remains the same: financial institutions are expected to manage ML/TF risks effectively without unnecessary exclusion from services. (European Banking Authority)

An additional layer comes from the modern framework on compliance with restrictive measures. The EBA's 2024 final report on restrictive-measures guidelines notes that ineffective approaches to compliance with restrictive measures can cause consumer detriment, including cases where legitimate customers are denied access to their funds or fall victim to unwarranted de-risking. This is a critical linkage: de-risking today is not only an AML/CFT phenomenon, but also a sanctions-compliance spillover. A bank may invoke not only money-laundering concerns, but restrictive-measures risk, and in both cases the question becomes whether the response is proportionate and evidence-based. (European Banking Authority)

4. KEY MECHANISMS OF PRACTICE AND APPLICATION

The first mechanism is category-based exclusion. The bank does not truly analyze the customer individually, but instead uses category shorthand: remittance company, NPO, crypto-related operator, high-risk-third-country nexus, PEP adjacency, complex ownership, payment institution, politically sensitive sector. EBA materials make clear that this sort of category-wide de-risking was one of the concerns behind its opinion and guidelines. FATF similarly states that the standards do not require cutting off whole classes of customers. When category becomes a substitute for risk assessment, de-risking ceases to be risk-based and becomes risk-avoidance by label. (European Banking Authority)

The second mechanism is correspondent-banking and supervisory spillover. A local or regional bank often explains account closure by reference to its own dependence on upstream correspondent institutions and wider regulatory expectations. The World Bank has documented that de-risking by global banks can cut remittance companies and local banks off from the global financial system. In such a structure, the direct decision to terminate may be taken by the local bank, but the real behavioral driver lies further up the international financial chain. For the customer, this is of little comfort: the sources of power are diffuse, but the access disappears quite concretely. (World Bank)

The third mechanism is overreaction to AML/CFT and sanctions uncertainty. Where the legal framework is complex and supervisory consequences are feared, institutions often choose exit over nuance. The EBA's restrictive-measures report explicitly recognizes that ineffective compliance approaches can deny legitimate customers access to funds or create unwarranted de-risking. U.S.-style enforcement climates, global sanctions alerts, and FATF-style risk signaling all reinforce this logic even outside direct legal compulsion. De-risking thus often reflects not a final legal determination, but a precautionary commercial judgment driven by asymmetrical downside risk. (European Banking Authority)

The fourth mechanism is opacity combined with documentation failure. Sometimes the customer genuinely cannot quickly and convincingly explain the ownership chain, source of funds, beneficial ownership, geographic nexus, transaction rationale, or missing customer documents. The EBA's access-to-financial-services framework attempts to distinguish between situations where customers may have legitimate reasons for difficulty in producing traditional identity documentation and situations where risk cannot be effectively mitigated. This matters because not every refusal is unlawful de-risking. But it matters equally that institutions be able to show why risk could not be managed through controls short of exclusion. (European Banking Authority)

5. TYPICAL SCENARIOS AND MODELS OF USE

The first typical scenario is remittance and payment-services de-risking. The World Bank has repeatedly described how de-risking threatens remittance companies and local banks, while EBA materials and consultations also refer to the risk that banks 'treatment of payment institutions and electronic money institutions can lead to de-risking, higher fees, and reduced competition. Here, de-risking affects not only the immediate client, but broader end-users, especially migrants, families, and smaller businesses dependent on payment access. (World Bank)

The second scenario is the sanctions-sensitive corporate client. A company or beneficial owner is not necessarily directly sanctioned, but the bank sees elevated exposure through geography, counterparties, ownership opacity, sectoral proximity, or restrictive-measures screening. In that situation, account closure or refusal to onboard may be justified internally as prudential caution. Yet the EBA's 2024 restrictive-measures work explicitly warns that legitimate customers may be denied access to funds or suffer unwarranted de-risking through ineffective compliance approaches. This makes sanctions-sensitive de-risking one of the most conflict-heavy modern zones. (European Banking Authority)

The third scenario is the NPO and vulnerable-customer access problem. The EBA's access-to-financial-services guidelines were expressly designed to safeguard access for individuals and organisations, particularly where exclusion would undermine participation in economic and social life. The 2023 amendments related to NPOs also reflect the concern that higher perceived ML/TF risk should not automatically result in exclusion. In such matters, de-risking may directly collide with public-interest activity, humanitarian work, or basic financial inclusion. (European Banking Authority)

The fourth scenario is high-risk jurisdiction nexus. FATF's public messaging on increased monitoring makes clear that jurisdictions under increased monitoring should not automatically trigger wholesale de-risking, because FATF standards require a risk-based approach rather than a blanket cut-off. Yet in practice, banks often react through country shorthand. The customer then pays not for proven misconduct, but for living in inconvenient geography. It is an efficient form of administrative laziness wrapped in the language of compliance. (fatf-gafi.org)

6. MAIN RISKS, CONFLICT ZONES, AND PROBLEM POINTS

The first risk is conflation of risk management with exclusion. AML/CFT regimes require risk management, not automatic termination of relationships. FATF, the EBA, and related materials all push toward individualized and proportionate responses. If a bank cannot show why the risk could not be mitigated through enhanced due diligence, monitoring, limits, documentation follow-up, or other controls, then closure may move from justified caution toward unwarranted de-risking. (fatf-gafi.org)

The second risk is opacity of decision-making. Banks often provide customers with minimal explanations, invoking internal policies, risk appetite, AML/CFT obligations, or confidential

compliance considerations. For the customer, this creates a classic due-process deficit in a private-law setting: exclusion occurs, but the reasoning is thin, the evidence undisclosed, and the path to remediation unclear. The EBA's de-risking work exists precisely because this phenomenon was sufficiently widespread and serious to warrant EU-level intervention. (European Banking Authority)

The third risk is spillover from sanctions and geopolitical signaling. The EBA's restrictive-measures report shows that compliance failures or overly rigid compliance approaches can produce unwarranted de-risking. In practice, the bank may react not to a proven prohibition, but to the fear of future scrutiny. That makes remediation harder: the client is not arguing against a concrete accusation, but against an anticipatory compliance instinct. Markets adore acting first and justifying later. (European Banking Authority)

The fourth risk is social and systemic exclusion. The World Bank and FATF have both highlighted that de-risking can reduce access to the regulated financial system for remittance providers, local banks, and vulnerable populations, while the EBA links access to financial services to participation in modern economic and social life. This means the cumulative effect of de-risking extends beyond one customer relationship. It can alter competition, remittance corridors, financial inclusion, and even the viability of smaller sectors. (World Bank)

7. INTERNATIONAL AND EUROPEAN STANDARDS AND LIMITS

At least five stable reference points emerge from the official materials. First, FATF insists that its standards do not envisage blanket de-risking and require a risk-based approach. Second, the EBA formally defined de-risking and treated unwarranted de-risking as a problem requiring supervisory and policy response. Third, the EBA's 2023 guidelines require institutions to manage ML/TF risks effectively while safeguarding access to financial services, including access to at least basic products and services. Fourth, with effect from 1 January 2026, AMLA has taken over EU-level AML/CFT tasks from the EBA, meaning the topic now moves into an AMLA-era supervisory setting. Fifth, restrictive-measures compliance itself can generate unwarranted de-risking where banks deny legitimate customers access to their funds or services without a proportionate basis. (fatf-gafi.org)

But those same materials also reveal the limit. Banks do indeed have the right and duty to manage ML/TF and sanctions risk. Neither FATF nor the EBA requires them to accept every customer regardless of risk. Accordingly, not every closure is unlawful de-risking. The key question in such cases is not, "may the bank refuse at all," but whether the institution assessed the individual relationship properly, used proportionate controls, documented its rationale, and avoided crude category-based exclusion where risk could still be managed. (fatf-gafi.org)

8. PRACTICAL CONCLUSIONS AND A LEGAL-RESPONSE MODEL

The first practical task is a de-risking map. One must determine exactly what the bank's decision is based on: AML/CFT, sanctions, correspondent pressure, documentation gaps, internal policy, jurisdiction nexus, ownership opacity, payment patterns, or a mix of these factors. Without that, the customer is arguing not with the cause, but with fog, and fog enjoys a very long life in compliance. This mapping should identify whether the issue is customer-specific, category-based, or spillover-driven. (European Banking Authority)

The second task is to rebuild the customer risk file. If the bank is reacting to opacity, the customer must answer with structured documentation: beneficial ownership, source of funds, transaction rationale, licenses, sanctions-screening results where appropriate, governance structure, counterparties, and geographic nexus. Where the customer belongs to a traditionally affected category, the file should also emphasize why category shorthand is a poor proxy for individual risk.

This approach is strongly supported by the EBA and FATF emphasis on individualized, risk-based assessment. (fatf-gafi.org)

The third task is to distinguish justified risk control from unwarranted exclusion. Counsel should test whether the bank considered enhanced due diligence, transaction limits, monitoring, staged onboarding, additional documentation requests, or other controls short of termination. If less restrictive measures were reasonably available, the case against unwarranted de-risking becomes stronger. That logic is consistent with the EBA's access-to-financial-services framework and FATF's risk-based approach. (fatf-gafi.org)

The fourth task is to frame access to services as a substantive issue, not a sentimental one. The EBA explicitly links access to basic financial services with participation in modern economic and social life. In some matters, especially those involving payroll, remittances, vulnerable clients, NPOs, or essential business operations, the client should argue not merely inconvenience but structural harm arising from exclusion. This does not remove the bank's compliance duties, but it helps prevent the case from being trivialized as a mere commercial preference dispute. (European Banking Authority)

The fifth task is to manage both regulation and market psychology. A technically strong legal argument may still fail if upstream counterparties, correspondents, or internal committees remain frightened. So the defense must operate on two levels: legal and documentary remediation on the one hand, and risk-communication management on the other. This is unpleasantly realistic, but de-risking is as much about institutional fear as about formal rules. The law can tell a bank not to overreact. It cannot make the bank brave. This last point is an inference drawn from the official frameworks and their acknowledged concern about inappropriate de-risking. (fatf-gafi.org)

9. CONCLUSION

De-risking by banks is one of the clearest examples of how modern financial governance can produce exclusion without ever calling itself punishment. Institutions invoke risk appetite, supervisory expectations, AML/CFT duties, sanctions sensitivity, and correspondent pressure, while the customer experiences account closure, service denial, transactional paralysis, and loss of economic normality. FATF, World Bank, and EBA materials together show that this is not an imaginary grievance but a recognized structural problem with real implications for access to the financial system, remittances, competition, and inclusion. (fatf-gafi.org)

The central conclusion is sharply practical. In bank de-risking cases, one should not argue against the bank's right to manage risk as such, but against lazy or disproportionate use of that right. The center of the dispute should lie in individualized assessment, proportionality, documentation, the availability of less restrictive controls, and the impact on access to services. Otherwise the bank will very comfortably explain that it excluded no one. It merely managed risk responsibly. And the fact that the client disappeared from the financial system afterward will be presented as a regrettable side effect of modern virtue. (European Banking Authority)

APPENDIX A. TERMINOLOGY

De-risking. Decisions by credit and financial institutions to refuse to enter into, or to terminate, relationships with individual customers or categories of customers associated with higher ML/TF risk. This is how the term is described in EBA materials. (European Banking Authority)

Unwarranted de-risking. Unjustified or disproportionate refusal or termination of financial services not required by the risk-based AML/CFT framework. The term is used in EBA materials to describe the problem addressed by its guidelines and opinion. (European Banking Authority)

Risk-based approach. An approach requiring institutions to assess and manage risk proportionately to its nature and level, rather than automatically cutting off whole categories of customers. FATF emphasizes that its standards do not envisage blanket de-risking. (fatf-gafi.org)

Access to financial services. Access to at least basic financial products and services necessary for participation in modern economic and social life, as expressly stated by the EBA. (European Banking Authority)

Correspondent-banking spillover. A situation in which the behavior of a local bank is driven not only by its own view of the customer, but by requirements or fears transmitted from upstream correspondents and global-access concerns. This is an analytical term used here to describe a mechanism documented in World Bank de-risking materials. (World Bank)

APPENDIX B. MATRIX OF RISKS / POWERS / LEGAL CONSEQUENCES

Category-based refusal.
Legal risk: the bank excludes the customer by category label rather than individual assessment.
Legal limit: FATF and EBA frameworks require a risk-based, individualized approach.
Consequence: potential unwarranted de-risking and exclusion from services.
Practical note: attack the category shortcut and rebuild the individual risk profile. (fatf-gafi.org)

Correspondent pressure.
Legal risk: the local bank closes the relationship because of upstream pressure or fear of losing global access.
Legal limit: commercial pressure does not erase the logic of proportionality and documentation.
Consequence: account closure, payment disruption, remittance breakdown.
Practical note: show how the decision reflects spillover fear rather than customer-specific analysis. (World Bank)

Sanctions-compliance spillover.
Legal risk: the bank overreacts to restrictive-measures exposure and excludes a legitimate customer.
Legal limit: the EBA warns that ineffective restrictive-measures compliance can cause unwarranted de-risking.
Consequence: denial of access to funds or services without a proportionate basis.
Practical note: distinguish actual prohibition from compliance overreaction. (European Banking Authority)

Documentation opacity.
Legal risk: the customer cannot adequately explain ownership, source of funds, or transaction logic.
Legal limit: not every refusal is unlawful if risk genuinely cannot be managed.
Consequence: justifiable restriction or, if mishandled, overbroad exclusion.
Practical note: build a full remediation file before arguing principle. (European Banking Authority)

Access-to-services harm.
Legal risk: de-risking cuts the customer off from basic participation in economic and social life.
Legal limit: the EBA links access to basic services with participation in modern life.
Consequence: structural exclusion beyond ordinary commercial inconvenience.
Practical note: frame the harm as infrastructural, not merely emotional. (European Banking Authority)

OFFICIAL SOURCES

- FATF Guidance: Risk-Based Approach for the Banking Sector. The main international source for the principle that the risk-based approach should avoid inappropriate de-risking behaviour. (fatf-gafi.org)

- FATF Recommendations, as amended October 2025, and FATF statements on increased monitoring. The baseline global framework and direct confirmation that FATF standards do not envisage blanket de-risking. (fatf-gafi.org)

- EBA Opinion on de-risking (2022). The key official source on the scale and consequences of de-risking in the EU and the need to address unwarranted de-risking. (European Banking Authority)

- EBA Guidelines on policies and controls for the effective management of ML/TF risks when providing access to financial services (2023). The main source on the interaction between AML/CFT obligations and access to financial services, including access to basic products and services. (European Banking Authority)

- EBA information on the AML/CFT institutional transition to AMLA. Important for the current institutional setting, as EU-level AML/CFT tasks moved to AMLA on 1 January 2026. (European Banking Authority)

- EBA final report on restrictive-measures guidelines (2024). Important for understanding that ineffective restrictive-measures compliance can produce unwarranted de-risking and consumer detriment. (European Banking Authority)

- World Bank materials on de-risking and remittances. Practically important international sources on correspondent-banking-driven exclusion and remittance impacts. (World Bank)