



Seminar for Central Bank Licensees

FATF Special Recommendation VII

29th November 2006

Special Recommendation VII

- Requires wire transfers to be accompanied by accurate and meaningful originator information throughout the payment chain.

- Requires countries to ensure that their financial institutions conduct enhanced reviews of wire transfers which lack complete originator information.

Objectives of SR VII

- Preventing terrorists having unfettered access to wire transfers to move funds and detecting such misuse when it occurs

- Providing information on the originator to competent authorities as required
- Providing information to beneficiary financial institutions to facilitate CDD and reporting of STR's.

FTRR 8

- “A financial institution shall keep and maintain records of all wire transfers inclusive of information as to the original source, the fields for the ordering and final destination of the funds together with names and addresses.”

Required Originator Information

- name;
- account number or a unique identifier where no account number exists; and
- address, national identity number, customer identification number, or date and place of birth.

Cross Border wire transfers

- All the originator information should be transmitted with the wire transfer through the payment chain.

Domestic Wire Transfers

- Only the originator's account number or a unique identifier need accompany the wire transfer, provided

- the account number or identifier will permit the transaction to be traced back to the originator; and
- originator information will be available to competent authorities or beneficiary financial institutions within 3 days of a request.

Batch Transfers

- Individual transfers that comprise a batch transfer need only contain the originator's account number or unique identifier, as long as the batch file contains full originator information.

De minimis threshold

- Up to USD or EUR 1,000
- No requirement to identify, verify, record, or transmit originator information for cross-border transfers below the threshold.
- Incoming cross-border wire transfers may still be required to contain full and accurate originator information.

Risk Based Approach

- Beneficiary financial institutions are required to establish risk-based procedures to identify wire transfers lacking full originator information.

Intermediary financial institutions

- Should ensure that all required originator information that accompanies both cross-border and domestic wire transfers are retained with the wire transfer through the transfer chain.

Record keeping

- Financial institutions should retain full originator information for five years

Developments in Other Jurisdictions

- USA
- Switzerland
- Singapore
- European Union
- Hong Kong

USA

- The U.S. received a rating of largely compliant with SR VII during the FATF's recent evaluation of its AML/CFT regulatory regime (June 2006).

- U.S. record keeping rules associated with wire transfers and other payment orders apply a de minimis threshold of USD 3,000.
- FinCEN is evaluating the utility of this threshold and exploring the feasibility of lowering it to USD 1,000, in line with SR VII.

- US record keeping rules require ordering financial institutions to obtain and retain the following records relating to wire transfers:
 - originator's name
 - originators account number
 - originator's address
 - execution date of the payment order

- amount of the payment order
- any payment instructions received from The originator
- identity of the beneficiary institution
- any information that was provided to identify the beneficiary.

Information required from non-customers

- originator's name
- originator's account number
- originator's address
- type of identification reviewed
- number of the identification document (e.g. driver's license)

- the originator's taxpayer identification number (TIN) or, if none, the alien identification number or passport number.
- Separate, but similar, provisions relate to transmittals of funds by non-bank financial institutions.

U.S. Travel Rule

- Originator financial institutions must include all originator information collected under the recordkeeping rules and ensure that it remains with the wire transfer throughout the transfer chain. This is commonly referred to as the “Travel Rule”.

- Intermediary financial institutions must pass on any originator information it receives with the wire transfer but has no obligation to obtain originator information not provided by the originator’s financial institution or the preceding financial institution.

Risk-based procedures

- Although beneficiary financial institutions are not required to obtain originator information if it is not transmitted with a wire transfer, wire transfers not accompanied by complete originator information may attract additional due diligence.

- Beneficiary financial institution must conduct follow-up investigations, such as requesting further information from the sending institution, which will help it to determine if the preparation of a suspicious activity report is required.

Switzerland

- Received a rating of partially compliant with SR VII during FATF's recent evaluation of its AML/CFT regulatory regime (October 2005).

- Swiss financial intermediaries are required to include the following information in cross-border wire-transfers:

- originator's name;
- originator's account number and domicile, or
- originator's name and identification number.

- However, financial intermediaries may forego including originator information for 'legitimate reasons', such as where the originator makes recurring wire transfers.

Customer Consent

- Financial institutions must obtain their customers' consent before releasing originator information with the wire transfer.

- No specific provisions require intermediary financial institutions to keep originator information with the corresponding wire transfer.

The European Union

- The Commission of European Communities' "Regulation on Information on the Payer Accompanying Transfer of Funds" aims to transpose SR VII into Community Legislation by early 2007.

Singapore

- The Monetary Authority of Singapore has issued a revised Draft Notice on Prevention of Money Laundering and Countering the Financing of Terrorism (August 2006) which proposes full implementation of SR VII, including the adoption of a de minimis threshold of S\$2,000.

Hong Kong

- Hong Kong will fully implement SR VII with effect from 2 January 2007.
- Hong Kong proposes a de minimis threshold of HK\$8,000.

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The End