



## Revised Interpretative Note to Special Recommendation VII: Wire Transfers<sup>1</sup>

### Objective

1. Special Recommendation VII (SR VII) was developed with the objective of preventing terrorists and other criminals from having unfettered access to wire transfers for moving their funds and for detecting such misuse when it occurs. Specifically, it aims to ensure that basic information on the originator of wire transfers is immediately available (1) to appropriate law enforcement and/or prosecutorial authorities to assist them in detecting, investigating, prosecuting terrorists or other criminals and tracing the assets of terrorists or other criminals, (2) to financial intelligence units for analysing suspicious or unusual activity and disseminating it as necessary, and (3) to beneficiary financial institutions to facilitate the identification and reporting of suspicious transactions. Due to the potential terrorist financing threat posed by small wire transfers, countries should aim for the ability to trace all wire transfers and should minimise thresholds taking into account the risk of driving transactions underground. It is not the intention of the FATF to impose rigid standards or to mandate a single operating process that would negatively affect the payment system. The FATF will continue to monitor the impact of Special Recommendation VII and conduct an assessment of its operation within three years of full implementation.

### Definitions

2. For the purposes of this interpretative note, the following definitions apply.
  - a. The terms *wire transfer* and *funds transfer* refer to any transaction carried out on behalf of an originator person (both natural and legal) through a financial institution by electronic means with a view to making an amount of money available to a beneficiary person at another financial institution. The originator and the beneficiary may be the same person.
  - b. *Cross-border transfer* means any wire transfer where the originator and beneficiary institutions are located in different countries. This term also refers to any chain of wire transfers that has at least one cross-border element.
  - c. *Domestic transfer* means any wire transfer where the originator and beneficiary institutions are located in the same country. This term therefore refers to any chain of wire transfers that takes place entirely within the borders of a single country, even though the system used to effect the wire transfer may be located in another country.
  - d. The term *financial institution* is as defined by the FATF Forty Recommendations (2003).<sup>2</sup> The term does not apply to any persons or entities that provide financial institutions solely with message or other support systems for transmitting funds<sup>3</sup>.

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<sup>1</sup> It is recognised that countries will need time to make relevant legislative or regulatory changes and to allow financial institutions to make necessary adaptations to their systems and procedures. This period should not extend beyond December 2006..

<sup>2</sup> When this Interpretative Note was originally issued, these references were to the 1996 FATF Forty Recommendations. Subsequent to the publication of the revised FATF Forty Recommendations in June 2003, this text was updated accordingly. All references are now to the 2003 FATF Forty Recommendations.

- e. The *originator* is the account holder, or where there is no account, the person (natural or legal) that places the order with the financial institution to perform the wire transfer.

## Scope

3. SR VII applies, under the conditions set out below, to cross-border and domestic transfers between financial institutions.

## Cross-border wire transfers

4. Cross-border wire transfers should be accompanied by accurate and meaningful originator information. However, countries may adopt a *de minimus* threshold (no higher than USD or EUR 1,000). For cross-border transfers below this threshold:
  - a. Countries are not obligated to require ordering financial institutions to identify, verify record, or transmit originator information.
  - b. Countries may nevertheless require that incoming cross-border wire transfers contain full and accurate originator information.
5. Information accompanying qualifying cross-border wire transfers<sup>4</sup> must always contain the name of the originator and where an account exists, the number of that account. In the absence of an account, a unique reference number must be included.
6. Information accompanying qualifying wire transfers should also contain the address of the originator. However, countries may permit financial institutions to substitute the address with a national identity number, customer identification number, or date and place of birth.
7. Where several individual transfers from a single originator are bundled in a batch file for transmission to beneficiaries in another country, they shall be exempted from including full originator information, provided they include the originator's account number or unique reference number (as described in paragraph 8), and the batch file contains full originator information that is fully traceable within the recipient country.

## Domestic wire transfers

8. Information accompanying domestic wire transfers must also include originator information as indicated for cross-border wire transfers, unless full originator information can be made available to the beneficiary financial institution and appropriate authorities by other means. In this latter case, financial institutions need only include the account number or a unique identifier provided that this number or identifier will permit the transaction to be traced back to the originator.
9. The information must be made available by the ordering financial institution within three business days of receiving the request either from the beneficiary financial institution or from appropriate authorities. Law enforcement authorities should be able to compel immediate production of such information.

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<sup>3</sup> However, these systems do have a role in providing the necessary means for the financial institutions to fulfil their obligations under SR VII and, in particular, in preserving the integrity of the information transmitted with a wire transfer.

<sup>4</sup> Throughout this Interpretative Note, the phrase "qualifying cross-border wire transfers" means those cross-border wire transfers above any applicable threshold as described in paragraph 4.

## **Exemptions from SR VII**

10. SR VII is not intended to cover the following types of payments:
  - a. Any transfer that flows from a transaction carried out using a credit or debit card so long as the credit or debit card number accompanies all transfers flowing from the transaction. However, when credit or debit cards are used as a payment system to effect a money transfer, they are covered by SR VII, and the necessary information should be included in the message.
  - b. Financial institution-to-financial institution transfers and settlements where both the originator person and the beneficiary person are financial institutions acting on their own behalf.

## **Role of ordering, intermediary and beneficiary financial institutions**

### *Ordering financial institution*

11. The ordering financial institution must ensure that qualifying wire transfers contain complete originator information. The ordering financial institution must also verify this information for accuracy and maintain this information in accordance with the standards set out in the FATF Forty Recommendations (2003)<sup>5</sup>.

### *Intermediary financial institution*

12. For both cross-border and domestic wire transfers, financial institutions processing an intermediary element of such chains of wire transfers must ensure that all originator information that accompanies a wire transfer is retained with the transfer.
13. Where technical limitations prevent the full originator information accompanying a cross-border wire transfer from remaining with a related domestic wire transfer (during the necessary time to adapt payment systems), a record must be kept for five years by the receiving intermediary financial institution of all the information received from the ordering financial institution.

### *Beneficiary financial institution*

14. Beneficiary financial institutions should have effective risk-based procedures in place to identify wire transfers lacking complete originator information. The lack of complete originator information may be considered as a factor in assessing whether a wire transfer or related transactions are suspicious and, as appropriate, whether they are thus required to be reported to the financial intelligence unit or other competent authorities. In some cases, the beneficiary financial institution should consider restricting or even terminating its business relationship with financial institutions that fail to meet SRVII standards.

## **Enforcement mechanisms for financial institutions that do not comply with wire transfer rules and regulations**

15. Countries should adopt appropriate measures to monitor effectively the compliance of financial institutions with rules and regulations governing wire transfers. Financial institutions that fail to comply with such rules and regulations should be subject to civil, administrative or criminal sanctions.

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<sup>5</sup> See footnote 2.