

## RULES AND REGULATIONS

• **Regulation J, Subpart B** – rights and responsibilities over Fedwire Funds Service; preempts inconsistent provisions of state law; adopts UCC 4A, as set out in Appendix B of Subpart B to Regulation J, provides a set of rules for funds transfers over Fedwire Funds Service:

- Timing of orders
- Security procedures
- Responsibility and liability of parties
- Rejection of payment orders
- Cancellation
- Obligations of bank executing order
- Obligations of sender to pay receiving bank
- Obligation of beneficiary bank to pay beneficiary

• **Regulation CC, Funds Availability** — made available on the first business day following the banking day of deposit ("next-day availability")

• **OFAC** — financial institution should not allow transactions with an OFAC sanctioned party including the originator, beneficiary, or intermediary

• **Operating Circular 6** — applies to transfers made through the Fedwire Funds Service, most recent amendment March 2019

• **UCC 4A** – governs wire transfers, consumer and corporate, except for remittance transfers covered under Regulation E, Subpart B

- Allows for a receiving bank to rely on the routing number in the payment order.
- Allows for a beneficiary's bank to rely on the number (account number) in payment order
- Choice of law
- Security procedures, "commercially reasonable"
- Disclosures and notices should indicate financial institution's right to post solely on account number

## FEDWIRE TIMES

### Online Payment Orders (Effective March 8, 2021)

- Opening – 9:00 p.m. ET on the preceding calendar day to 7:00 p.m. ET
- Cutoff Type Code 15 (Foreign Orders) – 5:00 p.m. ET
- Cutoff Type Code 10 (Domestic Orders) – 6:45 p.m. ET
- Cutoff Type Code 16 (Settlement Orders) – 7:00 p.m. ET
- Cutoff Fedwire Online Messages – 7:00 p.m. ET

### Regulation J Subpart B



• **BSA/AML** — law passed to combat money laundering in the United States; requires policies, procedures, training, recordkeeping, verification of identity, and compliance with the "Travel Rule"

• Travel Rule requires inclusion within orders and retention of information for transfers of \$3,000 or more:

- Name and address of the originator
- Amount and date of the payment order
- Any payment instructions
- Identity of the beneficiary's institution.
- As many of the following items as are received with the payment order:
  - Name and address of the beneficiary
  - Account number of the beneficiary
  - Any other specific identifier of the beneficiary

• **Regulation E Subpart B, Section 1073 Dodd Frank** — Regulation E excludes wire transfers covered in UCC4A except for Regulation E Subpart B, consumer request to send funds to a recipient outside of the U.S. (international)

- Applies to financial institutions sending 500 or more remittance transfers annually
- Requires certain notices and disclosures
- Transfers by a business, not a remittance transfer
- Consumer protections international remittance transfers
- Covers not just international wire but other payments methods such as cash to cash transfers, International ACH, certain prepaid transfers

*\*Ensure procedures/hold practices match written customer disclosures*

*\*BSA retention requirements identifying information five (5) years after the account is closed*

### Offline Payment Orders

- Opening – 9:00 a.m. ET
- Cutoff Type Code 15 (Foreign Orders) – 4:30 p.m. ET
- Cutoff Type Code 10 (Domestic Orders) – 6:15 p.m. ET
- Cutoff Type Code 16 (Settlement Orders) – 6:30 p.m. ET
- Cutoff Fedwire Offline Messages – 6:30 p.m. ET

*\*Latest time to fund a Fedwire account – 6:30 p.m. ET*

## DEFINITIONS AND WIRE TERMINOLOGY

- **Book Transfer** - Movement of funds between two customers of same financial institution (transfer occurs on the financial institution "books")
- **Chips** - Clearing House Interbank Payment Systems — privately operated real-time payments system owned by a group of financial institutions often international transactions but also domestic; funds still flow through Federal Reserve
- **Drawdown** - Message requesting receiving financial institution to debit an account & wire funds to sender of the message — "reverse wire transfer" (agreement should be in place)
- **Fedwire** - A real-time gross settlement system; payment to the payee is final and irrevocable when the Federal Reserve either credits the amount of the payment order to the receiving reserve account or sends notice to receiving participant
- **Funds Transfer Business Day** - The part of the day during which the receiving bank is open for receipt, processing, and transmittal of payment orders, cancellations, and amendments
- **Intraday Overdrafts** - Daylight overdraft (also called intraday overdrafts) refers to a scenario in which a debit balance occurs in a customer's account during the banking day and is expected to be repaid by a credit to the account prior to the end of the banking day
- **Methods of Acceptance** - Different ways a financial institution may accept payment orders
  - In-Person
  - Telephone
  - Fax
  - Online Banking
  - Mobile (Text/App)
  - Email

*\*Each method of acceptance and each offering should have its own internal controls.*
- **Remittance Transfers** - Wire transfers made by consumers from the United States to other countries are considered "remittance transfers" under federal law
  - Preauthorized remittance transfer
  - Normal Course of Business – 500 or fewer consumer remittance transfers in previous calendar year and provides 500 or fewer consumer remittance transfers in current year
  - Does not include small value transactions \$15 or less
- **Repetitive Wire Transfer** - Transfer where the info and payment instruction do not change, allowed changes may be the execution date and amount, an agreement should be in place
- **Non-Repetitive Wire** - Transfer where any and all info can be changed
- **Third-Party Transfer** - Transfer that is for a customer/beneficiary. (Three parties involved – sending bank, receiving bank & beneficiary)
- **Payable Upon Proper ID (PUPID)** - Transfer for which there is no specific account to deposit the funds and the beneficiary is not a bank customer
- **SWIFT** - International wire instructions are usually sent via SWIFT, Society for Worldwide Interbank Financial Telecommunications, an international messaging system operated by a consortium of financial institutions in over multiple countries; moves messages and instructions is not a financial settlement system/payment system

## WIRE PARTICIPANTS

- **Originator** – individual business entity, initiator
- **Beneficiary** – the ultimate party to be credited or paid
- **Originator's Financial Institution** – the institution receiving the transfer instructions
- **Beneficiary's Financial Institution** – the financial institution received the instructions
- **Correspondent Financial Institution**
- **Network** – Fedwire, Chips, SWIFT

## RISK IMPACTS

- Transactions irrevocable
- Segregation of duties/dual control
- Payment order verification and retention
- Consumers wiring funds at the request of fraudulent scammers
- Malware, spyware and viruses providing access to unscrupulous actors, resulting in unauthorized transfers
- Ineffective entitlement approval limits
- Money laundering

## ADDITIONAL RESOURCES

### E-Payments Routing Directory

<https://www.frbervices.org/resources/routing-number-directory/index.html>

### Office of Foreign Assets Control—OFAC

[www.treasury.gov/ofac](http://www.treasury.gov/ofac)

### Federal Reserve Bank

[www.frbervices.org](http://www.frbervices.org)

### Fedwire Funds Service

[Frbervices.org/financial-services/wires/index.html](http://Frbervices.org/financial-services/wires/index.html)

### PaymentsFirst Member Support

866-993-3753 [info@paymentsfirst.org](mailto:info@paymentsfirst.org)  
678-384-9791 [www.paymentsfirst.org](http://www.paymentsfirst.org)

© A document provided by PaymentsFirst, all rights reserved.

Disclaimer — Information within this source is provided without any warranty, express or implied, as to their legal effect and

