Member Quick Reference

WIRE

RISK MITIGATION & SOUND BUSINESS PRACTICES

- Involve all stakeholders — BSA, Compliance, IT, IS, Business Continuity, Internal Audit, Accounting, Legal
- Identify by which methods the institution will accept wire transfer requests (in-person, online banking/ cash management, email, fax, telephone, mobile app, repetitive, tc.)
- Documented policies and procedures for each acceptance method
- Define wire verification methods
- Specify acceptable methods/ documents for verifying customer identity (commercially reasonable identification methods)
- Ensure processes align with the bond insurance policy
- Well constructed agreements
- Written agreements for business customers initiating wire requests not in-person:
    - Account number
    - Explicit authorization
    - Methods by which wires can be made
    - Identify individuals and limits
    - Identify commercially reasonable security procedure for authentication of requests
- Set limits and Identify employees who may approve wire transfer requests
- Identify employees who process incoming, initiate outgoing, input wires, and verify wires
- Set limits based on method of acceptance
- Define process for requests over board defined limits
- Monitor for report suspicious activities—cross channel, in-channel, behavior, source, money laundering, ip address and geographic monitoring
- Prefund transfers by removing the funds from the account prior to release of wire
- Define process around future dated items
- Maintain settlement account internally or with a correspondent
- End of day review of incoming wires and daily reconcilement of settlement accounts
- Employee training and customer awareness/training
- Define process regarding Intraday Overdrafts and sending wires from account without collected balance
- Monitor institution's Fed position
- If no activity, remove access to methods that are not in person
- Identify locations/departments where acceptance is allowed for email, phone, fax, in person
- Board reporting and strategic planning
- Process around initiating wires after close of business day and define wire cut off times
- Controls for non-customers
- Controls for drawdown or reverse wire

Common Forms of Wire Fraud

- **False Invoices**
- **Money Mules**
- **Advance Fee Frauds**
- **Account Takeover**
- **Business Email Compromise**

MITIGATE FRAUD RISK

- Multifactor authentication
- Complex passwords
- Account lockout
- Inactivity time
- Update certificate encryption
- IP address matching / geo location (behavioral analysis)
- Challenge questions (out of wallet)
- Customer authentication
- Callbacks or other out-of-band verification
- Activity Monitoring

Notes:

- ***Consider listed controls for each method of acceptance allowed by the financial institution***
- ***Wire request forms are not the same as written agreements, the absence of a written agreement may result in claim denial with insurance carriers***

This list is not inclusive of all sound business practices related to wire transfer controls; financial institutions must adapt controls to their own internal environment based on the complexity of wire operations.

PaymentsFirst Member Support

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WIRE TRANSFER RISK TYPES

Primary Types of Risk

Operational	Fraud	Systemic	Compliance	Credit
• Altered or delayed • Unintentional error	• Misdirected funds with fraudulent intent • Misappropriated funds with fraudulent intent • Synthetic Identity	• One participant is unable to settle its commitments causing other participants to fail	• Failure to comply, knowingly or inadvertently, with payment system rules, regulations, U.S. law, state law, and/or internal policies and procedures	• Unable to provide funds for settlement, provisional credit, settlement does occur for several days, returns

Ancillary Risks

A consequence or by-product of not managing credit, operational, fraud, systemic, or compliance risks

Cross-Channel	movement of fraudulent or illegal payment transactions from one channel to another
Third-Party	use of third parties reduces management's direct control, does not relieve liability
Transaction	possible loss, dependent on channel - transaction type, foreign currency/exchange rate, high-risk, methods used
Strategic	associated with financial institution's mission and future business plans – new services, emerging technology, market expansion, lack of plan, risk assessments

Counterparty	risk to each party of a contract that the counterparty will not live up to its contractual obligations
Reputational	negative publicity, business practices, consumer expectations, ability to meet regulatory and consumer protection obligations
Liquidity	possibility that earnings or capital will be negatively affected by an institution's inability to meet its obligations when due
Legal	failure to enact appropriate policies, procedures, or controls to ensure conformance with laws, regulations, contractual arrangement, legally binding agreements, etc.

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