

Office of Thrift Supervision

TB 57 was rescinded 3/10/97 as part of Section 303 and change in law

Handbook: Compliance Activities
Subject: Bank Secrecy Act

Section: 400
TB 57

February 26, 1993

RESCINDED

Interagency Policy Statement
on Money Laundering

Summary: The OTS has adopted a policy statement on money laundering activities involving large-value funds transfer systems.

For Further Information Contact: Your Regional Office, or Specialized Programs, Washington DC.

Thrift Bulletin 57

On December 8, 1992, the Federal Financial Institutions Examination Council (FFIEC) approved the attached policy statement and recommended it for adoption by the member agencies. The OTS has adopted this FFIEC statement.

In an effort to assist law enforcement agencies with identification and prosecution of money laundering activities involving large-value funds transfer systems, the policy statement encourages all financial institutions to include specific information on payment orders, including orders sent through Fedwire, CHIPS, SWIFT, and any proprietary networks. The policy asks financial institutions to record the name, address, and account number of

both the originator and beneficiary in the message text of a payment order.

Consequently, OTS encourages all savings associations to modify existing funds transfer procedures to assure the provisions of the policy statement are followed.

Attachment



—John F. Robinson
Acting Deputy Director for
Washington Operations

POLICY STATEMENT

The Federal Financial Institutions Examination Council (Council) is issuing this policy statement to address the problem of the use of large-value funds transfers for money laundering. The law enforcement community both within the United States and abroad has a growing interest in money laundering through funds transfer systems. The Council supports law enforcement's efforts to identify and prosecute money laundering activities involving large-value funds transfer systems. The Council encourages financial institutions to support law enforcement efforts in this area by including, to the extent practical, complete originator and beneficiary information when sending payment orders, including payment orders sent through Fedwire, CHIPS, and SWIFT.

BACKGROUND

The President of the United States has joined with the leaders of other nations to sponsor a Financial Action Task Force (FATF)^{1/}. The FATF is primarily developing international guidelines to facilitate the identification and prosecution of money laundering activities. Historically, law enforcement efforts to curtail money laundering activities have focused on the identification and documentation of currency-based transactions; however, recent investigations have focused on the

^{1/} The FATF was formed as a direct initiative by the Heads of State of Governments of seven major industrialized countries and the President of the European Communities during an economic summit in July 1989. The total membership of FATF now stands at 28 countries, with the primary representation being law enforcement.

use of funds transfer systems. The FATF has developed recommendations to provide more complete information about the parties to a funds transfer. This information is useful for law enforcement investigations.

FATF RECOMMENDATIONS

The FATF recommends that the text of every payment order include: the name, address, and account number of the person who initiated the first payment order in the funds transfer (the originator); the beneficiary's name and address, and when possible, account number should also be provided in the message text. The FATF also recommends that the identity of the first bank that accepts a payment order from a nonbank should be noted and retained through all subsequent processing of the funds transfer. (The FATF recognizes that the originator and beneficiary information specified in its recommendations may not be provided in transfers originated in some countries because of provisions contained in local laws.)

In this context, SWIFT and CHIPS have recently issued statements encouraging their participants to include the information specified by the FATF recommendations in funds transfers processed through those systems. The Bank of England has also encouraged financial institutions in the United Kingdom to provide complete originator and beneficiary information when using national, international, and proprietary message transfer

systems.

To the extent practicable, the Council encourages all domestic banking offices to implement the FATF recommendations when sending a payment order over any funds transfer system, including Fedwire, CHIPS, SWIFT, and any proprietary networks.

With respect to Fedwire, the Council recognizes that the Fedwire format limits the amount of information that can be included in a Fedwire funds transfer. While the Federal Reserve System is exploring changes to the Fedwire format, those changes would require time to implement. In the interim, the Council encourages originating banks to ensure that the nonbank originator, beneficiary, and any instructing bank information is included in each Fedwire funds transfer to the extent possible given the limited size of the Fedwire format and the need to give priority to information necessary for payment processing.

Information concerning the originator and beneficiary may be recorded in the payment order text. For example, if an originator requests depository institution A to transfer funds over Fedwire to a beneficiary of depository institution B, and either the originator or beneficiary information is lengthy and exceeds the space fields specified for originator or beneficiary information, to the extent practicable, the remaining information may be included in the message text in optional fields that may otherwise not be used for that particular payment order.

When a payment order is received by a bank through one

funds transfer system and then executed through another funds transfer system; to the extent practical, information on the originator of the payment order received by the intermediary bank should be included in the payment order sent by the intermediary bank. For example, when a SWIFT message is received by an intermediary bank and subsequently sent to the beneficiary's bank via Fedwire, the originator information on the SWIFT message should be carried forward as space permits to the Fedwire message. If the originator information is lengthy and exceeds the space available in the specified fields, to the extent practical, the remaining information may be included in the message text in optional fields that otherwise will not be used for that particular payment order.