



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
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BANK SECRECY ACT

Interagency Guidance on Transparency for U.S. Banking Organizations Conducting Cross-Border Funds Transfers

Summary: The federal banking agencies (FBAs) are issuing the attached guidance corresponding to the release of a Basel Committee on Banking Supervision (BCBS) publication addressing transparency in cross-border payment messages.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
BSA Compliance Office

Related Topics:

Bank Secrecy Act/Anti-Money Laundering Programs

Attachments:

[Transparency and Compliance for U.S. Banking Organizations Conducting Cross-Border Funds Transfers](#)

[Basel Committee on Banking Supervision paper – Due Diligence and Transparency Regarding Cover Payment Messages Related to Cross-Border Wire Transfers](#)

Contact:

Review Examiner Patricia A. Handley at SASFIL@FDIC.gov or (202) 898-3673

Note:

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Highlights:

- Following publication of the attached BCBS paper, the FBAs are issuing guidance on transparency for U.S. banking organizations conducting cross-border funds transfers.
- Cross-border payment messages allow originator and beneficiary banks that often do not have a direct business relationship to facilitate the transfer of funds.
- Cover payments are used by banks to facilitate funds transfers between a customer and a beneficiary. The payments typically involve: (i) a transaction in a currency other than that of the country in which the originator's bank or beneficiary's bank is domiciled; and (ii) the originator's bank and beneficiary's bank do not have a relationship that allows them to settle directly with each other. In this circumstance, the originator's bank may instruct the beneficiary's bank to effect the payment and advise a transmission of funds to "cover" the interbank obligation created by the payment order that has been arranged through a separate channel.
- Prior messaging standards did not ensure full transparency of the ultimate originator or beneficiary involved in the transaction. A new payment message format (MT 202 COV), effective November 21, 2009, will be used to execute the transfer of funds conducted through SWIFT with greater transparency.
- The MT 202 COV format contains mandatory fields with information relating to the originator and beneficiary of the transaction and will assist intermediary banks by providing this information for Office of Foreign Assets Control sanction screening and suspicious activity monitoring purposes.
- U.S. originating and intermediary banks will be required to use the MT 202 COV message format to facilitate cover payments and should implement associated procedures relative to these payments to ensure compliance with applicable laws and regulations.

