recording purchases with currency of certain monetary instruments, such as bank drafts and cashier's checks. A few commenters recommended a \$1,000 threshold. One bank noted that a smalldollar exemption would particularly benefit its noncustomer beneficiaries, who typically are tourists whose wallets and identification documents have been either lost or stolen, and who arrange to have a few hundred dollars wired to them from relatives or friends.

One nonbank provider of money transmitting services, noting that a small-dollar threshold would reduce the burden and cost to comply with the regulation, estimates that 99.96 percent of its transactions are for amounts below \$10,000, while 98.0 percent of its transactions are for less than \$3,000, and 95.0 percent are for less than \$1,000. The Federal Reserve Banks recently conducted a one-day survey of Fedwire funds transfers and found that 22 percent of transactions for that sample day were for amounts less than \$3,000, while 36 percent of the transactions were for amounts less than \$10,000

To reduce the burden of the proposal, the final rule does not apply to funds transfers of less than \$3,000. This exemption will reduce the burden of retaining records for small-dollar transactions and of verifying the identity of noncustomer originators and beneficiaries, reducing the costs to comply with the final rule.

The Department of Justice commented that no threshold, or a threshold lower than \$3,000, should be imposed. It believes that a dollar threshold would provide persons wishing to circumvent the rule the opportunity to do so by sending multiple small-dollar funds transfers. The Treasury and the Board believe that it is desirable to have a logical relationship between the threshold for the funds transfer recordkeeping requirements and the other thresholds established in the Bank Secrecy Act regulations. In situations where a person sends multiple smalldollar funds transfers to avoid the rule, it is expected that the bank would notify law enforcement appropriately.

The Treasury intends to issue for comment proposed regulations that would require banks to establish antimoney laundering measures, including reporting of suspicious transactions and "know your customer" policies and programs. In light of these anticipated amendments to the Bank Secrecy Act regulations, the Treasury and the Board believe that a \$3,000 threshold will not hinder the usefulness of the rule to law enforcement. The Treasury and the Board will monitor the experience of the

industry and law enforcement with the \$3,000 threshold, and will consider modifying this threshold in the future if it is determined that transactions are being structured in order to evade the recordkeeping requirements. As part of its analysis of the continued appropriateness of this final rule, the Treasury also will monitor the effectiveness of banks' "know your customer" and suspicious transaction reporting programs as applied to funds transfers, once these rules take effect.

Beneficiary Information—The
Department of Justice, Office of Chief
Postal Inspector, and Internal Revenue
Service expressed concern that the
proposed rule did not require
beneficiary information to be collected
and retained by the originator's bank if
the information is not received with the
payment order. They indicated that the
absence of beneficiary information at
this stage of the funds transfer process
would limit significantly the utility of
the funds transfer records to law
enforcement.

In virtually all cases, the originator provides, as part of the payment order it sends to the originator's bank, the identity of the beneficiary. Typically, the originator provides the beneficiary's name and address, or the beneficiary's account number, or some other specific identifier of the beneficiary. Examples of a specific identifier include the beneficiary's Clearing House Interbank Payments System (CHIPS) universal identifier, its Dun and Bradstreet D-U-N-S identifier, its stock exchange identifier, or, in some instances where the beneficiary's address is not known, the beneficiary's name. The originator provides this information with the payment order to ensure that the beneficiary receives the proceeds of the funds transfer on a timely basis. Given that the identification of the beneficiary may be provided by means other than name and address or account number, the Treasury and the Board have modified the proposed recordkeeping requirement to allow for identification by other specific identifier of the beneficiary.

Although some identification of the beneficiary is included in virtually all payment orders, the Treasury and the Board have retained the requirement that the originator's bank retain such items of identification of the beneficiary as are received with the payment order. In cases where the originator provides the payment order to the originator's bank through an electronic connection, the originator's bank generally cannot ensure that the originator has provided, as part of its payment order, the beneficiary information specified in the

rule. In these situations, the originator's bank generally does not manually review the payment order prior to execution of the order. The originator's bank is encouraged not only to require its customers to provide beneficiary information but also to perform an edit to ensure that information is contained in the beneficiary's field. It cannot determine in an automated manner, however, whether the information contained provides a meaningful identification of the beneficiary. In addition, there may be limited cases (e.g., transfers in response to drawdown requests) where the originator may not provide beneficiary information as part of its payment order to the originator's bank.

The Treasury and the Board believe that some originator's banks would have to make substantial operating changes to ensure compliance with the rule if they were required to collect and retain information on the beneficiary for all payment orders they accept. Moreover, the Treasury and the Board believe that requiring originator's banks to retain beneficiary information as is received with the payment order will not unduly impede law enforcement efforts. Beneficiary information generally will be provided by the originator with the payment order and therefore retained by the originator's bank. In those very few cases where this information is not provided by the originator, it generally can be obtained from the records of the beneficiary bank.

The final rule requires that the originator's bank retain as many of the means of identification of the beneficiary (e.g., name and address, account number, other specific identifier) as are received with the payment order. Originator's banks are encouraged to request that originators provide complete beneficiary information when possible.4 The Treasury and the Board understand that some banks, particularly those that send payment orders electronically, may rely on the records of the payment orders they execute, supplemented by the originator name and address information in their customer information file, to meet the recordkeeping requirements of this rule for established customers. Because the current Fedwire funds transfer format may not have sufficient space to include all means provided by the originator of

⁴The Federal Financial Institutions Examination Council adopted a policy encouraging all financial institutions to include, to the extent practical, the name, address, and account number of the originator and beneficiary in the payment order text, including payment orders sent through Fedwire, CHIPS, and S.W.I.F.T.