of optional Fedwire fields to include such information. The commenters observed that the proposed travel rule failed to designate which optional fields should contain which items of information and failed to assign priority to such items in the event that available optional fields could not accommodate all required information. Commenters believed that the lack of industry standards prescribing placement of originator and beneficiary data in optional fields would result in confusion and inefficiency, producing erroneous entries, advices and misapplication of funds. Commenters also noted that the use of optional fields would require excessive manual intervention in what is largely an automated system, causing costly inefficiencies by delaying pass-through payments, which, according to one commenter, make up 85% of all transfers.

Many commenters suggested the formation of a joint task force including representatives of the financial community, Treasury and the Federal Reserve Board to establish industry standards for the use of optional fields in Fedwire and a timetable for implementation.

The Federal Reserve Board published its Proposed Expansion of the Fedwire Funds Transfer Format on December 1, 1993 (58 FR 63366), and a finalized expanded Fedwire format is published elsewhere in today's Federal Register. Implementation is to be completed by year-end 1997. Once implemented by financial institutions, the modified Fedwire format will permit inclusion of complete originator and beneficiary information. Under this final rule a financial institution will not be required to include all available information identifying transmittors and recipients in Fedwire payment orders until the financial institution has implemented the new Fedwire format. However, Treasury joins the FFIEC in encouraging financial institutions to include complete transmittor and recipient information in Fedwire payment orders using optional fields.

## Threshold

Many nonbank financial institutions commented that the proposed recordkeeping rule's lack of a threshold exempting smaller value transfers would make implementation inordinately costly. One commenter noted that 95% of the two million transmittals it conducted annually involved less than \$1,000; 98% fell below \$3,000; and, 99.96% fell below \$10,000. Commenters complained that the enormous expense they would incur

in obtaining, maintaining and transmitting data for smaller value transmittals could not be justified by any benefit to law enforcement. Other commenters argued that the absence of any threshold would make it impossible to conduct transmittals in emergencies and in situations in which a transmittor phones, faxes or writes in funds transmittal instructions (for example, in the case of a transmittal of funds to someone whose identification documents have been stolen).

Treasury and the Federal Reserve Board have considered these comments and have established a threshold of \$3,000 for the final recordkeeping rule. Treasury has determined that the same threshold should apply to this final rule. Therefore, financial institutions will not be required to include the specified information in transmittal orders involving less than \$3,000 or the foreign equivalent. (Financial institutions should determine the U.S. dollar equivalents of transfers in foreign funds based on the spot exchange rate at the time of a transfer to determine whether a foreign-denominated transfer exceeds the \$3,000 threshold.)

Treasury presently encourages financial institutions to report to the appropriate federal law enforcement agency or agencies transmittals of funds that are structured in amounts of less than \$3,000 to evade the requirements of this final rule and the final recordkeeping rule. Treasury intends to issue for comment proposed regulations that would require financial institutions to report suspicious transactions and to establish anti-money laundering measures, including "know your customer" policies and programs. Treasury will monitor the effectiveness of such policies and programs, as applied to transmittals of funds, and will consider future modification of the \$3,000 threshold or other provisions of this final rule, if appropriate and necessary to counter the evasion of requirements through structuring.

## **Contents of Payment Orders**

If a transmittal order is funded from an account, the proposed travel rule would have required the transmittor's financial institution to include in the transmittal order the following: the name and address of the transmittor; the transmittor's account number; the amount and execution date of the transmittal; the identity of the recipient's financial institution; and either the name and address or the account number of the recipient (if received with the transmittal order). The proposed travel rule also would have required any receiving financial

institution acting either as an intermediary bank or an intermediary financial institution to include in its transmittal order the same information, if received from the sender.

Several commenters objected to the proposed requirement that the transmittor's account number be included in the transmittal order. Commenters noted that such information is relevant only to the transmittor's financial institution, is regarded by many as confidential, and increases the risk of fraud if included in a transmittal order. Commenters questioned law enforcement's need to have account information on transmittal orders because such information is easily retrievable through records using the account holder's name. The inclusion of this information, commenters argued, would clutter transmittal orders.

Treasury has concluded that the transmittor's account number must be included in transmittal orders, but only where an account is debited to fund all or part of the transmittal. This information will be particularly useful to law enforcement in cases in which delay occasioned by a search for account information would hinder the success of an investigation. Inclusion of the information is feasible in both S.W.I.F.T. and CHIPS messages, and (until proposed Fedwire format changes are implemented) information can be included in optional Fedwire fields if there is not sufficient space in the originator field.

Treasury has determined that the inclusion of account numbers in transmittal orders will present only a minor increase in the risk of fraudulent transfers. Banks generally have security procedures that include passwords, codewords and, in the case of electronic transmissions, confirmation to ensure that only authorized parties issue payment orders. These and other protective measures greatly reduce the potential for fraud, to a level at which that risk does not outweigh the immediate and tangible benefit to law enforcement derived from the inclusion of account information in transmittal orders

With regard to arguments based on the confidentiality of account numbers, Treasury notes that account numbers are routinely included (and are certainly not treated as confidential) in cases in which an account is the recipient of a transmittal of funds. Furthermore, account numbers are routinely carried on the face of checks and other payment documents that are widely circulated through and outside of banks. Finally, Treasury believes that the fact that a