 Office of Credit Unions Policies and Procedures	POLICY NUMBER
	10630
EXAMINATION	EFFECTIVE DATE
	11/01/2018
SUBJECT	REVISION DATE
	11/01/2018
Wire Transfers	PAGE(S)
	Page 1 of 3

I. PURPOSE

Wire transfers are inherently high risk transactions. Without adequate controls, institutions incur undue financial and operating risks. To mitigate risks, strong internal controls including segregation of duties, checks and balances, and frequent reviews must occur. Management must assess the risks and initiate appropriate risk countermeasures. Examiners should ensure the countermeasures are effective and management’s oversight is appropriate.

II. PRIMARY REFERENCES / RELATED REGULATIONS

- www.frbervices.org - Operating Circulars and Practice Statements

The Federal Reserve Bank’s Operating Circulars define (and legally bind) the participant financial institution’s responsibilities and liabilities accessing payment systems through FedLine Advantage. The two Circulars directly relevant to the Fedwire Funds Service are:


- OC-5 (Electronic Access), including “Certification Practice Statement” and “Password Practice Statement”.
- OC-6 (Funds Transfer through Fedwire Funds Service).

III. BACKGROUND

Outgoing wires present a greater risk of loss since the final disposition of the wired funds is not under the control of the originating institution. Incoming wires pose less risk to a financial institution than outgoing wires because the final disposition of the funds is under the control of the receiving financial institution. Risk exposure exists since incoming funds may be diverted to an unauthorized account and subsequently withdrawn. Properly implemented system access controls are necessary to protect against fraud.

IV. MINIMUM PROCEDURES

If wire transfers are permissible, examiners must determine which internal wire transfer systems is used or if the institution uses an external correspondent bank or corporate credit union. Either system (internal/external) uses similar internal control

 Office of Credit Unions Policies and Procedures	POLICY NUMBER
	10630
EXAMINATION	EFFECTIVE DATE
	11/01/2018
SUBJECT	REVISION DATE
	11/01/2018
Wire Transfers	PAGE(S)
	Page 2 of 3

mechanisms. The most common internal wire transfer system is FRB's FedLine Advantage system.

Vendor Provided Systems for Wire Transfers:


If an institution uses a third-party to perform wire transfers (e.g. correspondent bank or a corporate credit union), examiners should ask:

- Does the institution have a written agreement with the third-party vendor that is complete and reasonable?
- Does the third-party vendor require passwords from institution's staff to authorize wire transfers? Is each staff member assigned a unique password? Are passwords periodically changed?
- Does the institution have reasonable procedures in place to verify the identity of consumers requesting funds to be transferred?
- Does the staff authorized to execute wire transfers also responsible for reconciling or posting to related general ledger accounts? For example, the person authorized to send wire transfers through a corporate credit union should not be responsible for reconciling the corporate credit union statement.

Internal Systems for Wire Transfers/ FedLine Advantage:

To understand the controls established and offered through FedLine Advantage, completion of the FRB's FedLine Advantage Workprogram (Internal Form 10630.A) is recommended. Select system reports are necessary to review the platform. Some of these reports must be requested before on-site contact (the reports are indicated below).

1. **Subscribers and Roles Report:** Review a copy of the *Subscribers and Roles Report* to verify only authorized persons are assigned access, and none have more than one set of credentials per ABA number. (**Important Note - The report must be ordered at least 5 days in advance of the examination**).
2. **Event Tracker Report:** This report reflects actual changes in Subscribers, Subscribers' credentials and access, application services and settings, etc., over a designated period of time. This should be reviewed to ensure changes to credentials and access occurs timely, and to verify internal reviews of such occur periodically. Currently, the credit union must request this report from the FRB's Customer Contact Center (**Important Note: The report must be ordered at least 5 days in advance of the examination**).
3. **FedPayments Manager – Funds Processing Options-Verification tab:** The "Processing Options-Verifications" screen can be viewed and printed by

 Office of Credit Unions Policies and Procedures	POLICY NUMBER
	10630
EXAMINATION	EFFECTIVE DATE
	11/01/2018
SUBJECT	REVISION DATE
	11/01/2018
Wire Transfers	PAGE(S)
	Page 3 of 3

the Funds Transfer Specialist or the Funds Supervisor, but only the supervisor can apply changes. Review a screen print of the *FedPayments Manager – Funds Processing Options-Verification tab* to verify that appropriate controls have been selected and are in place.

4. **Application Audit Log:** Audit logs must be printed by a “Funds Supervisor”. To obtain the logs, go to the FedPayments Manager – Funds, select Application Audit Log, select “Update Verification” in the Event Description box, and enter the appropriate start/stop dates. Management should review each entry for “before and after” changes.