



Wire Transfers for Business

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What is a Wire Transfer

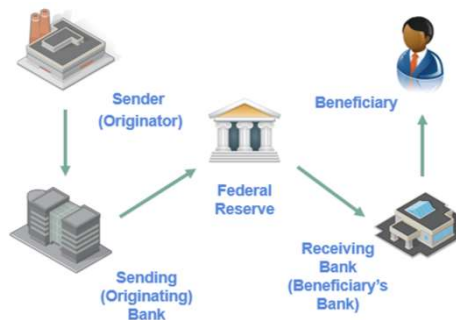
- » An individual transfer of funds that is moved electronically, upon a customer's instruction, from one person or entity to another by way of the customer's financial institution to another financial institution
- » Real-time, gross-settlement
 - Each transfer is processed & settled individually and immediately upon receipt
- » Credit/Push System
- » Domestic or International



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Wire Transfer Participants & Flow

- » Sender/Originator
- » Sending/Originating Depository Institution
- » Federal Reserve Bank
- » Receiving/Beneficiary's Depository Institution
- » Beneficiary



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Methods of Initiation

- » Computer (Online Banking)
- » In person
- » Telephone
- » Letter
- » Fax

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Key Wire Characteristics

- » Usually for larger dollar amounts compared to other payments types
- » Entered into network for same day settlement
 - Domestic vs. International
 - Cut-off times of participant banks can vary
- » Subject to more risk than other payments because:
 - Amounts are much larger than ACH or checks
 - Settlement is immediate, final, and irrevocable when received

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Key Wire Characteristics

- » Completeness and accuracy of instructions is important!
 - Beneficiary details must match or wire may be rejected
 - Beneficiary's bank won't try to post if there is uncertainty
- » Fees are typically higher than other payment methods
 - Sending bank
 - Beneficiary bank
 - Intermediary banks

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Required Information for Wire Transfer

- » Business instructs their financial institution to initiate wire transfer
 - Account number to be debited
 - Amount of wire
 - Beneficiary's depository institution
 - Beneficiary's account number at depository institution
 - Beneficiary's physical address
 - Any additional remittance information (e.g. invoice number)
 - Purpose of wire (International only)

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Wire Transfer Risk

- » Operational Risk
 - Human Error
 - Hardware, software, or telecommunications failure

- » Fraud Risk
 - Intruders or interlopers
 - Dishonest employees



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Controls to Reduce Risk

- » Dual control
- » Review user rights in online banking
- » Effective use of passwords
- » Use stand-alone system for online banking
- » Daily reconciliation of all banking transactions
- » Limit administrative rights on users' workstations to prevent inadvertent downloading of malware
- » Internal Controls for initiation of wires

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