



## REMITTANCE TRANSFER RULE INTERVIEWS: QUESTIONS FOR DEPOSITORY INSTITUTIONS, CREDIT UNIONS, BROKER DEALERS

*This document is an overview of the type of questions that we would like to ask regarding the temporary exception in the Remittance Transfer Rule. First, there is an overview of the temporary exception. Below that overview are the questions that we will use in our discussions with you. We may not cover every question; however, we hope this list will serve as a useful guide for the types of topics that we would like to cover.*

### OVERVIEW OF THE TEMPORARY EXCEPTION

The Remittance Transfer Rule requires regulated institutions to provide disclosures to remittance senders containing information about the price of the transfer, including fees and exchange rates. Generally, all disclosed amounts must be exact. However, the rule contains several exceptions that allow providers to estimate the applicable exchange rate, back-end fees and taxes, and total funds to be received. Some of these exceptions are permanent. The focus of this interview is a temporary exception for insured depository institutions and credit unions.<sup>1</sup> The exception is described in section 1005.32(a) of Regulation E. It is currently set to expire on July 21, 2015.

For the temporary exception to apply, the provider must meet the following criteria.

- *Insured institution.* The provider must be an insured depository institution or credit union, or an uninsured U.S. branch or agency of a foreign depository institution.
- *Account-based transfers.* The remittance transfer must be sent from the sender's account with the provider.
- *Unable to determine exact amounts.* The provider must be unable to determine exact amounts for reasons outside of its control. For example, the provider may not be able to determine the exchange rate if it is set by the designated recipient's institution, and the provider has no correspondent relationship with that institution.

The focus of the temporary exception is on estimates of the applicable exchange rate, and fees imposed on the remittance transfer by a person other than the provider (such as fees imposed by an intermediary bank that assists in the transfer).

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<sup>1</sup> The Securities and Exchange Commission (SEC) staff has written a no action letter that concludes that SEC staff will not recommend enforcement action to the SEC under Regulation E if a broker-dealer provides disclosures as though the broker-dealer were an insured institution for purposes of the temporary exception. *See* <http://www.sec.gov/divisions/marketreg/mr-noaction/2012/financial-information-forum-121412-rege.pdf> (accessed on October 16, 2013).

If the provider may disclose estimated amounts, and chooses to do so, the provider must calculate the estimates according to one of the specified methods that is listed in Regulation E at section 1005.32(c). If the provider does not use a listed method and chooses to use another method for estimating the transfers, the provider is in compliance so long as the recipient receives the same, or greater, amount of funds than the provider disclosed.

Section 1005.32(a) and section 1005.32(c) and the official interpretations to both are attached to this interview guide.

In the interview questions below, when we refer to “remittance transfers” we are referring to transfers that are covered by the Remittance Transfer Rule (or would have been, if the rule had been in effect at the relevant time).

## **INTERVIEW QUESTIONS**

*To set the context for our discussion, we would like to understand the services you offer. We may cover these questions in our initial phone call, when we set up time to speak with you.*

### ***COMPANY BACKGROUND***

1. If you are a depository institution or a credit union, could you confirm that you are an insured institution?
2. Do you provide remittance transfers in the normal course of your business?
3. What type of remittance transfer services do you provide? For example, do you provide the following:
  - a. Wire transfers, through the correspondent banking network?
  - b. International ACH transfers?
  - c. Other proprietary services for which you are the provider? (For example: if you operate a cash-to-cash network, or an international bill pay service). (Please describe)
  - d. Other proprietary services for which another company is the provider? (For example: When you are the agent for a money transmitter). (Please describe)
4. How many remittance transfers do you estimate that you provided in 2013, for each type of service? If more convenient to determine, please estimate the number of remittance transfers you provided for a shorter period in 2013 (such as a calendar quarter, or since the rule took effect on October 28, 2013).
5. What other related products do you provide to customers? (For instance, domestic money transfer products).

*The temporary exception can be used to estimate the fees imposed by entities other than the provider, such as such as fees imposed by or exchange rates set by an intermediary institution that does not have a correspondent relationship with the provider. Our questions concern both categories of estimates.*

### ***CURRENT USE OF THE TEMPORARY EXCEPTION: FEES***

6. Are you using the temporary exception to estimate fees? Why or why not?
  - a. If so, please estimate the percent of your transfers since October 28, 2013 for which you have applied the temporary exception to estimate disclosed fees.
7. If you are using the temporary exception to estimate fees:
  - a. Could you describe the circumstances in which you are doing so? Please include information regarding:
    - i. Which types of transfers? (*e.g.*, USD wires, foreign currency wires, ACH)
    - ii. Which or what type of destination countries? (*e.g.*, only for transfers to certain countries? Or for all transfers, regardless of destination?)
  - b. Could you tell us more about how you are estimating fees?
    - i. The rule permits several methods of estimation. Which method are you using to estimate fees?
    - ii. Why have you chosen this estimation method?
    - iii. What is the source of information that you are using to formulate estimates? Are you depending on any other companies, such as correspondent banks, to formulate estimates that you provide to customers? If so, please describe how those other entities are helping you with estimates.
    - iv. Do you know how close your estimates are to the actual amounts?
8. If, for some transfers, you are not applying the temporary exception to estimate fees imposed by entities other than the provider, please tell us why you are not doing so. Please also describe the methods that you use to disclose the required fee information.
9. The Remittance Transfer Rule provides several methods to estimate fees imposed by entities other than the provider. Could you discuss how feasible these methods are? The methods are:
  - a. The remittance transfer provider's most recent remittance transfer to the designated recipient's institution.
  - b. A representative transmittal route identified by the remittance transfer provider.
  - c. Any other method, so long as the designated recipient receives the same, or greater, amount of funds than the remittance transfer provider disclosed to the consumer.
10. If the Bureau extends the temporary exception for an additional time, are there changes that you would suggest in the methods that the Remittance Transfer Rule permits for estimating fees? Please describe the changes that you would suggest and why.

### ***CURRENT USE OF THE TEMPORARY EXCEPTION: EXCHANGE RATES***

11. Are you using the temporary exception to estimate exchange rates? Why or why not? If so, please estimate the percent of your transfers for which you have applied the temporary exception to estimate exchange rates.
12. If you are using the temporary exception to estimate exchange rates:
  - a. Could you describe the circumstances in which you are doing so? Please include information regarding:
    - i. Which types of transfers? (*e.g.*, USD wires, foreign currency wires, ACH)

- ii. Which or what type of destination countries? (e.g., only for transfers to certain countries? Or for all transfers, regardless of destination?)
- b. Could you tell us more about how you are estimating exchange rates?
  - i. The rule permits several methods of estimation. Which method are you using to estimate exchange rates?
  - ii. Why have you chosen this estimation method?
  - iii. What is the source of information that you are using to formulate estimates? Are you depending on any other companies, such as correspondent banks, to formulate estimates that you provide to customers? If so, please describe how those other entities are helping you with estimates.
  - iv. Do you know how close your estimates are to the actual amounts?
- 13. If, for some transfers, you are not applying the temporary exception to estimate exchange rates, please tell us why you are not doing so. Please also describe the methods that you use to disclose the required exchange rate information.
- 14. The Remittance Transfer Rule provides several methods to estimate fees imposed by entities other than the provider. Could you discuss how feasible these methods are? The methods are:
  - a. For certain remittance transfers sent via international ACH, the most recent exchange rate set by the recipient country's central bank or other governmental authority and reported by a Federal Reserve Bank.
  - b. The most recent publicly available wholesale exchange rate and, if applicable, any spread that the remittance transfer provider or its correspondent typically applies to such a wholesale rate for remittance transfers for that currency.
  - c. The most recent exchange rate offered or used by the person making funds available directly to the designated recipient or by the person setting the exchange rate.
  - d. Any other method, so long as the designated recipient receives the same, or greater, amount of funds than the remittance transfer provider disclosed to the consumer. (Please describe method).
- 15. If the Bureau extends the temporary exception for an additional time, are there changes that you would suggest in the methods that the Remittance Transfer Rule permits for estimating exchange rates? Please describe the changes that you would suggest and why.

***CURRENT USE OF THE TEMPORARY EXCEPTION: OTHER GENERAL QUESTIONS***

- 16. The Remittance Transfer Rule began requiring new disclosures on October 28, 2013. Have you received any feedback from your customers about the new disclosures? Have you received any questions or feedback from your customers about your use of estimates in those disclosures? If so, please describe.
- 17. Have you received any questions or feedback from your business partners about your use of estimates in the required disclosures? If so, please describe.

*The temporary exception is currently set to expire on July 21, 2015. We have not yet decided whether or not to extend the exception for additional time. For the questions below, please assume that the temporary exception will expire on July 21, 2015 and focus on how you believe the expiration will affect you, other industry participants, and consumers.*

*The first set of questions applies if you are using the temporary exception to estimate fees or exchange rates. The second set of questions applies even if you have some remittance transfers for which you are not using the temporary exception.*

***IMPACT OF THE EXPIRATION OF THE TEMPORARY EXCEPTION: IF YOU ARE USING THE TEMPORARY EXCEPTION***

18. Are you making any plans for how you will comply with the Remittance Transfer Rule after the temporary exception expires? Why or why not?
19. Please describe what methods you plan (or could plan) to use to disclose exact fees in place of estimates.
  - a. What steps would you need to take to put in place those new methods?
  - b. How long would these steps take you?
  - a. How much would those steps cost? If possible, please categorize costs into types, such as information technology, human resources, or other categories, if possible.
  - c. Please describe which, if any, of these steps you have taken, and why.
  - b. Do you believe that these methods would change your ongoing costs? Please describe the amount and type of any change, and why you expect it. If possible, please categorize costs into types, such as information technology, human resources, or other categories, if possible.
20. Please describe what methods you plan (or could plan) to use to disclose exact exchange rates in place of estimates.
  - a. What steps would you need to take to put in place those new methods?
  - b. How long would these steps take you?
  - c. How much would those steps cost? If possible, please categorize costs into types, such as information technology, human resources, or other categories, if possible.
  - c. Please describe which, if any, of these steps you have taken, and why.
  - d. Do you believe that these methods would change your ongoing costs? Please describe the amount and type of any change, and why you expect it. If possible, please categorize costs into types, such as information technology, human resources, or other categories, if possible.
21. When the temporary exception expires, do you anticipate that it will cause you to change the remittance transfer services that you offer? If so, please describe the changes you anticipate and why. Changes may be in the type of service, the size or speed of transfers, the destination countries that you serve, the price, or other aspects of your services.

***IMPACT OF THE EXPIRATION OF THE TEMPORARY EXCEPTION: OTHER GENERAL QUESTIONS***

22. Would the expiration of the temporary exception have any effect on the number of customers you serve? If so, please explain what changes you expect and why.
23. What do you anticipate will be the net impact of the expiration of the temporary exception on your profit from remittance transfers? Will it increase, decrease, or stay the same? Please explain why.

24. Do you expect to make any changes in your business partners or processes in response to the expiration of the temporary exception? Why or why not? Please describe any change that you expect.
25. Please describe how you believe the *continuation of the* temporary exception affects your competitive position. Please indicate what type of entities you believe are your competitors.
26. Please describe how you believe the *expiration* of the temporary exception would affect your competitive position. Please indicate what type of entities you believe are your competitors.
27. Do you expect any providers to gain or lose market share in response to the *expiration* of the temporary exception? Why or why not? Please describe the change that you expect.
28. Please describe any other impacts, benefits, or costs that you believe the *expiration* or *continuation* of the temporary exception would have on the industry.
29. Please describe any other impacts, benefits, or costs that you believe the *expiration* or *continuation* of the temporary exception would have on consumers who send remittances.

***OTHER TOPICS OF DISCUSSION***

30. Please describe any other concerns or comments you have regarding the Remittance Transfer Rule, and its disclosures requirements, cancelation requirements, and error resolution requirements.
31. Please relate any experience that you wish to share regarding your implementation of the Remittance Transfer Rule.
32. Please share any other information about factors driving changes in supply, demand, prices, practice regarding transparency, cancelation, or error resolution, or other characteristics of the remittance transfer market.