

THINKING ABOUT REG E FOR INTERNATIONAL

by [Steve Brown](#)

Our last Regulation E discussion on consumer international remittances focused on ways community bankers can prepare for this new rule (was expected to go live on February 7, 2013). However, after the latest Consumer Financial Protection Bureau (CFPB) bulletin, bankers may have until the spring of 2013 to finish all tasks. Although some of the upcoming changes may still be confusing, community bankers need not worry. Our dedicated Reg E team has you covered, so you can glide through the changes and arrive at the "go live" date safe and sound. As part of the changes, the CFPB is seeking to modify a few areas. One of them is the liability that your bank has when a customer provides you with incorrect account information. In such case, it is likely that intentional or otherwise, funds would end up deposited in an unintended account abroad. Under the current rule, you would have to pay back the full amount to your customer even if you were not able to recover the funds. The problem here was that in this scenario, banks would be providing an added benefit to the transaction similar to that of a malpractice insurance coverage. That is outside the international remittance business and makes pricing such transactions very difficult given the added risk. That had many banks on edge due to the potential for fraud and reputational repercussions. Although the CFPB's proposal has not been released yet, it is expected that this feature will be revised and make the customer responsible as long as the bank can show the account number it was provided was incorrect. To prepare, bankers may want to have a process in place to ensure you can produce this proof when needed. A form that is filled in and signed by the customer or similar structure may work best, along with strong processes. The rest of the upcoming changes are spread out basically into two buckets, although they refer to the same basic limitation. Namely, it is hard for a U.S. bank to know exactly and without doubt the accurate fees and foreign taxes that will be applied by the time the funds are ultimately received by the beneficiary. This is an industry-wide challenge and it is very difficult to determine the amount a given town, city, province, state or country abroad might charge at all levels. All of these jurisdictions have different tax governing bodies and some locations may imply a set of jurisdictions for the same remittance. Additionally, some use different methods for determining taxes, such as graded rates or a single percentage, while others have a combination of methodologies. This makes an accurate foreign tax database a source of anxiety, especially because changes in tax regulations at the destination would have to be captured immediately worldwide to ensure accuracy. Such a database and its continuous maintenance would require a team of tax experts surveying more than 3,000 jurisdictions across the globe. This is a task that seems beyond the international remittance business. A similar case is presented by third party fees. Here, a major concern is the lack of visibility the sending bank has over the relationship between the beneficiary and its bank. For instance, the person or company receiving funds abroad could be subject to higher fees like being penalized for bad credit ratings or other reasons. This could preclude your bank from stating the exact value to the consumer customer before sending the remittance and get you in trouble if the rule stood as originally structured. Fortunately, the CFPB is seeking to allow for estimates for both. In any case, our Reg E solution integrates all the values that you have to show to your customer, so you don't need to worry about several databases or pulling data. In fact, if you offer commercial and Reg E remittances, our solution will allow you to process all of them through the same platform, so you don't have to mess around with different passwords, websites or access permissions that could disrupt your business and add transaction costs. Our Reg E solution is designed to deliver disclosures as required

by the CFPB, leaving you to focus on the customer. As indicated at the start of this article, the newly announced changes shift the original "go live" date of February 7 until sometime in the spring of 2013. While the final date is still uncertain at this point, know that our Reg E team is on it, will deliver a solution and will keep you informed as things progress.

BANK NEWS

TAG Extension

The Senate will hold a vote today to decide whether to consider legislation extending the Transaction Account Guarantee (TAG) program for 2 more years. ICBA and ABA support the extension and the National Association of State Treasurers has also just added their support.

Deposit Run

A story in the WSJ indicates if TAG isn't extended, as much as \$250B in deposits could flow from smaller banks into larger ones when the guarantee ends.

FDIC Win

A jury has ordered three former IndyMac loan officers (in the homebuilder division) to pay \$168mm to the FDIC for negligently approving 23 loans to developers who never repaid them. The FDIC said the lenders had "significant departures from safe and sound banking practices," driven by a desire to get bonuses.

Fiscal Cliff

A new survey by the National Association of Manufacturers finds 43% have cut capital spending and 36% have fired workers or stopped hiring, as they wait to see what happens with the fiscal cliff. About 84% of manufacturers said political uncertainty around the fiscal cliff was their top concern.

Robbery Status

The FBI indicates the average bank robber only gets about \$500 to \$1,000 and 75% of them are caught (facing up to 20Ys in prison for the crime).

Emergency Funds

About 45% of those earning \$75k+ have at least 6 months of living expenses in emergency savings.

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.