



COPILOT, LLC would like to inform our valued clients regarding a recent regulatory change related to Wire Transfer operations. On May 11, 2020, the Consumer Financial Protection Bureau (CFPB) issued a Final Remittance Rule which updated Subpart B of 12 § CFR 1005. These changes are effective July 21, 2020.

### **Introduction**

The Remittance Rule imposes requirements on entities, including financial institutions, that send *international* money transfers, or remittance transfers, on behalf of consumers during the normal course of business. This Rule includes requirements to disclose the exact exchange rate, amount of fees, and amount expected to be delivered to the recipient, although estimates can be provided in certain circumstances until July 2020. The original regulation also included a safe harbor regarding sending wires in the normal course of business. This safe harbor threshold states that an entity is deemed **not** to be providing remittance transfers in the normal course of business if the entity processed 100 or fewer remittance transfers in the previous calendar year and processes 100 or fewer remittance transfers in the current calendar year.

### **Changes – Estimate Exception**

The CFPB adopted tailored exceptions to the Remittance Rule to address compliance challenges insured financial institutions may face upon the expiration of the allowance towards disclosing estimates to consumers regarding the exchange rate and covered third party fees. Regarding exchange rates, the CFPB will permit insured financial institutions to estimate exchange rates for a country if the recipient will receive funds in the country's local currency and the financial institution made 1,000 or few remittance transfers to that country, in the local currency, in the prior calendar year. Concerning third party fees, insured financial institutions can provide estimates to the consumer if the institution made 500 or fewer remittance transfers to the designated recipient's institution in the prior calendar year.

Furthermore, the CFPB has indicated it will adopt a transition period for insured financial institutions that exceed the 1,000 or 500 transfer thresholds. This will allow these institutions to continue to provide estimates for a reasonable period while they develop methods to come into compliance with the requirement to provide exact exchange rates and third-party fees after July 2020. For remittance transfers that occur between July 21, 2020, and January 1, 2021, the CFPB will not cite in an examination nor initiate an enforcement action regarding these disclosures that occur in the transition period.

### **Changes - Safe Harbor**

The CFPB has adopted amendments to the Remittance Rule to increase the safe harbor threshold from 100 to 500 remittance transfers provided annually. Therefore, any entity that submits less than 500 remittance transfers in the current year and less than 500 remittance transfers in the prior calendar year are outside the Remittance Rule's coverage.



### **How This Impacts You**

If your Credit Union never exceeded the original 100 annual remittance transfer threshold, then no changes are necessary. However, you should continue to monitor the number of international wires sent to monitor the levels of these transfers. Should you feel that you will exceed the new 500 threshold in any particular year, 12 CFR §1005.30(f)(2)(ii) provides a six-month transition period to come into compliance.

If your Credit Union exceeded the original 100 annual remittance transfer threshold but will not exceed the new 500 threshold, then you should continue to provide estimated exchange rate and third-party fees to members until July 21, 2020. After that date, you no longer need to provide this information but may do so as a courtesy to your members.

If your Credit Union has already exceeded 500 remittance transfers in an annual period, then you will need to start the process to determine if you exceed the 1,000 transfer to a specific country (exchange rate) or 500 transfers to a specific financial institution (third party fee) thresholds. That will determine whether you need to provide estimated or exact exchange rate or third-party fee information disclosures to members. This process should be completed as soon as possible but no later than January 1, 2021.

The full CFPB notice can be found at:

[https://files.consumerfinance.gov/f/documents/cfpb\\_remittance-transfers\\_final-rule\\_2020-05.pdf](https://files.consumerfinance.gov/f/documents/cfpb_remittance-transfers_final-rule_2020-05.pdf).

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