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M E M O R A N D U M

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To Our Clients and Friends

Re: Treasury Report on Cross-Border Wire Transfer Reporting

The United States Department of the Treasury has issued a report to Congress which concludes that the reporting of cross-border wire transfer data by financial institutions is technically feasible and may be valuable in efforts to combat money laundering and terrorist financing. The report was mandated by the Intelligence Reform and Terrorism Prevention Act of 2004.

The report indicates that the Treasury Department has concluded the following with regard to implementation of a cross-border wire transfer reporting requirement:

- Information already collected and maintained by financial institutions in accordance with the Treasury's Recordkeeping and Travel Rules is sufficient to meet the Treasury's needs.
- A reporting requirement should apply only to U.S. financial institutions that exchange payment instructions directly with foreign institutions.
- A \$3,000 threshold should apply to discrete transactions without the need to aggregate multiple transactions engaged in by the same party.
- The government and financial institutions will need at least 3 ½ years to implement the proposed reporting system.

Treasury indicated that it was concerned with the cost of implementation and building systems to manage and support the reporting system, as well as with the government's ability to use the information effectively. The report also expressed concern with the potential effect the reporting requirement may have on dollar-based payment systems such as:

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- A shift away from the U.S. dollar toward other currencies as the basis for international financial transactions
- The creation of mechanisms and facilities for clearing dollar-based transactions outside the United States
- Interference with the operation of the central payments systems

The report states that the Treasury will continue studying issues relating to development and implementation of a reporting requirement. It anticipates creating a development plan that will permit pilot testing of different aspects of a reporting system over the next several years.

A copy of the Treasury's report can be found on our web site at http://www.schwartzandballen.com/whats_new.html.

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox or Heidi Wicker at (202) 776-0700.