

Anti Money Laundering Task Force
Fundstransfer
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Swedbank Group response to consultation on common understanding of the obligations imposed by European Regulation 1781/2006 on the information on the payer accompanying funds transfer to payment service providers of payees.

Swedbank is the leading bank in Sweden, Estonia, Latvia and Lithuania with a presence in Russia and Ukraine, serving over 9 million private and 500 000 corporate customers. As a major service provider in the payments area it is of great importance to the bank that the implementation and understanding of the European Regulation 1781/2006 enables a smooth and fully automated process while at the same time supporting the banks work on AML. Please find our answers to your questions as addressed in the CEBS/2008/39 document dated 26th March 2008.

Question 1 addresses the situation where the Payment Service Provider chooses to execute the transfer although information is incomplete

We are in favour of Option B

Option B allows banks to set up differentiated procedures based on counterparty, payment instrument, amount etc.
This allows banks to support a smooth payment process while at the same time ensure that monitoring and investigations are performed correctly.

Question 2 addresses the situation where the Payment Service Provider chooses to hold the funds

We are in favour of option B

Option B allows for a Regulation 1781/2006 compliance without endangering a smooth payment process. Our current practice is to credit beneficiary account and at the same time send an inquiry to sending bank asking for additional information. We also have the possibility to contact the beneficiary to retrieve information that was missing. This enables the bank to handle payments in a customer satisfactory way and at the same time monitor Regulation 1781/2006 compliance of our counterparty banks.

Question 3: Market participants are invited to express their views on the proposed criteria and advice of any criteria that they currently use or suggest could be used, for a Payment Service Provider to classify whether the Payment Service Provider of the payer has regularly failed to provide the required information.

We would suggest using criteria a, d and e.

Criteria could be based on:

- a) The level of cooperation of the Payment service provider relating to requests for complete information sent.
- b) .
- c) .
- d) A threshold defined as a percentage of incomplete transfers sent by a specific Payment service Provider.
- e) A threshold defined as a percentage of still incomplete transfers in a period, after the Payment Service Provider of the payer having received a certain amount of requests for complete information.

Question 4 deals with the decision to restrict or terminate the business relationship with a Payment Service Provider reported as regularly failing

To create a coordination mechanism with the sole purpose to black list PSPs will only be contra productive. National supervisors with a thorough understanding of PSPs operating in their market are better suited to monitor PSPs, including black listing should it become necessary.

Should a coordination mechanism be created their main objectivity should be to develop recommendations, procedures, guidelines etc. to ensure a smooth implementation of, and adherence to Regulation 1781/2006. It should not be the purpose of such a mechanism to black list PSPs not fully complying with the Regulation.

A coordination mechanism with the objectivities mentioned should consist of European supervisors as well as PSP industry representatives. Creating a common platform for Supervisors and PSPs would ensure thorough implementation of the Regulation without disruption of payment processes, damaging customers trust in the payment infrastructure.

However there may be a need for enforcement of recommendations, procedures, guidelines etc. Therefore there should be a decision and enforcing body with members from European and National Supervisors only. Enforcement of legislation is the obligation of supervisors and not of PSPs.

Question 5: On the basis of the illustration provided by 3 examples in Annex 1 to the Consultation document, market participants are invited to share their

current practice; in particular details of the experiences of small retail banks, and information about practices in relation to intermediaries would be welcome.

To coordinate the need for a smooth payment process with adherence to Regulation 1781/2006 we have set up a procedure based on knowing our customers and our counterparty banks.

We credit the customer although information is missing to ensure a smooth payment process. At the same time we send a request for missing information to the sending bank in parallel.

We keep records of all queries and if they are not answered we send a 2nd request. The adherence of FATF SRVII and Regulation 1781/2006 are on the agenda of Financial Institutions dept when talking to our counterparty banks.

“Payment chain”

At the hearing in London and in the consolation paper the situation for smaller retail banks are mentioned as of special interest. One question that was discussed in London was the responsibility for intermediary PSP to forward a request of information from the payees PSP to the PSP of the payer. Some intermediary PSP's do forward, others PSP do not. For smaller banks this is a problem because they often get transfers that have passed an intermediary PSP. It would be of great interest if the common understanding could specify intermediary PSP responsibilities regarding this problem.

Best regards
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