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Comments:

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Comments:

Microfinance International Corporation ("MFIC") appreciates the opportunity to submit a comment on the proposed amendment of Regulation E. At its core, MFIC is a payment processing service provider as well as a non-bank financial services company authorized by a number of state banking regulators to provide funds transmission and other financial services. MFIC seeks to become a leading global mobile payment hub and remittance processor for globally operated banks and corporations. The Company's ARIAS processing system is connected to payment locations in 90 countries (approximately 25 of which the Company currently sends remittances to) and provides a turnkey solution for the fast growing market of mobile and electronic payment providers as well as for traditional banks and money transfer companies. ARIAS combines interoperability between different payment channels with real time multi-currency settlement, efficient administration and automated regulatory compliance. The network provides access to some of the largest financial institutions in Latin America, Asia and Africa and is the payment distribution partner for the Federal Reserve's FedGlobal project. In close cooperation with the Atlanta Fed, FedGlobal was launched in the spring of 2010. Through FedGlobal, member banks offering remittance services pay out recipients through Latin American banks in the ARIAS network. With its extensive business experience in all facets of the international remittance industry from origination to payment, MFIC is well versed in the issues the diverse business models in the industry pose from a customer service, funds management and risk management stand point. MFIC supports the efforts to improve services provided through the passage of practical industry regulation. Below are three areas in the proposed rules that would have successful implementation if better balanced against practical and operational considerations found in the international remittance industry.

Multi-language disclosures The proposed regulation in Sec. 205.31(g) requiring disclosures in English and a foreign language could result in an unintended burden on remittance service providers engaging customers across a variety of ethnic and language groups. Disclosures in English and "either: (i) in each of the foreign languages principally used by the remittance transfer provider to advertise, solicit, or market remittance transfer services. . . or (ii) in the foreign language primarily used by the sender with the remittance transfer provider to conduct the transaction. . ." would be difficult to implement for service providers that cater to several language groups. For example in many urban areas with large multi-ethnic neighborhoods, this rule would be

impractical where the remittance company services an equal number of Spanish speakers, French speakers and Chinese speakers. As noted in Sec. 205.31(g) of the proposed rules and in Sec. 919(a)(6)(B)(i)(b) of the Dodd-Frank Act, "disclosures required under this section shall be made in English and in each of the foreign languages principally used by the remittance transfer provider, or any of its agents, to advertise, solicit, or market, either orally or in writing, at that office." To comply with the statute and accompanying regulations, money transfer providers should be provided an option to create a phone or internet based disclosure system to avoid a cumbersome and inconvenient customer interaction. In a phone based model, consumers can select a voice recorded message in the principal foreign language used by the money transfer entity to hear disclosures. With an internet based solution, the money transfer provider can provide a link in which disclosures can be read and printed.

**Error Resolution** The proposed rule allows a sender to provide notice of an error to the remittance transfer provider within 180 days and for the provider's duty to investigate and correct any error within 90 days. If implemented, this rule may result in the unintended consequence of an increase in fraudulent transactions. Remittance services are predicated on fast and efficient delivery of funds to destination countries throughout the world. It is common practice for funds even in remote locations to be disbursed to recipients within 1 to 5 business days. The destination countries have varying degrees of sophistication in their local banking systems especially in terms of compliance, risk management and fraud detection. An unscrupulous group of senders and recipients can exploit vulnerabilities in the local banking system knowing that a refund may be issued within a 6 month window on any given transaction. A likely scenario is a sender and recipient working together can initiate a transaction at a remittance provider today and several days or months later claim a transaction was paid in error. Fraudulent schemes of this type are already common place in several countries in which there are several common name types and combinations that a less robust and sophisticated customer identification program may not detect. If the proposed rule is implemented, the vulnerability of remittance service providers to false claims that the wrong "Jose Martinez" or "Binh Nguyen" or "Sanjay Gupta" will increase dramatically. MFIC recommends that the implemented regulation requires payer institutions working with money transfer providers to make representations in their payment distribution agreements that the paying bank (or non-bank financial institution) has a robust customer identification and compliance program to detect and prevent payments to false recipients. However the regulations should not require the money transfer provider to be liable for refunds to the originating customer for failure or breach of the payers with respect to having the proper policies and procedures in place to prevent fraud.

**Customer Cancellation** With respect to customer cancellation, the proposed regulations require money transfer providers to refund cancellation requests no later than one business day from the transaction date provided the funds have not been received by the recipient. The regulation on its face should not be difficult to implement however the same systemic risks and vulnerabilities that arise with the lengthy error resolution process are present if consumers are able to cancel transactions within a quick timeframe. MFIC recommends the same solution discussed with respect to error resolution. The money transfer provider should not be held liable in instances where cancellations are requested due to fraud and falsified information left undetected by the transfer provider's overseas payment partners. Microfinance International urges the extension of the comment period or the publication of a revised proposed regulation. We thank the Federal Reserve Board in providing interested parties the opportunity comment.