



RECEIVING INTERNATIONAL WIRE TRANSFERS

By Gianvito Grieco



BEHIND THE SCENES OF RECEIVING AN INTERNATIONAL WIRE TRANSFER

International trade has seen significant growth over the last 20 years. New electronic payment and delivery systems and improved Internet access are among the many developments that have reduced costs and increased the pace of globalization during that time. Despite the recent economic crisis, imports and exports' share of global GDP has increased from 20 percent in 1995 to 30 percent in 2014 (Figure 1).¹ In other words, as national economies continue to open up, businesses are more commonly buying and selling goods and services from overseas suppliers. As a result, the need for sending and receiving international wire transfers has increased steadily.

Wire transfers are commonly used to send and receive money internationally. While the process is relatively simple for senders and recipients, international wire transfers are more complicated for the banks involved because they rely on a series of correspondent banking relationships between banks in different countries.

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Wire transfers are commonly used to send and receive money internationally. The process is simple for the senders and the recipients but is complicated for the banks due to the involvement of a series of correspondent banking relationships between banks in different countries.

Ratio of trade in goods and commercial services to GDP, 1995-2014

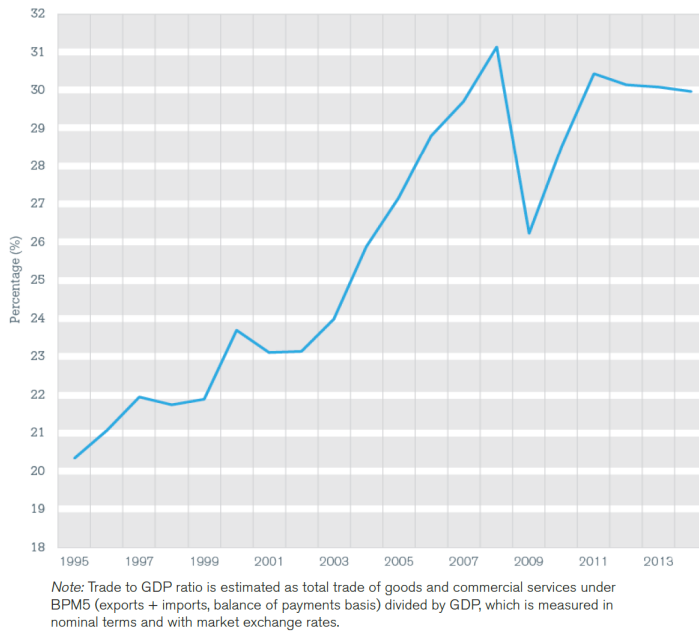


Figure 1 Source: World Trade Organization 17 - International Trade Statistics 2015

How To Receive International Wire Transfers?

In order to receive international wire transfers, recipients provide their bank account information to the business that is sending the payment, along with incoming wire instructions obtained from their bank.² Among the information provided by the bank will be a SWIFT/BIC code. The SWIFT/BIC code is a unique code used to identify the financial institution. Banks will also provide their full name and address, the beneficiary (i.e., recipient's) account number and name. Directions may vary depending on the bank's practice for receiving international wire transfers.

How Funds Are Transferred in a Wire Transfer?

If a transfer is made between two accounts in the same bank, the money is simply moved through a "book transfer" or accounting change that debits one account and credits the other.³

How to receive money by wire?²

> Provide your bank account information to the person or business sending money

> Ask your bank for 'incoming wire instructions' to be sure you use the correct numbers.

Money generally moves in one day, but it might take an extra day for the funds to appear in your account

If the transfer is made between accounts in different banks, there is still the possibility of using a book transfer if the two banks have a correspondent banking relationship.

A correspondent banking relationship involves one bank maintaining an account at another bank for the purposes of settling transfers. Correspondent relationships are usually two-way relationships, but not always. How costs, balances and foreign-exchange transactions are handled is based on a negotiated arrangement between the two banks. If the two banks do not have a correspondent relationship, the transfer goes through the Clearing House Interbank Payments System (CHIPS) or the Fedwire Funds Service (Fedwire). If the latter, a Federal Reserve Bank then moves the funds between the different accounts.

SWIFT may also be used to provide instructions for an international wire transfer. Unlike Fedwire and CHIPS, SWIFT is not an electronic funds transfer system. Rather, SWIFT is an international cooperative communications service. US banks and the US subsidiaries of foreign banks use SWIFT to send and receive transfer instructions. SWIFT is also used to carry messages regarding foreign exchange and money markets, securities and trade financing.

How to receive an International Wire Transfer safely

It's important to be careful when receiving an international wire transfer because the transaction is typically irrevocable. Therefore, recipients and senders should always be sure that the required wire information is correct.

Both parties should also be vigilant about wire transfer fraud. The Internet Crime Complaint Center (IC3) of the US Federal Bureau of Investigation (FBI) has issued warnings to businesses working with foreign suppliers and for businesses that regularly perform wire transfer payments.⁴ Businesses are urged to know the habits of their customers and suppliers, including the "details of, reasons behind, and amount of payments."

PROTECTING YOURSELF FROM WIRE TRANSFER FRAUD

Never wire money

- to people you don't know
- if you're being pressed to make a decision
- for a stranger who offers a check in return

Never provide your bank account or credit card numbers in response to an advertisement or an unsolicited call, text message or e-mail.⁵

The government urges businesses to refuse offers from unknown parties to accept a wire transfer and then send any of that money to someone else, possibly internationally, because of the likelihood that it is a scam.⁵ Such schemes may result in the victim owing money to the financial institution that wired the money. This post provides more information about protecting a business from international wire transfer fraud.

Conclusion

Globalization has increased the prevalence of cross-border transactions and the need to make payments internationally. Receiving international wire transfers are generally fast and convenient ways of obtaining funds in overseas business transactions. Recipients and senders who know how international wire transfers work, behind the scenes, can take the necessary precautions to ensure that wire transfers are successful and safe.



About the Author

Gianvito Grieco has served in a variety of roles in investment banking, financial services, and law. Gianvito holds a Bachelor of Science in Finance from the University of Florida, and a Juris Doctor from Stetson University College of Law. He is also fluent in English, Italian, and Spanish.

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