



FEDERAL RESERVE BANKS

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August 4, 2008

To: Chief Executive Officers
Senior Payments Executives
U.S. Depository Financial Institutions

From: Electronic Payments Network
Federal Reserve Retail Payments
NACHA – The Electronic Payments Association

Subject: Effective Date for NACHA Rule for International ACH Payments Extended to
September 18, 2009

NACHA's Board of Directors has extended the effective date of the International ACH Transaction (IAT) rules and formats for six months, to September 18, 2009. The purpose of the IAT rule is to enable financial institutions to identify international ACH payments, and perform due diligence as required by the U.S. Office of Foreign Assets Control (OFAC). After the effective date, any financial institution that participates in the ACH Network may receive an IAT, and must handle it in accordance with written OFAC policies.

NACHA and the two ACH Operators - the Electronic Payments Network and the Federal Reserve - strongly encourage financial institutions to have all production software implemented by March 20, 2009, the original effective date, and to use the six-month extension for additional process documentation, testing with the ACH Operators, and customer education, training and testing.

ALL U.S. DEPOSITORY FINANCIAL INSTITUTIONS MUST PREPARE

Financial institutions may already be receiving international ACH payments formatted as domestic transactions, and so may currently be unaware that they are receiving them. All U.S. financial institutions that participate in the ACH Network must therefore be prepared for this rule, even those that do not currently send or receive ACH payments formatted as cross-border payments, and those that do not originate ACH payments.

While a financial institution can rely on vendors for ACH software, transaction processing, and OFAC screening, it remains responsible for compliance with OFAC regulations. A financial institution should work proactively with its vendors on software, screening, testing, and other readiness issues.

EDUCATION, TRAINING, AND TECHNICAL RESOURCES

All financial institutions are also encouraged to take advantage of education, training and technical assistance from their Regional Payments Association, their ACH Operator, and NACHA. These programs will continue through the new effective date. See the attached IAT implementation checklist, and visit NACHA's IAT Industry Information web page at http://www.nacha.org/IAT_Industry_Information.

General Rules and format questions

Regional Payments Associations - <http://www.nacha.org/Memberships/RPA/rpa.htm>

NACHA Operating Rules – 2008 publication available at: <http://pubs.nacha.org/>

(information on the new rule is included in the 2009 Rules Changes section)

NACHA – <http://www.nacha.org/> or info@nacha.org

IAT education and training

NACHA – <http://www.nacha.org/>

NACHA will host a teleseminar on IAT on December 3, 2008

Regional Payments Associations - <http://www.nacha.org/Memberships/RPA/rpa.htm>

Federal Reserve:

http://www.frbervices.org/eventseducation/education/fedach_iat_resource_center.html

EPN OFAC Training/Information Contacts:

Tim Mills (tim.mills@epaynetwork.com) 312-935-9633

Operator service and testing questions

Federal Reserve:

http://www.frbervices.org/eventseducation/education/fedach_iat_resource_center.html

EPN OFAC Training/Information Contacts:

Dayna Hinds (dayna.hinds@epaynetwork.com) 336-769-5324

Checklist:

Implementation of International ACH Transactions (IAT)

Reminder: IAT Effective Date is September 18, 2009

- Verify that you have the 2008 NACHA Operating Rules
 - If necessary, obtain the 2008 NACHA Operating Rules (<http://pubs.nacha.org/>)
- Distribute IAT information to appropriate departments; educate and train staff; examples of appropriate departments could include:
 - ACH operations
 - Treasury management and payment services/sales
 - Compliance
 - Audit
 - Customer service
 - Vendor management
- Review or develop OFAC compliance policy and ensure it covers origination and receipt of ACH payments
- Contact vendors and internal ACH software managers. These could include:
 - ACH software providers
 - Service bureaus and processors
 - OFAC screening
 - Cash management and reporting
 - Statementing
 - DDA

Ask them:

 - When will you be ready?
 - When can we test?
 - What other downstream applications are impacted?
- Contact corporate customers
 - Review existing ACH agreements
 - Determine which will be originating and receiving IAT payments; determine if any scenarios cause you to become a Gateway Operator
 - Provide education and training
- Test readiness with parties such as:
 - Vendors
 - ACH Operators
 - Correspondent Banks
 - Customers