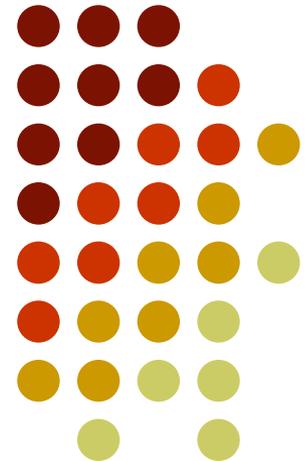


Understanding New Requirements in the ACH Network: International ACH Transaction (IAT)



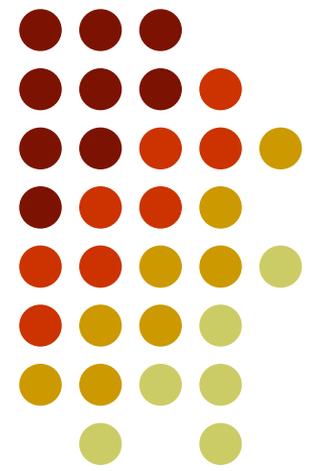
Part 2 of 3



Note: Due to NACHA's extension of the IAT implementation date, some differences exist between the information in this presentation and that of the accompanying audio recording. These known differences are identified as such using **red, bold, underlined text**.

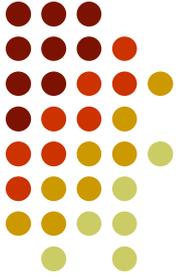


Rule Changes and Compliance



Agenda

- Identification of IAT Parties
- Obligations of Gateway Operators
- Gateway vs. ACH Operator Roles
- Travel Information
- OFAC Compliance
- IAT Information Resources and Educational Initiatives





Identification of IAT Parties

- Defines new parties to an IAT entry
 - Correspondent bank – A participating DFI that holds deposits owned by other financial institutions and provides payment and other services to those financial institutions
 - Reflects the identification of only foreign correspondent banks
 - Foreign gateway operator (FGO) – A gateway operator that acts as an entry point to or exit point from a foreign country



Identification of IAT Parties

- Re-defines *gateway operator* as the entry point to or exit point from the U.S.
 - Removes current requirement for formal declaration of gateway operator status
 - Can be any ODFI or ACH operator
 - Adds new obligations for gateway operators

Article 11 – Obligations of Gateway Operators



- Warranties for IAT entries
- Rules for agreements with FGOs, ODFIs, authorization to transmit credit entries, OFAC compliance
- ACH operators acting as gateway operators...
 - may process outbound debit and credit entries
 - must limit **inbound** entries to **credits only** (Reversing debits is permitted)
- DFIs acting as a gateway operator...
 - may process both inbound *and* outbound debits *and* credits

Gateway Operator vs. ACH Operator

ACH Operator

FedACH[®] Services

- * **September 2009**
 - * Allows *outbound* and *inbound* IAT credits and debits in domestic payments stream.
 - * Does not conduct OFAC screening on inbound IATs coming from other gateway operators (that are ODFIs).
 - * Provides IAT-specific tools for RDFIs

Remember...

ACH Operator – processes entries and manages risk according to NACHA Rules

Gateway Operator – makes business decisions regarding international services such as countries, currencies, and products offered

Gateway Operator –

FedACH International[®] Services

- * **September 2009**
 - * Allows *outbound* IAT credits for all international service countries. *Debits* are allowed to Canada only.
 - * **Allows inbound IAT credits from international service countries. No inbound debits are allowed.**
 - * **Conducts OFAC screening on FedACH International Services inbound IAT items. Places indicator in appropriate field; does not block or freeze transactions.**



Travel Rule Information

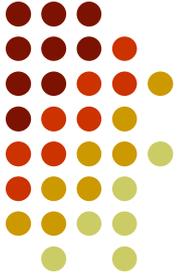
- Name and physical address of the originator
- Name and physical address of the beneficiary
- Originating bank name, identification number & branch country code
- Correspondent bank name, identification number & branch country code
- Receiving bank name, identification number & branch country code





OFAC Compliance

- Financial institutions are responsible for their own OFAC compliance
- If a financial institution contracts with a third-party provider to do the actual OFAC review of the transactions, OFAC is clear that the financial institution cannot contract away its liability for OFAC compliance



OFAC Compliance

- Have a written OFAC compliance policy
- Inbound and outbound transactions
 - Review of all parties to the transaction, remittance data, and foreign banks
 - Resolve OFAC “hits”

Joint Educational Program Underway



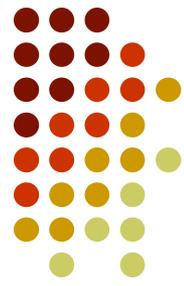
- NACHA and ACH operators coordinated campaign to increase awareness of changes and readiness for IAT implementation
 - March 2008 letter to CEOs of DIs
 - IAT teleseminars and webinars
 - RPA training on IAT
 - Special sessions at PAYMENTS, The Payments Institute, RPA conferences, Institute of International Payments
 - Educational on-line resource centers



Federal Reserve Activities

- January 2008 - Held webinar for software vendors
- March 2008 - Launched Federal Reserve IAT Resource Center
 - Review of IAT
 - Specific information for ODFIs, RDFIs, software suppliers and service providers
 - IAT readiness checklists
 - FAQs
 - Links to additional resources
- May 2008 - IAT survey in Federal Reserve Financial Services booth at NACHA Payments
 - Results available on the IAT Resource Center

IAT Resource Center



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POPULAR CONTENT

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- Forms
- Business Continuity
- Service Fees
- Holiday Schedules
- Industry Links

MY QUICK LINKS

- FedACH International ACH Transaction (IAT) Resou...
- FedACH Origination Power Kit
- Fedwire Testing Opportunities
- Check Adjustment Quick

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Add This Page to My Quick Links

FedACH® International ACH Transaction (IAT) Resource Center

Latest News

05/19/2008

[IAT Survey- We want to know! Take a couple minutes to share your thoughts about IAT and the future of cross-border payments.](#) (Off-Site Link)

IAT Available in:

DAYS 301 HRS. 07 MIN. 04

05/09/2008

[May 2008 FedFocus™](#)

04/15/2008

[FedFlash®, Operational News](#)

03/20/2008

- [New NACHA Rule for International ACH Payments Takes Effect in One Year](#) (PDF)

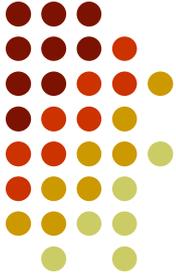
MORE NEWS

This resource center will help your institution and its customers learn more about International ACH Transaction (IAT). The following information is designed for general use in navigating the IAT standard entry class (SEC) code in relation to your financial institution's ACH processing activity.

IAT Resource Center Now Available

All institution's processing ACH need to prepare for the implementation of the new IAT SEC code in March 2009. Learn more here.

1 2 3 4 11



Federal Reserve Activities

- May 2008 – **September 2009**
 - Seven teleseminars scheduled on IAT
- **September 18, 2009**
 - Begin processing IAT entries as ACH operator
 - Begin originating outbound IAT entries as gateway operator
 - **Open Fed Gateway to inbound IAT items**
 - **Implement inbound OFAC Screen**



IAT Information Resources

- FedACH IAT Resource Center

www.frb services.org/eventseducation/education/fedach_iat_resource_center.html

- NACHA

- IAT Industry Information -

- www.nacha.org/IAT_Industry_Information/

- IAT scenarios document -

- http://gpf.nacha.org/docs/IAT_Scenarios_-_Domestic_or_International.pdf

- *2009 Rules Changes and New Formats for International ACH Transaction (IAT) Entries sections in 2008 ACH Rules Book*

Contact Information



IAT-related questions
iat@frbsservices.org