

**You can't run, you can't hide –
Are you ready for the IAT?**

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**Why should you care
about the IAT?**

- International ACH Transaction
- New rule from the National Automated Clearing House Association
- All debit and credit payments flow through the ACH network
- 60% - 70% of all state tax payments are electronic
- If you originate or receive ACH payments, you must obey the rules

Why was the IAT created?

- Request from the Office of Financial Asset Control (OFAC)
- Requirement to trace money entering or leaving the USA
- NACHA created the IAT to comply with OFAC requirements

IAT - OFAC Request



- **Letter dated November 9, 2004**
 - **US RDFI** and beneficiaries will continue to have an obligation to ensure that all aspects of inbound, cross-border transactions are in compliance with OFAC regulations and to take appropriate steps to investigate, suspend, reject, block and report on transactions as necessary.
 - **US ODFIs and their Originators** will continue to be responsible for ensuring that all parties to the transactions, as well as the underlying purpose of the transactions, are not in violation of OFAC regulations, and they will need to take appropriate steps to investigate, suspend, reject, block, and report on transactions.

How It Works

- Purpose to identify:
 - ACH transactions that are **funded** by organizations outside the territorial jurisdiction of the U.S. – even if the ACH transactions flow between 2 U.S. banks (funds for the ACH transactions are coming into the U.S.).
 - ACH transactions that are being originated/sent from a U.S. ODFI to a foreign receiver and the funds are flowing out of the U.S.

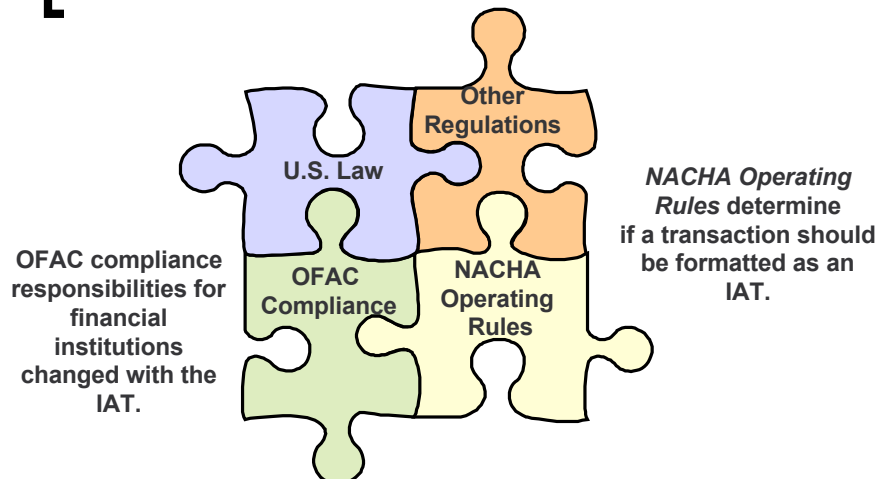
New Data Format

- New records replace the familiar CCD, CCD+, PPD, and PPD+ for international transactions
- One detail record and seven addenda records
- Detail record similar to CCD/PPD
- Information for tracking money path
- IAT is used **ONLY** for international transactions

New Mandatory IAT Fields

- For the IAT code the following fields have been added to the format.
 - Originator Name
 - Physical address, street, city, country, zip
 - Receiver Name
 - Physical address, street, city, country, zip
 - Originating DFI Name (Inbound – Foreign DFI)
 - Identification number and branch country code
 - Receiving DFI Name (Outbound – Foreign DFI)
 - Identification number and branch country code
 - ISO Country and Currency Codes
 - Foreign Exchange Indicator

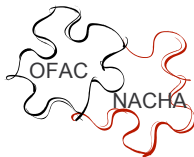
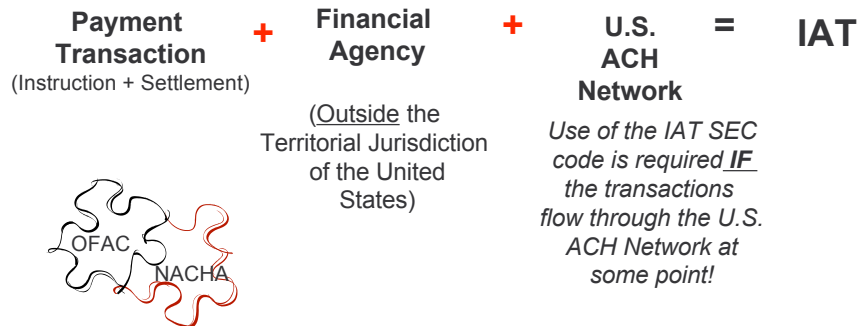
IAT Puzzle – Multiple Pieces



Definition of International ACH Transactions

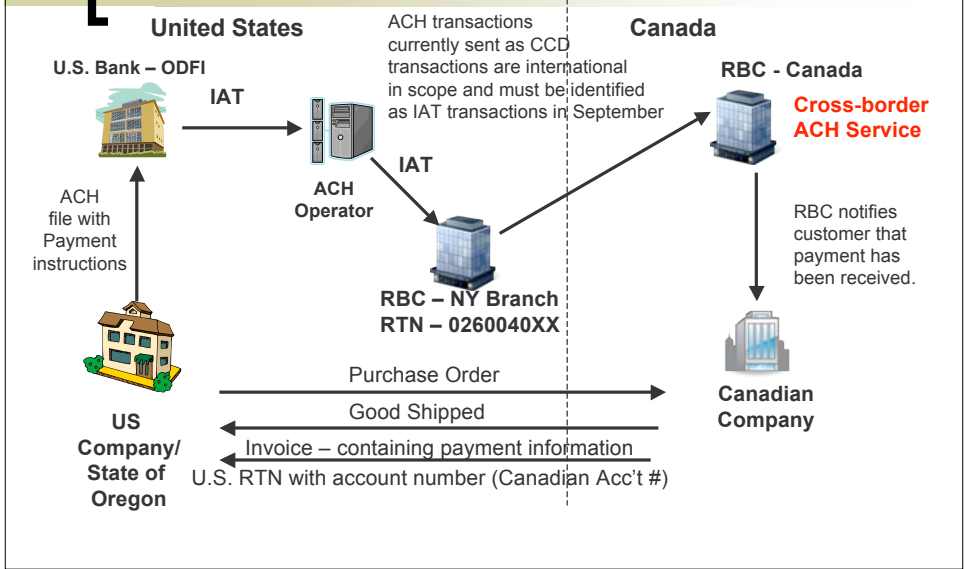
- **International ACH Transactions** – an ACH entry that is part of a payment transaction involving a financial agency's office that is not located in the territorial jurisdiction of the United States.
 - An office of a financial agency is involved in the payment transaction if it;
 - holds an account that is credited or debited as part of the payment transaction; **or**
 - receives funds directly from a Person or makes payment directly to a Person as part of the payment transaction; **or**
 - serves as an intermediary in the settlement of the payment transaction.
 - Financial agency means an entity that is authorized by applicable law to accept deposits or is in the business of issuing money orders or transferring funds.

IAT =

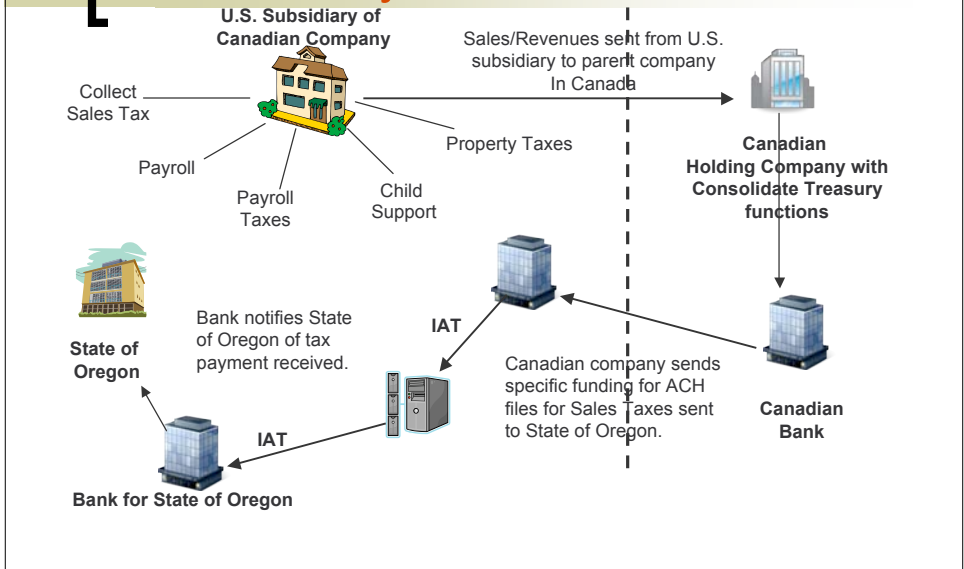


*Location of the originator and beneficiary is **not** considered in the Identification of an IAT transaction.*

Canadian Bank Model

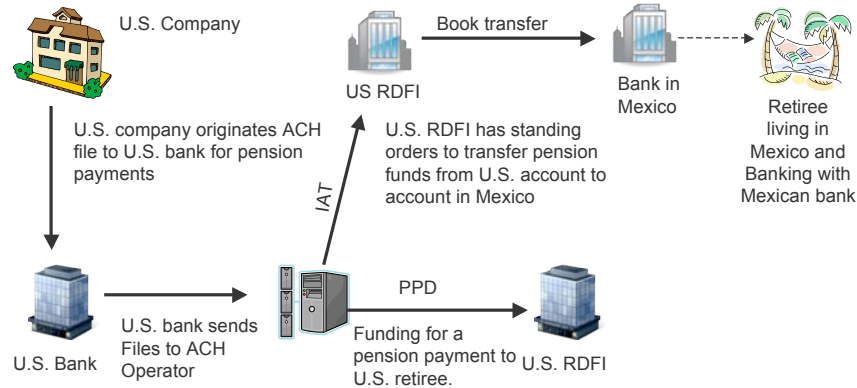


IAT Tax Payments



IAT Transaction Chain

Outbound IAT Transactions – sending pension funds out of the U.S. to a financial institution outside the territorial jurisdiction of the U.S. for a non-resident pensioner



How can a tax agency tell when to use the IAT?

- The key is due diligence – a familiar concept to tax and revenue agencies
- Both inbound payments and outbound refunds can be IAT situations
- A foreign address is an indicator, but a domestic address can also be IAT
- Ask! Use a checkbox on forms or web pages
- Include in EFT or e-Pay program registration

[Can you avoid the IAT?]

- Sort of...but you must still implement due diligence
- Inbound IAT transactions may be able to be handled as FedWires – but that requires manual handling
- Web payments can be limited to credit card for foreign origin
- Outbound payments may be flipped to paper checks for foreign destinations
- May be more effort than the IAT!

[So what should states do?]

- FIRST, talk with your EFT bank and service providers
- Determine their readiness to support the IAT
- Assess internal state payment systems
- Make plans to deal with the IAT

Aim for January compliance

- Mid-year changes to tax forms and processing programs are costly
- If necessary, fold IAT handling into your year-end / new tax year maintenance
- Hopefully, NACHA will recognize a “learning curve” period for enforcing implementation of the IAT

IAT Resource Page

http://www.nacha.org/IAT_Industry_Information/

- **Industry Information**
 - Operations Bulletin
 - Key Messages
 - IAT Executive Summary
 - FAQs
 - FAQs – Formatting
 - Readiness Checklist
 - Scenarios
 - IAT Corporate Tool Kit
 - OFAC Domestic ACH Policy
 - November 2004 OFAC Letter to NACHA
 - Inbound IAT Debit Processing Guidance
 - Glossary
 - FI IAT Implementation Calls
 - IAT Training Calendar

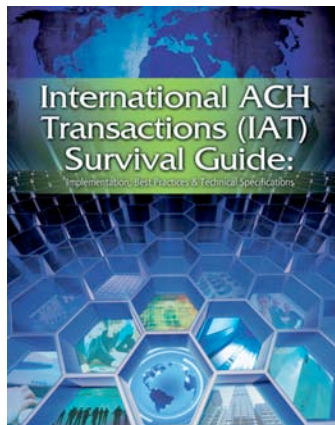
IAT Corporate Tool Kit



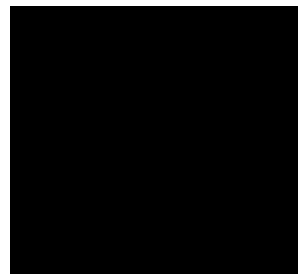
IAT Resource Page

- IAT for Corporate Practitioners, Executive Summary
- IAT Payment Scenarios Simplified
- IAT FAQs for Corporate Practitioners
- IAT Equation
- Is My Transaction an IAT?
- IAT Readiness Checklist for Corporate Practitioners
- IAT Corporate Newsletter Article
- IAT Specific Data Elements
- IAT PowerPoint – IAT Overview for Corporate Practitioners

IAT Survival Guide & IAT Quick Reference Cards



- IAT Survival Guide, Version 3
- IAT Quick Reference Cards
- Currently available at <http://pubs.nacha.org/risk.html>



FTA guidance for states

- Conference call with NACHA officer and states on July 17, 2009
- Q&A from this call posted on www.taxadmin.org
- Technical guidance through TIGERS
- New IAT version of the FinancialTransaction XML schema
- Suggested wording for forms and web pages for consistency across states

IAT Implementation Date

September 18, 2009

(No, it won't be delayed again)

[Questions??]

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