



Introduction to IAT

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Agenda

- History
- Definition
- How it works
- Scenarios
- Regulatory compliance
- Questions

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Why are changes needed?

- NACHA began working with OFAC in 2004 on the proposed rule change for International ACH transactions.
- Speed and efficiency makes ACH vulnerable to abuse with respect to international cross-border movement of funds.
- Additional information needed to permit an adequate degree of scrutiny of transactions for OFAC compliance – current cross-border formats do not provide sufficient information.

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Changes to International ACH Payments



Primary Purposes:

- 📁➡️ Respond to OFAC's request to align the *Rules* with OFAC compliance obligations,
- 📄➡️ Identify international ACH transactions, and
- 📄➡️ Make it easier for RDFIs to comply with OFAC obligations

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Convergence of Requirements

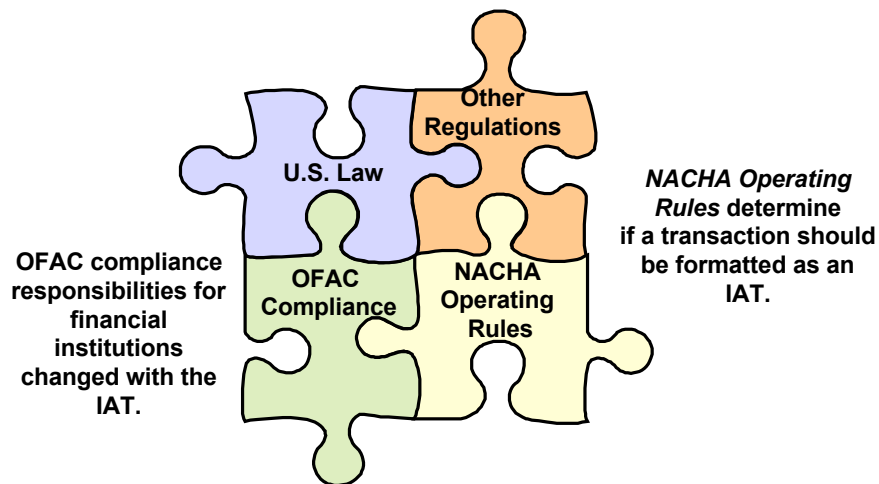
- FATF Special Recommendation VII
- European Union Regulation 1781 – “Travel Rule” information included in international transactions – January 1, 2007
- Canadian law – “Travel Rule” information being included in international transfers beginning June 2009 (CA 25)
- Wolfsberg Recommendation
 - Changes to SWIFT 202 COV (4qtr 2009)
- US ACH – IAT Changes

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IAT Puzzle – Multiple Pieces

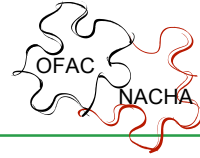


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What is IAT?



- The IAT is a new application, SEC code and format for ACH payments
- **Fundamental** change to the definition of international payments
- Allows for the identification and facilitation of international ACH transactions
- Enables financial institutions to comply with OFAC obligations regarding international transactions

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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.



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Payment Transaction Guidance

Payment transaction includes:

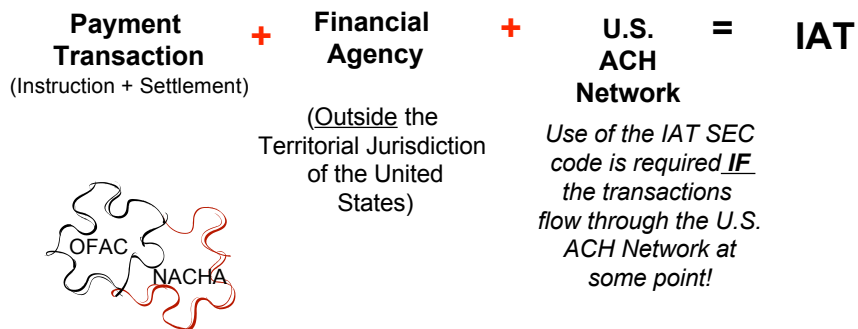
-  an **instruction** of a sender to a bank to pay, or to obtain payment of, or to cause another bank to pay or to obtain payment of, a fixed or determinate amount of money that is to be paid to, or obtained from, a receiver; **and**
-  **any and all settlements**, accounting entries, or disbursements that are **necessary or appropriate to carry out the instruction**.

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IAT =



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

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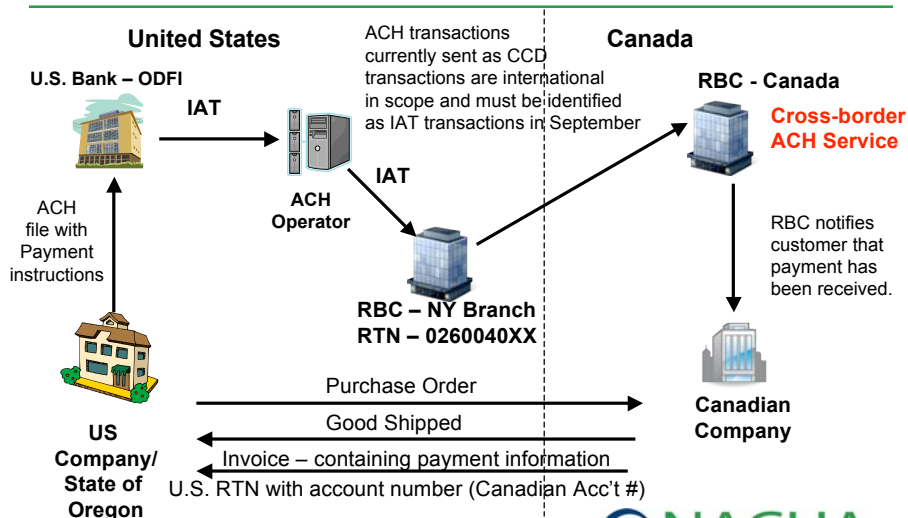
How It Works

- 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.

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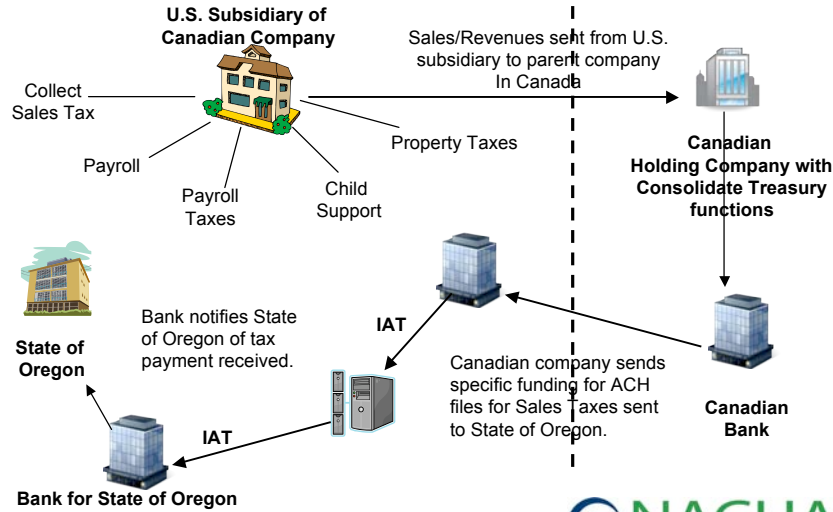
Canadian Bank Model



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IAT Tax Payments

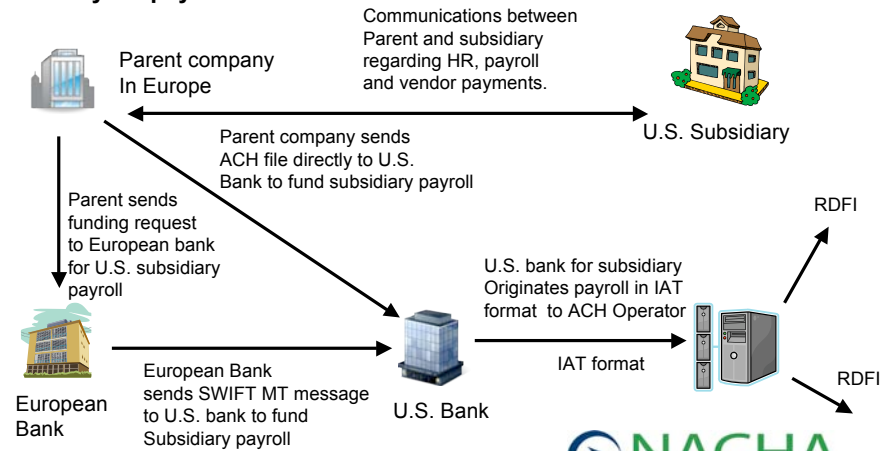


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IAT Transaction Chain

Inbound IAT Transactions – funding coming into the U.S. from another Country for payroll.

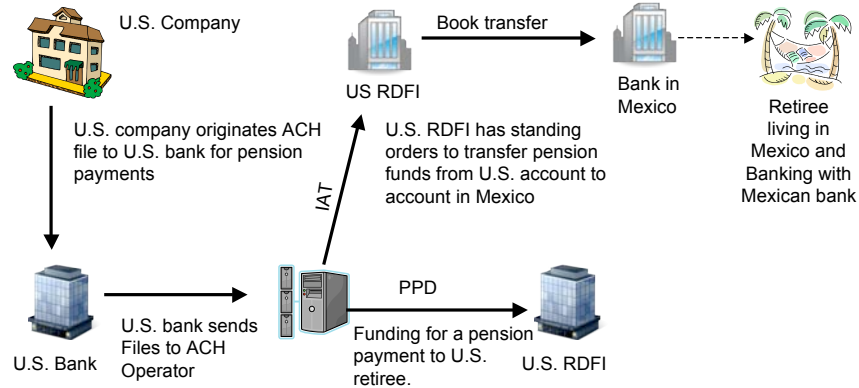


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IAT Transaction Chain

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



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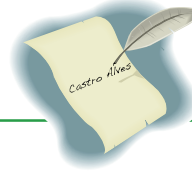
New Mandatory IAT Fields

- NACHA has not implemented the BSA Travel Rule for ACH transactions. For the IAT SEC 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

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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.

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BSA/AML Implications

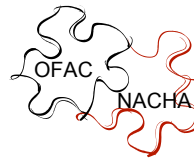
- The BSA and AML reporting requirements have not changed for FIs
- No impact to SARs reporting
- **But**
- IAT does provide additional information that banks have not previously had and that information needs to be taken into consideration in customer reviews for BSA and AML compliance

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Addition to Article One - General

- Excused delay – if suspect transactions are currently being reviewed and cannot be cleared by effective date.



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IAT Resource Page

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

- **Industry Information**

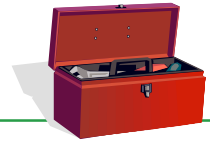
- Operations Bulletin
- Key Messages
- IAT Executive Summary
- FAQs
- FAQs – Formatting
- Readiness Checklist
- Scenarios
- IAT Corporate Tool Kit
- OFAC Domestic ACH Policy
- November 2004 OFAC Letter to NACHA
- Inbound IAT Debit Processing Guidance
- Glossary
- FI IAT Implementation Calls
- IAT Training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

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IAT Corporate Tool Kit



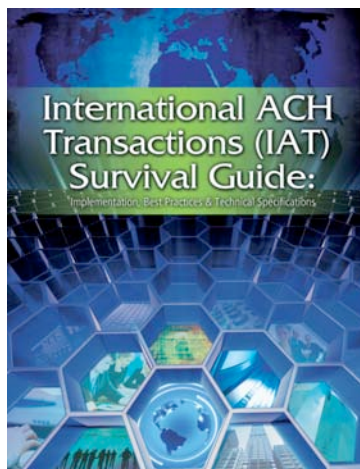
IAT Resource Page

- 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

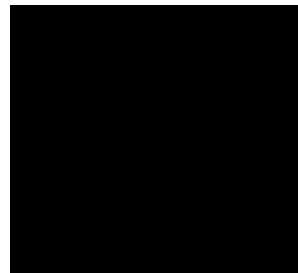
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IAT Survival Guide & IAT Quick Reference Cards



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



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IAT Implementation Date

September 18, 2009

(No, it won't be delayed again)

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