

INTERNATIONAL ACH TRANSACTIONS

FAQs

1. What is an IAT?

The IAT is a new Standard Entry Class code for ACH payments to identify international transactions. International transactions are those payments that have been funded internationally or are being sent to another country and a part of the transaction will be processed via the ACH Network.

2. Why was the IAT developed?

The IAT was developed in response to a request from the Office of Foreign Asset Control (OFAC). In its letters to NACHA, OFAC stated that it thought that the ACH Network is vulnerable to abuse due to the speed and efficiency of the Network. OFAC understands that there are currently transactions flowing through the Network that are funded by international sources. These transactions cannot currently be identified within the Network and are formatted as domestic transactions. OFAC has requested that NACHA modify the *NACHA Operating Rules* to adequately identify international transactions and have the banks review the international transactions for OFAC compliance.

3. As a Corporate Originator, does OFAC impact me?

Yes, U.S. corporations are also required to comply with OFAC obligations, and the penalties for ignoring those obligations can be both criminal and civil and include both jail time and fines ranging from \$10,000 to \$10,000,000 per occurrence. If these fines are levied against the financial institution they may be passed back to the corporate originator depending on the specifics of the case and the details of their contract with the financial institution. The fines are levied by the U.S. government and funds collected are the property of the government, not the financial institution. Additional information on OFAC obligations and fines can be found at <http://www.treas.gov/offices/enforcement/ofac/>.

4. I only receive International ACH transactions, does IAT still impact me?

Yes, inbound IAT transactions are also required to comply with OFAC obligations. Each US party to the transaction i.e. US Gateway Operator, the Federal Reserve and the Receiving US Financial Institution are required to review the transaction for OFAC compliance. In the event that a transaction is identified as a potential suspect it must be cleared before it can be posted which may result in a delay in posting to your account.

5. Can I return or place a stop payment on an IAT transaction?

Yes, there is no change to the ACH rules regarding returns or stop payments.

6. My company has our payments processed offshore, but the payments are funded from a bank in the U.S. to accounts in the U.S., should they be coded as IATs?

These payments are not IATs. The IAT definition does not apply to transactions involving data received or processed offshore if 1) the processing entity is not a party to the transaction, and 2)

the processing does not alter the terms of the transaction, and 3) the offshore party has no direct financial stake in the transaction through an account relationship or settlement obligation.

- 7. If a US Company originates payments via the US ACH Network to US Receivers, but informs the ODFI that they will be receiving a transfer from a foreign account to fund the payments, is this an IAT?**

Yes, this would be an IAT.

- 8. A Payroll Processor has a customer (referred to as Company) that is located outside the territorial jurisdiction of the U.S. All of the employees of this Company are located in the U.S. and the Company has an account at a Financial Institution within the U.S. The Company sends Wire Transfers periodically to deposit money into their U.S. account. These Wire Transfers are not specifically to fund the account for payroll; however, this account is debited by the Payroll Processor for purposes of funding the payroll. Would the transactions originated by the Payroll Processor on behalf of the Company have to be in the IAT format?**

No, these would be domestic payments. The funding to trigger the definition of the IAT has to be specific to fund the ACH transactions.

- 9. If the Receiver is located outside of the US that does not necessarily make an entry an IAT, but does it make sense that, to err on the side caution, Originators should create IAT entries for customers not living in the US? Are there any penalties for sending IAT transactions when the entry should be domestic?**

NACHA has had organizations indicate they will follow that course and there is no penalty with this concept. To make a clearer determination if the entry should be IAT or domestic, the Originator would need to contact all Receivers with foreign addresses to determine if the funding will be leaving the US or remaining in a bank account in the US.