

NEW REGULATORY REQUIREMENTS FOR ACH

Implementation Date—September 18, 2009

On September 18, 2009, an amendment to the *NACHA Operating Rules* will become effective that has the potential to impact most U.S. businesses that send or receive ACH payments. This amendment will require all payments funded internationally or sent to another country via the ACH Network to be identified as International ACH Transactions using a new Standard Entry Class (SEC) Code—IAT. The new *Rule* will also require that IAT payments include specific data elements defined by the Bank Secrecy Act's (BSA) "Travel Rule."

Currently, there are internationally funded payments that are originated into the U.S. ACH system that cannot be identified as international transactions. OFAC has requested NACHA to align the *NACHA Operating Rules* with OFAC obligations to enable all parties to the transactions to easily identify transactions that are funded internationally or being sent to other countries via the ACH Network.

The new *Rule* will identify International ACH Transactions by focusing on where the financial agency that handles the payment transaction is located. Thus, certain transactions currently formatted as domestic transactions, but are funded internationally, will need to be sent as IATs.

While the identification of these payments as international transactions and the inclusion of the "Travel Rule" information (i.e., Originator name, address, account number; Originator's depository institution name and payment amount; Receiver name, address, account number; and the Receiver's financial institution) will make it easier for receiving financial institutions to comply with OFAC-sanctioned guidance, corporations also have OFAC obligations. U.S. Corporations are bound by U.S. law to comply with OFAC requirements and should be reviewing all business relationships, employees and payment instructions against the current Specially Designated Nationals (SDN) list available from OFAC.

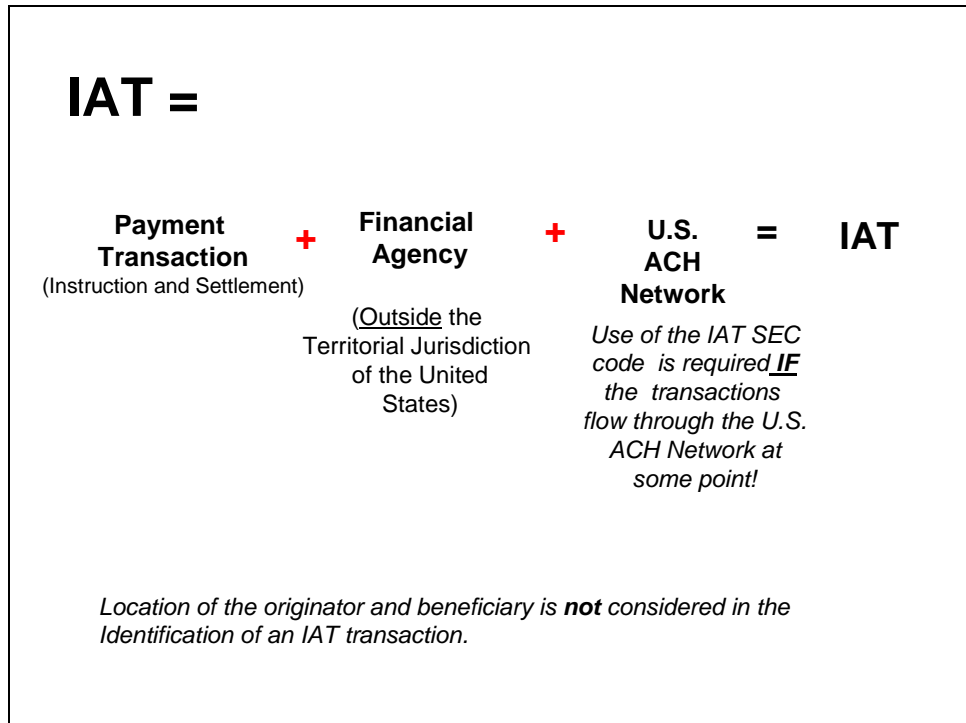
How do you determine if the IAT applies to your company?

To help you start your evaluation, if you answer "Yes" to any of the following questions, IAT may impact you.

- Does your company send payroll, pension or benefit payments via the ACH Network to individuals that have permanent resident addresses outside the territorial jurisdiction of the United States even if the beneficiary bank is in the U.S.?
- Does your company do business with any organizations that are subsidiaries of multi-national companies?
- Does your company buy or sell or do business with organizations or individuals outside the territorial jurisdiction of the U.S.?
- Is your company a subsidiary of a multi-national company?
- Do you buy or sell internationally through PayPal or similar applications?

IAT Equation

The following diagram illustrates the 3 parts that need to be considered when determining if an ACH transaction should be formatted as an IAT transaction.



Seacoast National Bank will not be offering the new Standard Entry Class code, IAT for ACH Origination. We recommend that you contact your customers to ensure that you are not affected. If you believe you are impacted or have additional questions, please contact Cash Management Operations on (772) 221-2999 or (772) 221-2864.