

## 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 as PPD or CCD transactions 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.

"The new *Rule* is an act of industry self-regulation that will assist the federal government in achieving its public policy goals," explains Priscilla Holland, Senior Director of International Programs at NACHA. "It will also enable corporations, financial institutions and regulators to easily identify all international payments flowing through the ACH Network and all parties involved in the transactions, making it easier for everyone to comply with U.S. law."

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 RDFIs 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? Talk to your Cash Management Sales person at your financial institution. The following provides some general guidance on how to identify potential IAT scenarios. If any of these situations apply to your business it is important to contact your financial institution today.

- If your company is a subsidiary of a multi-national company or has foreign subsidiaries there is a strong possibility that the implementation of the IAT will impact your ACH processing.
- If your company buys or sells to organizations or individuals outside the territorial jurisdiction of the United States you need to talk to your financial institution about the impact of the IAT to your company.
- If your company sends payroll, pension or benefit payments via the ACH Network to individuals that have permanent resident addresses outside the territorial jurisdiction of the United States you may be required to use the IAT to send these payments.