



**International ACH Transactions (IAT)  
Frequently Asked Questions**

*Updated March 9, 2021*

**GENERAL:**

1. **Why were the NACHA Operating Rules related to International Payments changed?** Changes to the ACH formats and rules for cross-border payments were made in response to the request of the Office of Foreign Assets Control (OFAC) and the Financial Action Task Force (FATF) Special Recommendation VII.
2. **How do I know if I should use IAT?** Understand the IAT definition, communicate with your customer on the destination of the transactions, and understand your customer's business.
3. **Are ACH Transactions from Military Bases or Embassies international or domestic transactions?** Military Bases, Embassies, etc. are considered under U.S. territorial jurisdiction so the transactions are considered domestic and will not require the use of IAT.
4. **What other rules and regulations pertain to IATs? (e.g. Reg E, UCC4A, OFAC, etc.)** IAT does not change other regulations and rules that pertain to ACH transactions today. For example, RDFIs have Reg E obligations for consumer accounts regardless of where the entry originates.
5. **Are there consumer protections for IAT similar to PPD?** Yes, the U.S. consumer protections applied to the PPD and all consumer ACH applications apply to all transactions using the IAT SEC code. Parties outside of the U.S. are bound by laws of that country.
6. **Can I differentiate between consumer and corporate IAT transactions?** There is only one SEC code for International ACH Transactions and it is to be used for consumer and corporate transactions. The current consumer protections under Regulation E apply to all transactions.
7. **What is a Foreign Correspondent Bank?** A Foreign Correspondent Bank is a Participating DFI in a foreign country that holds deposits owned by other financial institutions and provides payment and other services to those financial institutions.
8. **What is a Gateway?** A Gateway can be either an ACH Operator or a Participating Depository Financial Institution, as defined by the *Nacha Operating Rules*, that acts as an entry point to or exit point from the United States for ACH payment transactions.

9. **How do I become a Gateway?** The term Gateway is a defined term in the *Nacha Operating Rules*. To become a Gateway a financial institution or ACH Operator must originate ACH entries into or out of the U.S. to other countries. The decision to become a Gateway is a business decision that should be considered by senior management. Some things to consider are establishment of a correspondent relationship in the receiving country; understanding the rules of the receiving country, formatting issues, settlement procedures and a thorough understanding of the risk associated with this business model.
10. **In the definition of IAT it says a Person, what if it is an organization?** In the *Nacha Operating Rules*, “Person” is defined as a natural person or organization.
11. **Does IAT change the requirements my FI needs to perform for AML and BSA reviews?**  
IAT does not change the BSA/AML requirements but an FI does need to consider the additional information contained in an IAT when performing their BSA/AML review.
12. **Does Nacha require Travel Rule information for all IAT transactions or only for those that exceed \$3,000?** While BSA only requires Travel Rule information when a funds transfer exceeds \$3,000, the ACH Rules require this information for all IAT entries.
13. **Now that IAT is available, can I send international payments to any country in the world?**  
No, IAT is a format and an SEC code, not a product. To offer international ACH payment products to other countries, the ODFI must contract with a Gateway Operator that has services to the desired countries or must develop the contacts in the receiving country themselves.

### **ORIGINATION:**

14. **How do I get started doing IAT origination?** A financial institution can contact the Federal Reserve to participate in their FedACH International service or a U.S. bank that is offering this service for correspondent banks. Corporate originators need to talk to their financial institutions to determine if the service is being offered and work with the relationship officer to determine the service enrollment procedures.
15. **Does the ODFI need an agreement with the Gateway to send IATs?** If the ODFI offers an IAT product or service then the ODFI will need to have an agreement with a Gateway. The *Nacha Operating Rules* require the Gateway to have an agreement with the ODFI or the Gateway’s Customer.
16. **If my payroll needs to be sent as IAT, could my employees’ availability be affected?**

Possibly. In general, an RDFI must make funds from an IAT Credit available to the Receiver for withdrawal no later than 9:00 a.m. (RDFI's local time) on the Settlement Date. The RDFI may not delay funds availability solely because the entry is an IAT entry and requires examination for OFAC compliance. However, if the RDFI finds the entry to be suspect during its OFAC review, the RDFI is prohibited from posting the entry and making funds available to the Receiver until it is able to resolve the issue and clear the entry.

**17. As a corporate originator what type of due diligence do I need to do with my employees to determine if they are sending their funds out of the country and we should be coding their payroll as an IAT?**

A corporation should have procedures in place to notify employees about IAT and inquire if they are sending their paycheck out of the country. Nacha has created a sample document that you may find helpful. The sample document is available for employers/companies to use to notify their employees and vendors about IAT in order that the employee/vendor may inform the employer/company that IAT may be required for their payment. This document is posted on the IAT Resource page under the Corporate Tool Kit section.

**18. What type of due diligence is the Corporate Originator expected to do to determine if they need to originate IAT transactions?**

The determination of an appropriate type and degree of due diligence in properly identifying international payments is not defined by either Nacha or OFAC. OFAC mandates that a company properly identify and handle a payment involving the movement of funds internationally, and Nacha mandates the proper use of Standard Entry Class Code and application of the rules based on the nature of the funds transfer and the parties involved in the payment, however neither provides rules or specific guidance on how necessary information to comply with those standards is obtained.

As a result, it is left to the parties bound to such standards to establish business practices that enable them to gather necessary information to comply with those standards.

Although the ODFI warrants proper formatting of transactions and compliance with relevant rules, the corporate Originator is also bound to comply with those rules through its contract with its ODFI. In most cases, the corporate Originator, rather than its ODFI, is in the better position to know the parties with which it does business, where those funds are destined, where its employees reside, etc. As a result, Originators should generally hold the responsibility for asking appropriate questions of their vendors and employees sufficient to determine whether those funds will remain domestic or whether the funds will move internationally.

The ODFI and its customer should work closely together to identify what level of risk each is willing to take on regarding their compliance with Nacha and OFAC requirements and what level of research is necessary to meet that risk tolerance for potential violations of these rules and regulations. These issues, and the specific

responsibilities of each party, should be specifically defined within the ODFI-Originator contract.

Nacha has developed some sample language for communications between Originators and their employees and vendors, which can be found on Nacha's IAT Resource Page (at [www.nacha.org](http://www.nacha.org)). This or similar language could be included within employee newsletters, on companies' websites, and included with new-hire information. Similar notifications could be provided to current and potential new vendors. Nacha does not suggest that companies survey and receive responses from every employee or vendor. Rather, each company should determine whether they have transactions being sent out of the country, develop a specific company policy to determine how this should be addressed, and implement that policy. Whether the company identifies specific parties to contact or whether a general notice is provided to all, and the frequency with which such notice may be re-issued, will need to be determined by each company on an individual basis.

19. **Can you map the Transaction Type Codes to similar codes used in other payment systems?** The Transaction Type Codes are generic enough they should easily translate to other payment and messaging systems.
20. **Wire transfers don't require a physical address, why does IAT?** OFAC requested that ACH transactions include a physical address in the entry.
21. **Are there any transaction codes that IAT should not be used for?** IAT entries may be sent to demand, savings, general ledger, and loan accounts for live entries, pre-notes and returns. Zero dollar IAT entries may be sent to demand and savings accounts, but should not be sent to general ledger or loan accounts.
22. **Can an IAT pre-note be initiated?** Yes. An IAT pre-notification entry must include the seven mandatory addenda records and be screened for OFAC compliance. While the use of the pre-note is supported with the IAT, please be aware that the concept of pre-notes is not supported in most countries around the world and in most cases you will not receive a response to your pre-note.
23. **How does the ODFI know the return timeframes for the foreign country?** The ODFI should work with their Gateway to understand the rules and requirements of the foreign country they are working with.
24. **Can an IAT be reversed?** Yes, but the reversal would be handled on a best effort basis. The receiving country may not support reversals.
25. **Which party handles the foreign exchange on an IAT transaction?** That decision will be made by the parties to the transaction and is not within the scope of the *Nacha Operating Rules*.

## **RECEIPT/EXCEPTION PROCESSING & RETURNS:**

26. **Could any U.S. RDFI receive an IAT credit or debit?** Yes, any U.S. RDFI may receive an IAT.
27. **Does the RDFI need an agreement with a Gateway to receive IATs?** No, the RDFI does not need an agreement with a Gateway for IAT.
28. **Can the RDFI refuse to accept IAT entries?** No, the IAT is not an optional acceptance SEC code.
29. **Can the RDFI charge to accept IAT entries?** There is nothing in the *Nacha Operating Rules* to prevent the RDFI from charging to receive and process IAT entries.
30. **How will the RDFI identify an international transaction that comes in with an SEC Code other than IAT?** An RDFI can only recognize international transactions if properly coded as IAT.
31. **Is IAT the only SEC Code that requires this level of review?** Yes, IAT is the only SEC that requires the entry detail records and addenda records to be reviewed.
32. **How big does an FI need to be to need to purchase interdiction software?** FIs should follow commercially reasonable practices and determine how their peer group is complying with the requirement to review entries.
33. **Is it better to screen the IAT before or after the entry posts?** Depending on the OFAC policies of the RDFI the RDFI should consider screening all IAT transactions prior to posting. If there is a suspect item in the file the item must be reviewed and cleared prior to the posting of the suspect item. In a July 2012 letter from OFAC they stated that a financial institution that performs its OFAC screening after having credited a beneficiary's account increases its OFAC risk substantially. (OFAC little GEN-594137 is currently available on the IAT Resource page at <https://www.nacha.org/IATIndustryInformation>)
34. **What is a false positive?** This is an entry that appears to be a positive SDN hit but after investigation it is determined that the party is not the party on the SDN list.
35. **If the RDFI receives an IAT with a positive OFAC screening indicator, can the entry just be returned?** No, the entry must be properly handled in accordance with OFAC requirements.
36. **Are stop pays allowed with IAT?** Yes, there is no change in the *Nacha Operating Rules* regarding processing of stop payments.

37. **Can the RDFI return these transactions?** The IAT can be returned for specific reasons outlined in the *Nacha Operating Rules*, but it cannot be returned or rejected solely because the RDFI does not want to process IAT entries.
38. **What if the Receiver claims the entry is not authorized?** While an RDFI may not reject an entry solely because it is an IAT, an RDFI may follow proper procedures to return an IAT if their customer claims it is unauthorized and the entry does not contain a positive SDN hit.
39. **What if the research takes longer than the return time frame but the RDFI needs to return the entry?** Article One, Subsection 1.2.1 (Effect of Illegality) of the *Nacha Operating Rules* allows the RDFI time to investigate a potential OFAC violation.
40. **Are there specific Return Reason Codes for IAT?** The Return Reason Codes in the R80-R85 series are for use only by Gateway.
41. **Are there any Return Reason Codes you can't use for IAT?** There are no return reason codes that are blocked from use with IAT, but the Dishonored Return and Contested Dishonored return codes are not allowed for use with IAT entries.
42. **The IAT could be either consumer or corporate, which return time frame is applicable for unauthorized entries?** The RDFI may use the consumer return time frame for an unauthorized IAT entry.
43. **Could the conversion amount change in the return?** For an item originated in the U.S. and sent to another country, if the item is converted to another currency the returned the amount of the transaction may be different than the amount of the original entry when it is converted back to USD at a potentially different FX rate.
44. **Can I request a copy of the IAT authorization?** Yes, but the authorization requirements will vary by originating country as will the response time and the timeframe requirement as with domestic transactions does not apply.
45. **What are the return timeframes for incoming IAT entries?** The return timeframes have not changed for IAT processing under the *Nacha Operating Rules*.
46. **What are the return timeframes for outgoing IAT entries?** The return timeframe for outgoing IAT entries is determined by the receiving country and will vary by country.
47. **Can I dishonor a returned IAT?** No, automated dishonored returns are not supported with the IAT SEC code. Any request for dishonor (or contested dishonor) must be handled outside of the ACH Network.

48. **Can I do an IAT Notification of Change?** This function is supported with the *Nacha Operating Rules*, but check with your correspondent banks to see if the receiving country supports the NOC process.
49. **Is the IATCOR code mandatory for IAT NOCs?** Yes, this code is necessary to identify IAT Notifications of Change. Please refer to the most recent version of the *Nacha Operating Rules* for available change codes and formatting requirements.
50. **If I return an IAT transaction, could I receive a dishonored return?** No, automated dishonored returns are not supported through the ACH Network. Any request for dishonor (or contested dishonor) must be handled outside of the ACH Network.
51. **Are there any new statement requirements for IAT entries?** An RDFI has Regulation E statement requirements for all entries to consumer accounts, regardless of where an entry originates. If an IAT entry has an underlying SEC Code (ARC, BOC, MTE, POP, POS, RCK, SHR) identified in the Transaction Type Code Field in the First IAT Addenda Record, the RDFI must provide specific information from the Payment-Related Information field within the remittance addenda record on the Receiver's bank statement.
52. **Am I required to provide any IAT remittance information to my customers?** Remittance information will be required upon the request of your customer and must be provided by the opening of business on the 2<sup>nd</sup> banking day following settlement.
53. **Will all the information in the 7 mandatory addenda have to go on the customer's statement?** No, the only information from the addenda records that needs to be provided on the customer's statement is located in the Payment-Related Information Field of the addenda record for remittance information. This information needs to be provided when certain secondary SEC codes are included in the Transaction Type Code field of the first addenda record.
54. **How do I know if the IAT is actually an ARC (or other application)? Do I need to perform any special handling?** If a secondary SEC code is included in the Transaction Type Code field of the first addenda record, it may indicate that the IAT is an international variation of a domestic ACH application. If it is, the contents of the Payment-Related Information Field of the addenda record for remittance information must be provided to the consumer customer.
55. **Does the IAT require any statement or disclosure language?** While the IAT does not require statement or disclosure language, the RDFI may need to pull information for the statement from a new location in the ACH entry (see questions above).
56. **If there is a debit block service on an account and we receive an inbound IAT debit that is not in violation of an OFAC sanctions program, can we return the IAT debit?**

Yes, if the debit has been reviewed for OFAC compliance and is not in violation of an OFAC sanction, the debit can be returned. All IAT debits must be reviewed for OFAC compliance before they can be processed or returned because of a debit block service.

## **FORMATTING**

### *Company/Batch Header*

57. **Which party handles the foreign exchange on an IAT transaction?** That decision is made by the parties to the transaction and is not within the scope of *Nacha Operating Rules*.

58. **How should the Foreign Exchange fields of the Batch Header be populated on an outbound IAT?** How this field is populated depends on the agreement between the Originator and their financial institution, the amount and type of currency that is to be delivered to the receiver, and which organization is going to do the foreign exchange conversion. Three options are available, “FV” Fixed-to-variable, “VF” Variable-to-fixed, and “FF” Fixed-to-fixed. The following example is for Fixed-to-variable:

Example: For FV (fixed-to-variable) transactions the ODFI will not have the FX rate information necessary to complete Batch Header fields 5 & 6. The rate information will be added to the file downstream. Those fields should be populated as:

Foreign Exchange Indicator = FV

Foreign Exchange Reference Indicator = 3

Foreign Exchange Reference = (null/spaces)

59. **Will the Operators edit for valid ISO codes? Where can I get the codes?** The Operators will not edit for valid ISO codes. ISO Codes can be obtained from the International Organization for Standardization at [www.iso.org](http://www.iso.org).

60. **Is there a different SEC Code for consumer and corporate IAT transactions?** There is only one SEC code for International ACH Transactions (IAT) and it is to be used for consumer and corporate transactions.

61. **Will the Originator Status Code, which is used in domestic payments to differentiate Federal government payments from other payments, be used in the same manner for IAT?** Yes, if the ODFI of a batch is a Government Institution, the Originator Status Code (position 79 on the '5' record) would be a '2' on the batch. For all other IAT entries, the Originator Status Code would be a '1'.

62. **Can an IAT be reversed?** Yes, but the reversal would be handled on a best effort basis. The receiving country may not support reversals.

### *Entry Detail*

63. **Can an IAT pre-note be initiated?** Yes. Prenotification entries may be initiated for inbound IAT entries. When used, IAT prenotification entries must include the seven



mandatory addenda records and must be screened for OFAC compliance. The *Nacha Operating Rules* do not apply the use of prenotifications to outbound IAT entries since, generally speaking, there is no prenote counterpart within the payment systems of most foreign countries. Although prenotes for outbound IAT entries will flow over the ACH Network and will not be stopped by the ACH Operator, they are unlikely to move across the border and trigger a response from the foreign financial institution.

64. **Are there any Transaction Codes that IAT should not be used for?** IAT entries may be sent to demand, savings, general ledger, and loan accounts for live entries, pre-notes and returns. Zero dollar IAT entries may be sent to demand and savings accounts, but should not be sent to general ledger or loan accounts.
65. **How are the OFAC Screening Indicators populated?** There are 2 optional OFAC Screening Indicator Fields that can be populated for inbound IAT transactions. Field 10 is for use by the Gateway and Field 11 is populated by the Third-Party Service Provider. Field 10, Gateway Operator OFAC Screening Indicator, will be populated by the Federal Reserve for inbound IAT transactions that are processed through their FedACH International Service. This field is optional for other Gateways. Field 11, Secondary OFAC Screening Indicator is used by Third-Party Service Providers. If these fields are used, they will be populated with a “0” if the item is a clean transaction and a “1” if the item is suspect.

Outbound IAT transactions – no suspect IAT transactions should be originated into the U.S. ACH by the ODFI. Under the *Nacha Operating Rules* the ODFI warrants to the ACH Network participants that all transactions are in compliance with *Nacha Operating Rules* and U.S. legal requirements. Any suspect transaction should be investigated and cleared before it is released to the ACH Operator.

If either of the OFAC Screening Indicators has been previously populated, the information should not be changed or written over by the RDFI. If a suspect transaction has been cleared the information should be documented and retained.

#### *Addenda*

66. **How are the 12 addenda of the IAT allocated?** The first 7 addenda are mandatory and include information about the parties to the transaction. The other 5 addenda are optional and may be used in a combination of Foreign Correspondent Addenda and Remittance Information Addenda but may not exceed 5 total. In addition, the number of Remittance Addenda may not exceed two. The IAT may include 5 or less Foreign Correspondent Addenda and zero Remittance Addenda, 4 or less Foreign Correspondent Addenda and one Remittance Addenda, or 3 or less Foreign Correspondent Addenda and two Remittance Addenda.
67. **How can I differentiate which addenda is which in an IAT?** Each of the 7 mandatory addenda are differentiated by an Addenda Type Code of 10-16. Addenda

Type Code 17 is used for Remittance Information Addenda and Addenda Type Code 18 is used for Foreign Correspondent Addenda.

68. **What happens if the total number of Addenda Records exceeds the maximum allowable (12) per Entry Detail Record (IAT)?** The Operator will reject the entry.
69. **Do Addenda Type Codes 10-16 need to be in appropriate sequential order?** Yes, if not, the Operator will reject the entry. Addenda Type Codes 17 and 18 may be out of sequential order.
70. **What happens if one or more mandatory Addenda Records for IAT forward entries, Automated Returns, and Automated Notifications of Change is missing?** The Operator will reject the entry.
71. **What happens if for IAT forward entries and IAT Automated Returns, the entry contains more than one of the Addenda Types 10-16?** The Operator will reject the entry.
72. **What happens if the IAT entry contains more than two Addenda Records for Remittance Information (Addenda Type Code 17)?** The Operator will reject the entry.
73. **Where do I indicate the reason for the payment in the IAT entry?** The reason for payment is included in first addenda record in the Transaction Type Code field. There are three character codes defined to describe the reason for payment.
74. **For inbound IAT transactions, which FI is identified in the 4th addenda record?** As defined in the Rules, for an Inbound IAT entry, the Originating DFI Identification Field within the Fourth Addenda Record must contain the National Clearing System Number of the foreign Originating DFI. It would follow that all other information in this addenda record should also relate to the foreign Originating DFI. Information about the U.S. ODFI/Gateway Operator is located in field 16 of the IAT Company/Batch Header record.
75. **How do I indicate the IAT is actually an ARC (or other application)?** A secondary SEC code must be included in the Transaction Type Code field of the first addenda record to indicate that the IAT is an international variation of a domestic ACH application. If it is, the Payment-Related Information Field of the addenda record for remittance information must contain a banking convention for required information and the contents must be provided to the consumer customer.
76. **What are the banking conventions for secondary SEC Codes?**
  - If secondary SEC Code is ARC, BOC, RCK: Check Serial Number\ or ~
  - If secondary SEC Code is POP: Check Serial Number (max 9)\*Terminal City (4 characters)\*Terminal State/Foreign Country (2 characters)\ or ~

- If secondary SEC Code is MTE, POS, SHR: Terminal Identification Code (max 6)\*Terminal Location (max 27)\*Terminal City (max 15 characters)\*Terminal State/Foreign Country (2 characters)\ or ~

77. **Is there a specific formatting requirement for identification of countries in the IAT addenda records?** Yes, identification of a country within any IAT addenda record is limited to a 2-digit code as identified in the ISO 3166-1- alpha-2 code list.
78. **What if a portion of the content of a field is not available (for example, either the Country or postal code is not available for the Originator Country and Postal Code field)?** If you have all the data, the field is formatted: Country\*postalcode\  
If the missing segment is not the last segment, use \* so in the example if missing Country, the format would be: \*postalcode\  
If the missing segment is the last element, do not include the \*. In the example if missing Postal Code, the format would be: Country\ or ~  
If a convention includes more than two data elements and the missing element is in the middle, both the preceding and following \* would be used. For example using the POP convention and missing the Terminal City data element, the format would be CheckSerialNumber\*\*TerminalState/ForeignCountry\ or ~
79. **How should the Branch Country Code fields be formatted?** While the length of the field is three positions, the Code is a two digit code (identified in the ISO 3166-1-alpha-2 code list) and should occupy the two leftmost positions with a space filling the third position.
80. **How does the FI know which code value to use for the Originating and Receiving DFI Identification Number Qualifier (the two digit code that identifies the numbering scheme used in the Originating or Receiving DFI Identification Number Field)?** The ODFI or Gateway is who needs to know whether to use a 01, 02, or 03 in that field. The receiving bank will tell them which type of number it is when they provide the actual number. Most of the large money center banks already know this information.
81. **Are there any formatting specifications for the optional remittance?** There are no formatting requirements for the standard remittance information. Any Nacha endorsed-banking convention may be used. If the remittance addenda record is being used to carry information on the ultimate beneficiary or originator of a transaction for further credit to the remittance information must contain the name, street address, city, state/province, postal code, and ISO Country Code. In addition, the two available remittance addenda will provide enough characters to fit a SWIFT 4x35 message.
82. **Could the addenda information in an IAT be in a foreign language?** Yes but it may only include allowable characters as defined in Appendix One, Section 1.3 of the Nacha Operating Rules.

83. **Who populates the Foreign Correspondent addenda?** For an inbound IAT this field is populated by the party formatting the IAT entry which could be either the U.S. Gateway or the foreign Gateway. This would be determined by agreement between the two Gateways.

*Exceptions*

84. **Do any of the addenda records need to be sent back with an IAT return?** The mandatory addenda for IAT entries (Addenda Types 10-16) must be transmitted with IAT returns. Addenda types 17 and 18 will not be transmitted with IAT return entries.
85. **Do any of the addenda records need to be sent back with an IAT NOC?** Addenda types 10-18 are not transmitted with IAT Notifications of Change.
86. **Should the content of the “Number of Addenda Records” field be changed for an IAT return or NOC?**  
For IAT Returns and NOCs, the contents of the Number of Addenda Records field are copied from the original IAT entry and remain unchanged on the return or NOC. The ACH Operators do not edit that field on returns/NOCs to ensure that the number of corresponds to the actual number of addenda records attached to the return or NOC. This is consistent with how CTX returns are processed today.
87. **Are there specific Return Reason Codes for IAT?** The Return Reason Codes in the R80-R85 series are for use only by Gateways.
88. **Are there any Return Reason Codes you can’t use for IAT?** There are no return reason codes that are blocked from use with IAT, but the Dishonored Return and Contested Dishonored Return codes are not allowed for use with IAT entries.
89. **Can I do an IAT Notification of Change?** This function is supported with the *Nacha Operating Rules*, but check with your Gateway Operator to see if they support the process.
90. **Is the IATCOR code mandatory for IAT NOCs?** Yes, this code is necessary to identify IAT Notifications of Change.
91. **Are there any NOC Codes you can’t use for IAT?** C03 (Incorrect Routing Number and Incorrect DFI Account Number), C06 (Incorrect DFI Account Number and Incorrect Transaction Code), and C07 (Incorrect Routing Number, Incorrect DFI Account Number and Incorrect Transaction Code) are not available for use with outbound IAT due to field length limitations for correcting information.

## **OFAC COMPLIANCE AND RULES ENFORCEMENT:**

92. **Are IAT transactions subject to the Nacha National System of Fines?** Yes, but only the U.S. entities are subject to the Nacha National System of Fines.
93. **Will financial institutions from other countries be able to be fined under the Nacha National System of Fines?** No, the Nacha National System of Fines applies only to U.S. financial institutions.
94. **Are there additional warranties and liabilities with IAT entries? If so, what are they?** There are additional warranties and liabilities involved with IAT transactions for the Gateway that are covered in the *Nacha Operating Rules*, Article Five – Rights and Responsibilities of Gateways for IAT Entries.
95. **What is OFAC?** The Office of Foreign Assets Control of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction. OFAC acts under Presidential wartime and national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze foreign assets under US jurisdiction.
96. **Can I contract away my OFAC liabilities?** No, you can make a business decision to outsource your OFAC screening requirements but you CANNOT contract away your liabilities.
97. **What does SDN stand for and what is it?** As part of its enforcement efforts, OFAC publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific. Collectively, such individuals and companies are called "Specially Designated Nationals" or "SDNs." Their assets are blocked and U.S. persons are generally prohibited from dealing with them.
98. **How do I know who is on the SDN list? How often should I update my list?** This link to the OFAC website will allow FIs to sign up to receive the SDN list and updates.  
<http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>
99. **If the Fed is going to OFAC screen, do I have to also?** Yes, the OFAC Screening Indicator is a tool to help alert the RDFI to a possible OFAC hit, but the RDFI should still screen the entry and is responsible for investigation of any possible hits.
100. **Will the Operator block all IATs from countries we aren't allowed to do business with?** No, the ACH Operators will do no OFAC review of the IAT

transactions. The Fed as a Gateway may review the transactions, populate the OFAC Screening Indicators and pass the items to the RDFI for review and investigation.

**101. Which parties must screen for OFAC compliance?** The Gateway, the Originator, the ODFI and the RDFI all have responsibility for OFAC compliance with IAT transactions. How an organization handles OFAC compliance is a business decision and must be addressed in the organizations OFAC policy.

**102. What specific language needs to be included in a financial institution's OFAC policy, as it relates to IAT?**

A financial institution should modify its existing OFAC compliance policy to include IAT transactions. Nacha has provided guidelines on what should be considered in demonstrating OFAC compliance in Supplement #1-2009, which updated the 2009 NACHA Operating Guidelines Section IV – Special Topics, OFAC Compliance, and in Chapter Two of the IAT Survival Guide. However, Nacha is not able to provide specific language on what should be included since this is a bank specific issue. Financial Institutions should consult their legal and compliance departments for guidance in updating their OFAC policies to accommodate IAT entries.

**103. Do IAT entries have to be screened prior to posting?**

Although screening is not specifically mandated by the Nacha Operating Rules or OFAC, it is an accepted business practice adopted by the industry to ensure that entries involving blocked parties are identified and handled appropriately. This screening must be done prior to posting the entry since the RDFI is responsible for rejecting or freezing the proceeds of a transaction involving interests of blocked parties.

**104. What are the penalties for OFAC non-compliance?** There are civil and criminal penalties that vary by OFAC sanctions programs.

**105. What do I do if I get an IAT with a screening indicator of “1”?** You should follow the OFAC Compliance Policy guidelines that your financial institution has established.

**106. If I receive a transaction with a screening indicator of “0” does it require further review?** That is a business decision of your organization; it is strongly recommended that your organization examine ALL incoming IAT transactions for OFAC compliance. While a FI may contract with other organizations to complete the actual screening of the transactions, OFAC is very clear that an organization may not contract away their OFAC liability.

**107. As an RDFI, what should we do if we receive an inbound IAT debit transaction that is a hit on the SDN list?**

For a transaction confirmed as an OFAC hit – contact OFAC directly. The Gateway Operator may have missed this transaction, cleared the transaction or the OFAC list may have been revised. OFAC will handle these situations on a case-by-case basis.

**108. What OFAC screening services will be provided by the ACH Operators?** The Federal Reserve acting as a Gateway screens all IAT transactions they processed as part of their FedACH International service, but will not be screening IAT transactions as an ACH Operator. EPN offers a value-added service to their customers for origination and receiving IAT transactions. EPN will not screen IAT transactions that flow through their system as an ACH Operator.

**109. What are the contact numbers or website for OFAC?**

*OFAC Homepage:*

<http://www.treasury.gov/about/organizational-structure/offices/Pages/Office-of-Foreign-Assets-Control.aspx>

*OFAC SDN List:*

<http://www.treas.gov/ofac/t11sdn.pdf>

*Downloadable SDN List:*

<http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>

*OFAC FAQs:*

[http://www.treasury.gov/resource-center/faqs/Sanctions/Pages/ques\\_index.aspx](http://www.treasury.gov/resource-center/faqs/Sanctions/Pages/ques_index.aspx)