International ACH Transactions

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Courtesy of NACHA
March 2009

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- Suppose a client receives interest payments to its U.S. domiciled account. There is a standing instruction to send these interest payments to another beneficiary (a son, daughter at school, for example) who has a non U.S.-domiciled account. Should the original interest payment to the client's U.S. domiciled account be treated as an IAT?
- A payment processor has a customer 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 deposited 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?
- How does the ODFI know the funds will ultimately move international?
- For companies/ACH Originators that offer payroll cards to employees that do not have a U.S. bank account and primarily use the card outside the U.S. territory and the payroll card is funded via an ACH file, will the payroll card funding need to be originated as an IAT?

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- With an IAT entry, there will be seven Mandatory Addenda records and up to five Correspondent Bank Addenda. If the Transaction Type Code was that of an E-Check application which requires the check information in the remittance addenda record, would the first Correspondent Bank Addenda record be dropped?
- Some corporates, including state and local governments, request that no ACH debit activity be allowed to post to specific accounts, so their bank automatically returns any ACH debits to these accounts as unauthorized. Would the bank be required to post violating IAT debits to these accounts?
- Is there a NACHA-recommended solution to accommodate the multiple addenda records currently with CTX origination that will not be able to fit into an IAT entry? Is NACHA considering the expansion of IAT to include additional Addenda records to accommodate the existing EDI traffic?
- The only option through the ACH Network appears to be a zero-dollar CTX and the monetary portion flowing as the IAT credit. As long as both entries were OFAC screened, could this be a NACHA endorsed solution?
- Is the type 7 record, field 3 Transaction Type Code, the one being referred to as the "secondary SEC code"? If so, is there a reason why the SEC codes PPD and CCD are not included in the rules?
- Is there an official list to reference for field Branch Country Code (Type 713, field 8), ISO destination country (type 5 field 7), ISO Currency Codes (Type 5, Fields 11, and 12)?
- It seems that inbound IATs with secondary SECs will require additional information in the Remittance Information addenda that will need to be provided on the statements. Is that correct?
- Additional IAT Resources

▸ Glossary of IAT acronyms and terms

General Information

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On September 18, 2009, an amendment to the *NACHA Operating Rules* will become effective that has the potential to impact 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 (IAT) 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."

Classification of International ACH Transactions

The new rule will classify IATs by focusing on where the financial agency that handles the payment transaction (movement of the funds) is located and not where any other party to the transaction (e.g., the Originator or Receiver) is located. Therefore, certain transactions that are currently sent as domestic PPDs or CCDs would be categorized as international transactions and must be sent as IATs.

Structuring the formats to comply with U.S. Law

The information currently included within the cross-border payment formats and other ACH records does not provide sufficient information for the financial institutions and regulators to readily identify all parties to an international transaction in order to comply with OFAC-administered U.S. sanctions policies. The new IAT format has added the following mandatory fields to carry the information needed for a regulatory review:

- Receiver's Account Number
- Receiver's DFI Identification Number
- Payment Amount
- Reason for Payment
- Receiver's Name
- Receiver's Street Address (not P.O. Box)
- Receiver's City, State or Province, and Postal Code
- Originator's Name and Identification Number
- Originator's Street Address (not P.O. Box)
- Originator's City, State or Province, and Postal Code
- ISO destination country code country code (or at least destination country)
- Receiving bank (name, identification, qualifier, branch country code)
- Amount of entry and FX arrangements
- Transaction type code (reason for payment)

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Compliance with OFAC requirements by participants

National Automated Clearing House Association (NACHA) is responding to a request from OFAC to be able to adequately identify transactions that are international in scope. The agreements that corporate originators sign with their financial institutions state that they will be in compliance with the *NACHA Operating Rules* and U.S. law. Effective September 18, 2009, the new IAT SEC code will be in place that requires participants to identify international transactions and to code those entries as IAT transactions. If a corporate originator does not comply and the transactions are identified or reported by other financial institutions, ACH Rules Violations can be filed against the Originating Depository Financial Institution (ODFI). If the problem is not resolved, the ODFI may be fined for a rules violation.

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 between $10,000 and $10,000,000 per occurrence depending on the sanctions program that is violated. If the corporate Originator has been educated by their financial institution on their IAT requirements and the corporate Originator ignores the requirements, in the event of a problem with a transaction, it is very likely that any fines or jail time would be levied against the corporation and not their financial institution. Fines levied for OFAC violations are property of the U.S. government and levied by the OFAC not the financial

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institutions. It is also likely that if a financial institutions receives a fine due to non-compliance by a corporate originator of ACH transactions that they financial institution will pass those fines back to the customer. This issue should be covered in the legal agreement between the financial institution and the corporate originator.

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General Questions

What is an IAT?

An IAT, or International ACH Transaction, is a credit or debit involving a bank office located outside the United States. It is a new regulation that will create a file structure to expand the Office of Foreign Assets' (OFAC) definition of "international" to include items currently considered "domestic". The IAT creates a new Standard Entry Class code for ACH payments to identify international transactions, defined as 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.

Why is a new regulation needed?

The current process makes it difficult for depository financial institutions to identify domestic transactions that may have international parties involved. They need to know this to comply with U.S. law.

According to the National Automated Clearing House Association (NACHA)[1]

- Cross-border applications are currently used only for ACH transactions transmitted internationally
- These international payments are introduced into the U.S. ACH network through domestic correspondent banking relationships
- As a result, they are being transmitted as domestic transactions

The IAT was developed in response to a request from 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, and understands that there are currently transactions flowing through the Network that were funded from 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.

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What will this new regulation do?

It will classify IATs based on where the financial agency that handles the payment transaction is located (not where the transaction originator or receiver is located). Therefore, transactions that are currently sent as domestic, but are actually international transactions, will be sent as IATs. Also, the new regulation will align ACH rules with OFAC compliance obligations. It also helps receiving financial institutions comply with these obligations.

Why does the definition use "financial agency" instead of "financial institution"?

Financial agency is broader than just financial institutions and includes any entity that is authorized by applicable law to accept deposits or is in the business of issuing money orders or transferring funds so this includes financial institutions and money transmitting businesses.

Does IAT affect all U.S. banks?

Yes, it involves every financial institution in the U.S., plus any foreign organization sending payments into or receiving payments from the U.S. Additionally, IAT does not change a financial institution's domestic OFAC compliance requirements.

How does IAT affect my business?

All parties to the ACH transaction must classify payments transmitted to or received from a financial agency outside the U.S. as IATs. You may also need to upgrade your processing applications and gather the data necessary to travel with the transactions, as required by the Bank Secrecy Act.

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[1] Full text can be found in the "NACHA IAT Executive Summary" on NACHA.org

What is the "Travel Rule"?

The Bank Secrecy Act's "Travel Rule" requires the originating depository financial institution (the originators' bank) to include the originator's and beneficiary's name, address, and account number. The Travel Rule detail must accompany transactions.

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What is a "payment transaction"?

A payment transaction is an instruction from a sender to a bank to pay, or obtain payment of, or to cause another bank to pay or 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.

How do I know if an IAT is inbound or outbound?

An inbound IAT means an entry that originates in another country and is transmitted into the United States. An outbound IAT means an entry that originates in the United States and is transmitted to another country.

When does the IAT regulation start?

IATs take effect September 18, 2009. It is the most significant change to the U.S. ACH network in recent history.

Are ACH transactions from military bases and embassies considered international or domestic transactions?

ACH transactions from military bases, embassies, and other facilities within U.S. jurisdiction are considered domestic and will not require the use of IAT.

Is there a difference between consumer and corporate IAT transactions?

There is only one SEC code for IATs. It will be used for both consumer and business transactions. The current consumer protections under Reg E apply to all transactions.

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Does NACHA require the 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.

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 IAT changes or the NACHA Operating Rules.

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 and fines ranging form $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 your contract with the financial institution. The fines are levied be 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/.

How do I know if the IAT applies to my ACH transactions?

If you answered yes to any of the following questions please read the rest of this document and then contact your financial institution about the impact of the IAT to your company.

- Is your company a subsidiary of a multi-national company?
- Does your company have foreign subsidiaries?

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- Does your company buy or sell to organizations or individuals outside the territorial jurisdiction of the United States?
- 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?

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How do I get started doing IAT origination?

Businesses should contact their financial institutions to determine if the service is being offered and to work with the relationship officer to determine the service enrollment procedures

IAT Rules Framework

Payment transaction guidance

A payment transaction is –

1. 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**
2. any and all settlements, accounting entries, or disbursements that are necessary or appropriate to carry out the instruction.

The message or payment instructions do not have to come at the same time as the finding of the transaction. Example – a SWIFT instruction message is received by a financial institution on Monday with instructions to create an ACH file for the company payroll. On Tuesday, the financial institution receives the funding for that SWIFT message form a foreign correspondent bank. The payroll items in the ACH file should be in the IAT format since the funding was received from a foreign financial institution.

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IAT Equation

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

Note: Location of the originator and beneficiary is not considered in the identification of an IAT.

Payment Transaction
(Instruction and Settlement)

\+ **Financial Agency**
(Outside the territorial jurisdiction of the US)

\+ **US ACH Network**
(Use of the IAT SEC code is required IF the transactions flow through the US ACH Network at some point)

IAT

When to use the IAT Format

The following are some questions that a corporate practitioner needs to consider in determining if the IAT rule change will impact your company:

- Is your company a subsidiary of a multi-national company?
- Does your company have foreign subsidiaries?
- Does your company buy or sell to organizations or individuals outside the territorial jurisdiction of the United States?
- 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?

If you answered yes to any of these questions please contact your financial institution about the impact of the IAT to your company.

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Information Requirements

What information is required when originating IAT transactions?

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The information that must be included in an IAT is the same as the information you provide in an international wire transfer. There are several mandatory addenda records with an IAT. The field requirements are consistent with SWIFT standards, and must contain:

- Name and physical address of the originator
- Name and physical address of the receiver (beneficiary)
- Account number of the receiver
- Identity of the receiver's bank
- Correspondent bank's name, Bank ID number and Bank Branch Country Code
- Reason for the payment

What if I don't know the identity of correspondent banks involved in the transaction?

Each correspondent bank involved in an IAT must identify itself within an addenda record. A separate addenda record will be added to the payment by each correspondent bank, for a maximum of five correspondent bank addenda records.

Can I include remittance information with an IAT?

Yes, two optional addenda records accommodate the transmission of remittance information. A maximum of 160 characters (80 characters per addenda record) can be included.

How can I find out whether my payments are IATs? Where can I find information to help me determine whether they are IATs?

NACHA worked with several global banks to develop scenarios describing various payments situations and how these payments would be classified. OFAC agreed to the interpretations contained in those scenarios. The scenarios can be found on the IAT Resource Page at www.nacha.org. One scenario deals with pension payments. Other scenarios deal with vendor and payroll payments.

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Are outbound international payments through my bank's proprietary system, not through the U.S. ACH network, considered IATs? Do they require additional information and screening?

If your organization's outbound international payments are not sent through the U.S. ACH network, the IAT format is not required. However, your bank is still responsible for screening the transactions and complying with OFAC sanctions. In addition, as an originator you are also subject to OFAC requirements and should be screening your transactions, regardless of whether they are going through the U.S. ACH network or through bank proprietary systems.

If my payments are processed offshore, but the payments are made from a bank in the U.S. to accounts in the U.S., are they considered International ACH Transactions?

These payments are not classified as 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.

Screening Responsibilities

Who is responsible for screening IATs to identify those that violate OFAC sanctions policies?

All parties to IATs have a role in screening for OFAC compliance: financial institutions, originators and the Gateway Operator. Each party must develop an OFAC compliance policy. Financial institutions bear the liability if OFAC sanctions are violated, but they can seek recourse against their originators.

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If my organization originates IATs, must I screen the transactions for OFAC compliance or will my bank do that?

If your organization originates IATs, you should know your trading partner and screen for OFAC compliance. Speak with your financial institution about its preparations for implementing, testing and screening IAT transactions. Ask about any changes to your ACH agreement.

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If my organization receives IATs, must I screen the transactions for OFAC compliance or will my bank do that?

As a receiver of IATs, you do not have to screen the transactions. But you should "know your customer." If the receiving financial institution screens and flags the transaction for an OFAC violation, the funds will be frozen and you will not receive the payment you are owed.

When financial institutions, Gateway Operators, or third-parties screen IATs, how do they identify legitimate vs suspect transactions?

Two optional screening indicator fields are included in the record of an IAT transaction entering the U.S., where the results of voluntary OFAC screening by a Gateway Operator, correspondent bank, or third-party service provider can be reported. The value of "0" will indicate that a potential blocked party has not been identified. A value of "1" will indicate a potential blocked party. These screening indicators will help receiving financial institutions in further processing.

There is one IAT code for both consumer and business accounts, but the deadline for returning unauthorized transactions is different for consumers and businesses, according to NACHA rules. Which deadline applies, business or consumer?

For an IAT, the longer time frame for returning unauthorized consumer transactions will also apply to business accounts. Specifically, the return of an unauthorized incoming IAT entry must be transmitted by the RDFI so that the return is made available to the ODFI no later than the opening of business on the banking day following the 60^{th} calendar date following the settlement date of the original entry.

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OFAC Responsibilities

As a corporate originator/receiver, do I have OFAC responsibilities?

ACH Receivers and Originators are subject to U.S. law, including OFAC sanctions. Originating Financial Institutions will obligate an Originating Company or Third Party Sender through the warranties in their ACH origination agreement or terms & conditions. The Originating Company acknowledges that they may not initiate ACH entries that violate the laws of the United States.

Who should screen the IAT for OFAC compliance?

The IAT should be screened by the Originator prior to sending, by the financial institutions, and by the Federal Reserve (if acting as the Gateway Operator). All parties to the entry have a responsibility to know their customer.

What if I ignore my OFAC responsibilities?

OFAC violations carry penalties. These can both be criminal and civil and vary by sanctions' program. Penalties can include: imprisonment of the employee (10-30 years depending on the program), fines per count to corporate and individuals ($10,000 - $10,000,000 per count), and forfeiture of property.

How many true OFAC hits are anticipated to happen in the ACH?

Most Financial Institutions may never see a true hit, some may see 1-2 per year. Financial Institutions can look to their wire area for an idea of what they may see. Canadian Financial Institutions will screen against the US OFAC list before sending any entries into the US.

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Identifying IATs

Where can I find information to help determine if an entry should be coded as an IAT?
NACHA developed several potential IAT scenarios with representatives from large global transaction banks. These scenarios are not all inclusive but the scenarios have been reviewed and agreed to by OFAC with regards to the interpretations of the scenarios. This document can found on NACHA's IAT Resource page, in the IAT Survival Guide and in the NACHA Operating Guidelines.

If a US company originates payments that are international but uses the bank's proprietary system, instead of the US ACH Network, are these payments IAT?
If the entries are not sent through the US ACH Network, the entries do not need to be coded as IAT. The Originator is still subject to OFAC requirements and the bank should screen the information for OFAC compliance.

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 transactions, 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.

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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.

If the Receiver is located outside 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 that 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.

How will the Originator or ODFI indentify that funding for ACH transactions came in from a foreign financial institution?
Often a wire may be processed through a correspondent bank and looks as though it was originated domestically. The Originator and ODFI need to discuss the funding of transactions. This is an education and training issue that should be addressed with all customers.

Suppose a client receives interest payments to its US-domiciled account. There is a standing instruction to send these interest payments to another beneficiary (a son or daughter at school, for example), who has a non-US domiciled account. Should the original interest payment to the client's US-domiciled account be treated as an IAT?
If the Originator knows the funds will be leaving the country, it should be coded as an IAT.

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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?

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

How does the ODFI know the funds will ultimately move international?

It is the responsibility of the ODFI to educate their Originators and the responsibility of the Originators to review their client files to determine if IAT might be needed. One clue to watch for would be foreign addresses in Receiver's customer files. In that example, the Originator should contact the Receiver. Some Originators will choose to be cautious and use IAT when they suspect the funds will move internationally. ODFIs must do their due diligence with their customers to communicate and educate on IAT. ODFIs must have proper agreements with their Originators that address this.

For Companies/ACH Originators that offer payroll cards to employees that do not have a U.S. bank account and primarily use the card outside the U.S. territory and the payroll card is funded via an ACH file, will the payroll card funding need to be originated as an IAT?

It will depend on where the account is held that serves for the payroll card. If the finding only moves within the US, even though the cards are used internationally, the funding for the payroll card would be domestic. If the funding for the payroll card was received from outside the US, then the funding would be done as an IAT.

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Operational

Is remittance information available with an IAT transaction?

Two optional addenda records accommodate the transmission of remittance information. A maximum of 160 characters (80 characters per addenda record) may be included.

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.

Can an IAT be reversed? Can an NOC be sent for an IAT?

Returns, pre-notes, and Notification of Change (NOC) are supported by the ACH Network and are permitted under the NACHA Operating Rules. Generally, however, these processes do not have counterparts within other countries. Although it is possible, from an operational perspective, to transmit these types of payments with respect to Outbound IAT Entries, they would be processed only on a best-effort basis and there is no guarantee that the information would be conveyed to or from parties across the border.

Can my bank return these transactions?

The IAT can be returned for specific reasons outlined in the ACH Rules, but it cannot be returned or rejected solely because the RDFI does not want to process IAT entries.

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Could the conversion amount change in the return?

For an item originated in the U.S. and sent to a receiver in another country and currency, if the item is returned to the U.S. the transaction would be converted back to U.S. dollars and the amount of the transaction may be different than the amount of the original entry.

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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 U.S. domestic transactions does not apply.

What are the return timeframes for incoming IAT entries?

The return timeframes have not changed for IAT processing under the NACHA Operating Rules.

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.

With an IAT entry, there will be seven Mandatory Addenda Records and up to five Correspondent Bank Addenda, for a maximum of 12 addenda records allowed. If the Transaction Type code was that of an E-Check application, which requires the check information in the remittance addenda record, would the first correspondent bank addenda record be dropped?

OFAC has said they do not want addenda dropped. With the revision of Correspondent Bank to Foreign Correspondent Bank we do not believe this situation will occur. If you do have multiple Foreign Correspondent Banks to add to the record, use the first addenda record for the E-Check remittance information and then add up to four Foreign Correspondent Banks starting with the first Foreign Correspondent that received the item from the Originating Bank.

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Some corporates, including state and local governments, request that no ACH debit activity be allowed to post to specific accounts, so their bank automatically returns any ACH debits to these accounts as unauthorized. Would the bank be required to post violating IAT debits to these accounts?

OFAC has indicated that they would like to deal with unauthorized debit transactions on a case by case basis. So, if the bank receives an OFAC-violating IAT debit to an account with a debit block, it will need to contact OFAC directly to see how they want the debit handled.

A number of Financial Institutions have developed proprietary cross-border CTX solutions with foreign financial institutions, where the delivery of the addenda information in the multiple addenda records provides significant value to the Receiver. Under the assumption that these transactions must be processed as IATs, the limitation on the addenda records materially devalues the benefits of the CTX.

Question A: **Is there a NACHA-recommended solution to accommodate the multiple addenda records currently with CTX origination that will not be able to fit into an IAT entry? Is NACHA considering the expansion of IAT to include additional Addenda records to accommodate the existing EDI traffic?**

NACHA is not considering the expansion of the IAT at this time. If market demand is sufficient it may be considered at a later date. The question of remittance information was included in the IAT Request for Comment and the responses indicated that, if the additional remittance information had to be reviewed for OFAC compliance, the industry did not want more that 160 characters of remittance information.

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Question B: **The only option through the ACH Network appears to be a zero-dollar CTX and the monetary portion flowing as the IAT credit. As long as both entries were OFAC screened, could this be a NACHA endorsed solution?**

This proposed solution to the lack of remittance information in the IAT is an excellent suggestion. It would be helpful if there was a re-association identifier included in both the zero-dollar CTX and the monetary IAT.

Is the type 7 record, field 3 Transaction Type Code, the one being referred to as the "secondary SEC code?" If so, is there a reason why the SEC codes PPD and CCD are not included in the rules?

The secondary SEC code in the Transaction Type Code field is to identify SEC codes that have additional rule requirements or may carry additional remittance information that must be provided to the consumer. There are no such requirements for PPD or CCD transaction.

Is there an official list to reference for field Branch Country Code (Type 713, field 8), ISO destination country (Type 5, field 7), ISO Currency Codes (Type 5, Fields 11, and 12)?

The official list of ISO Currency and Country codes can be purchased at iso.org. These lists are maintained by the International Organization for Standardization.

It seems that inbound IATs with secondary SECs will require additional information in the Remittance Information addenda that will need to be provided on the statements. Is that correct?

Some secondary SEC Codes (ARC, BOC, POP, etc) require additional information to be included related to the payment. If remittance information is provided for certain secondary SEC codes this information is required by Regulation E to be provided to the consumers.

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Additional IAT Resources

NACHA: http://www.nacha.org/IAT_Industry_Information/
Federal Reserve: http://www.frbservices.org/help/fedach_iat.html#top
OFAC: http://www.ustreas.gov/offices/enforcement/ofac/

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Glossary of IAT acronyms and terms

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Acronyms

AML/BSA – Anti-Money Laundering/Bank Secrecy Act
BIC – Bank Identification Code
BIS – Bank for International Settlement
BSA – Bank Secrecy Act of 1970
CBR – Corporate Cross-Border Payment
CHIPS – Clearing House Interbank Payments System
FATF – Financial Action Task Force
FinCen – Financial Crimes Enforcement Network
FGO – Foreign Gateway Operator
FX – Foreign Exchange
GO – Gateway Operator
IAT – International ACH Transaction
IBAN- International Bank Account Number
ISO – International Standards Organization
KYC – Know Your Customer
NOC – Notification of Change
ODFI – Originating Depository Financial Institution
OECD – Organization for Economic Co-operations and Development
OFAC – Office of Foreign Assets Control
PBR – Consumer Cross-Border Payment
PE-ACH – Pan European ACH
PPD – Prearranged Payment and Deposit Entry
RDFI – Receiving Depository Financial Institution
RTGS – Real Time Gross Settlement
SDN – Specially Designated National (FTO: Foreign Terrorist Organization or SDNT: Specially-Designated Narcotics Traffickers)
SEC Code – Standard Entry Class Code
SEPA – Single Euro Payments Area
STP – Straight Through Processing
SWIFT – Society for Worldwide Interbank Financial Telecommunication
UN/CEFACT – United Nations Centre for Trade Facilitation and Electronic Business
UNIFI – Universal Financial Industry
USA PATRIOT ACT – Uniting and Strengthening America by Providing Appropriate Tools to Intercept and Obstruct Terrorism Act of 2001
XML – eXtensible Mark-up Language

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Definitions

APACS – Manages the main clearing networks which allow UK banks and building societies to exchange payments.

BACS Payments Schemes Ltd – The scheme manager for the UK ACH payments system.

Bank Identification Code (BIC) – All SWIFT members have an address, known as BIC codes which are the SWIFT members' international clearing codes. The bank BIC codes are made up of specific characters: 1-4 company name, 5-6 country, 7-8 city/town, and 9-11 (optional) department code. (e.g. JPMorgan Chase = CHASGB2L).

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Bank Secrecy Act of 1970 (BSA) – The Currency and Foreign Transactions Reporting Act, also knows as the Bank Secrecy Act (BSA) was enacted by congress to prevent banks and other financial service providers from being used as intermediaries for, or to hide the transfer or deposit of money derived from, criminal activities.

Clearing House Interbank Payments System (CHIPS) – An independent bank-owned payments system for clearing large value payments. CHIPS is a real-time, final payments system for U.S. dollars that uses bi-lateral and multi-lateral netting for maximum liquidity efficiency.

Continuous Linked Settlement (CLS) – A means of settling foreign exchange transactions finally and irrevocably. CLS eliminates settlement risk, improves liquidity management, reduces operational banking costs and improves operational efficiency and effectiveness.

Correspondent Banking – An arrangement under which one bank provides payment and other services to another bank. Payments through correspondents are often executed through reciprocal accounts (so-called nostro and vostro accounts), to which standing credit lines may be attached. Correspondent banking services are primarily provided across international boundaries but are also know as agency relationships in domestic context. A vostro account is the term used by a correspondent to describe an account held on behalf of a foreign bank; the foreign bank would in turn regard this account as its nostro account.

Cover Payment – In the serial method of funds transfer, there is a single funds transfer consisting of a series of payment orders, each of which is sent to the next party in the chain. A receiving bank gets paid by its sender when: it receives final settlement through a funds-transfer system like CHIPS or Fedwire, it debits an account of the sender on its books, it receives a credit to an account it has with the sender, or the sender causes the receiving bank's account at another bank to be credited (i.e., the receiving bank gets *cover*).

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Cross Border Settlement – A settlement that takes place in a country other than the country in which one trade counter party or both are located.

Direct Clearer – a financial institution, usually a bank, that directly clears checks or other payment instruments with other institutions in the domestic payment systems.

Financial Action Task Force (FATF) – An international, intergovernmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. The FATF is therefore a "policy-making body" created in 1989 that works to generate the necessary political will to bring about legislative and regulatory reforms in these areas. The FATF has published 40 + 9 Recommendations in order to meet this objective.

FinCEN – Financial Crimes Enforcement Network (FinCEN) is a network, a means of bringing people and information together to fight the complex problem of money laundering. Created in 1990, FinCEN has worked to maximize information sharing among law enforcement agencies and its other partners in the regulatory and financial communities. Through cooperation and partnerships, FinCEN's network approach encourages cost-effective and efficient measures to combat money laundering domestically and internationally.

Foreign Exchange Market (FOREX) – The foreign exchange market itself consists of a worldwide network of interbank traders connected by telephone lines and computers. The FOREX market has two tiers, 1) the Interbank Market (Wholesale) for international banks, traders, brokers, and central banks, and 2) the Client Market (Retail). FX traders "create market" by quoting a two way bid/ask market price. They stand ready to buy or sell currency at the quoted rate. Like in other financial markets this price implies a spread, which favors the dealer. There are also FX brokers who match buy/sell orders but do not carry inventory.

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Foreign Exchange Rate – The relative value between two currencies. In particular, it is the quantity of one currency required to buy or sell a unit of the other currency.

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Foreign Exchange Settlement Risk – The risk that one party to a foreign exchange transaction will pay the currency it sold but not received the currency it bought. This is also called cross-currency settlement risk or principal risk.

Foreign Exchange Quote – An exchange rate quote is given by stating the amount of price currency (numerator) that can be bought in terms of 1 unit currency (denominator). For example, in 1.2USD/EUR, the USD is the price currency and the EUR the unit currency.

Foreign Gateway Operator – A Gateway Operator that acts as an entry point to or exit point from a foreign country.

Funds transfer – The series of transactions, beginning with the *originator's* payment order, made for the purpose of making payment to the beneficiary, including any payment order issued by the *originator's bank* or an *intermediary bank*. A funds transfer is completed by the *acceptance* of a payment order for the benefit of the beneficiary by the beneficiary's bank.

Gateway Operator – Either an ACH Operator or a Participating Depository Financial Institutions, as defined by the ACH Operating Rules that acts as an entry point to or exit point from the United States for ACH payment transactions.

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International ACH Payment (IAT) – A debit or credit entry that is part of a payment transaction involving a financial agency's office that is not located in the territorial jurisdiction of the Unite States. For the purposes of this definition, a 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. An office of a financial agency is involved in the payment transaction if it 1) holds an account that is credited or debited as part of the payment transactions, 2) receives payment directly from a person or makes payment directly to a person as part of the payment transaction, or 3)serves as an intermediary in the settlement of any part of the payment transaction. IAT entries must be originated using the IAT Standard Entry Class Code.

International Bank Account Number (IBAN) – a combination of the country code and 26 character account number. The IBAN is mandatory for payment with the SEPA.

ISO 20022 – UNIversal Financial Industry (UNIFI) message scheme with a single methodology (neutral business modeling + XML syntax + reverse engineering), a single financial repository (dictionary + catalogue) and a single development process.

International Payments – a payment where the ultimate originator or ultimate beneficiary is located in another country.

Irrevocable – Incapable of being returned or revoked.

Know Your Customer (KYC) – a guideline stated or implied by various securities regulatory bodies which requires that brokers determine the suitability of investments for customers before making recommendations.

Organization for Economic Co-operations and Development (OECD) – The OECD brings together the governments of countries committed to democracy and the market economy from around the world to support sustainable economic growth, boost employment, raise living standards, maintain financial stability, assist other countries' economic development, and contribute to growth in world trade.

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Office of Foreign Assets Control (OFAC) – A part of the US Department of the Treasury, OFAC 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.

Real Time Gross Settlement (RTGS) – Gross settlement system in which both processing and settlement is taking place in real time (continuously) without netting against credits on a fully covered based with payment finality.

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SEC code – A three-letter code that uniquely identifies the class of ACH transaction.

Single Euro Payments Area (SEPA) – The area where citizens, companies and other economic actors are able to make and receive payments in euros, within Europe, whether between or within national boundaries under the same basic conditions, rights and obligations, regardless of their location.

Society for Worldwide Interbank Financial Telecommunication (SWIFT) – The financial industry-owned co-operative supplying secure standardized messaging services and interface software to 8,100 financial institutions in more than 208 countries. SWIFT's worldwide community includes banks, broker/dealers and investment managers, as well as their market infrastructures in payments, securities, treasury and trade.

Travel Rule – Bank Secrecy Act's (BSA) "Travel Rule" is part of 31 C.F.R. 103.33(g). The Travel Rule requires that the financial institution of the originator of the wire transfer or other transaction to include the name, physical address and account number of the originator, the name of the originating financial institution, the amount and execution date of the transaction along with the name, physical address and account number of the beneficiary and the beneficiaries financial institution.

VocaLink – The payment processing provider for ACH and other services in the United Kingdom.

Vostro Account – A correspondent bank account that a financial institution holds on behalf of an overseas correspondent.

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