

## **Like Your Taxes, You Can't Avoid It... So Get the Facts and Get Ready for IAT!**

By Tim Mills, VP, Association Services, EPN

What does the new IAT transaction have in common with tax returns?

- Everyone is obligated
- Even the most prepared could use some advice
- A six month extension really isn't very long
- There are interesting excuses for not being ready

### **Solutions, Not Excuses!**

A year ago, the voting membership of NACHA - The Electronic Payments Association approved an amendment to its operating rules for identifying international ACH transactions with a new transaction type (IAT). Additional addenda information will also have to be included with the international payments. Now it's time to implement that rule.

"The new *Rule*... will enable financial institutions to easily identify all international payments flowing through the ACH Network and all parties involved in the transactions, making it easier to comply with U.S. law," explains Priscilla Holland, Senior Director of Network Development at NACHA.

Until now, many smaller receiving institutions didn't realize the obligation to comply with OFAC regulations that comes with the new IAT transaction. That's one of the reasons this rule implementation was extended from March to September 2009. The extension will help everyone prepare – with system changes and testing, new processes, documentation and customer communication.

Six additional months isn't very long to get all the work done, and "the dog ate my homework" excuse won't help much in the real world. Financial institutions of all sizes – both sending and receiving - need to get up to speed and take the actions needed to get ready for this change to ACH.

"The new IAT rule will change the way banks handle their incoming work for some ACH entries," according to Susan Gangi of M&T Bank. "This means we will have to review our operational processes and determine how to best handle those items operationally while ensuring compliance. This is a significant change for all banks."

### **Get the Facts:**

On the ACH originating side, certain transactions currently formatted as domestic transactions will need to be sent as IATs beginning September 18<sup>th</sup>, 2009. These payments also will need to include originator name, address, account number, originators depository institution name and payment amount, receiver name, address, account number and the receiver's financial institution.

On the receiving side, "all in-bound, cross-border ACH transactions will now have to be screened by RDFIs to comply with OFAC requirements," said Rossana Salaris, Senior Vice President of The Clearing House responsible for its ACH business, EPN.

**Get Ready:**

NACHA, the Regional Payments Associations, and the ACH operators are all preparing education materials to help financial institutions get ready for IAT. One of those resources, developed by EPN and NACHA, is an IAT checklist that includes:

- ✓ Familiarize yourself with new ACH rules related to IAT
- ✓ Develop and implement an ACH OFAC compliance policy for both origination and receipt of IAT transactions
- ✓ Review existing agreements with Corporate Originators and vendors to ensure IAT compliance
- ✓ Review all Originators for possible IAT scenarios and determine if any of the scenarios cause your organization to become a Gateway Operator
- ✓ Educate appropriate staff (i.e., cash management sales officers, operations, compliance, audit, customer service, etc.) on IAT requirements
- ✓ Cash Management or Sales Customer Service educate all Originators on IAT requirements
- ✓ Review additional processing costs for IAT transaction
- ✓ Review Account Analysis Statement to ensure new services can be included
- ✓ Review downstream applications – (i.e., DDA, reporting systems, statements, online banking platforms, etc.) for ability to accept new format and processing requirements
- ✓ Check with vendors for readiness
- ✓ Update all applicable procedures and provided training on those procedures
- ✓ Test with Vendors, Operators, Correspondent Banks and Customers

**Get the Solution:**

EPN also offers an OFAC screening service that may provide your institution with an easy and inexpensive way to comply with OFAC requirements. Webinars are available to familiarize you with the service. The webinar schedule and sign up can be found at [www.epaynetwork.com](http://www.epaynetwork.com). If the webinar schedule doesn't work for you, EPN will set up a time that does. It's that important.

EPN's goal is to help you comply with this latest ACH change and whatever comes next – so you won't ever need excuses. For more information, contact EPN at 1-212-613-9808 or [info@epaynetwork.com](mailto:info@epaynetwork.com).