



# TreasuryPulse

## The International ACH Transaction: An Update and Compliance Tips

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Use of the International ACH Transaction (IAT) has grown dramatically since the payment format was instituted five years ago by NACHA – the Electronic Payments Association.

The IAT was created to address growing concerns around additional risk being introduced into the Automated Clearing House (ACH) network as a result of new payment uses, such as remittance business, whereby the domestic transaction resulted in funds either moving into or leaving the United States. Domestic ACH activity carries minimal information about the sender and receiver and is typically not filtered.

The IAT provides additional information with each transaction, similar to the Travel Rule associated with wire transfers. That enables banks to filter and monitor the IAT, thus reducing risk in the network.

Both the initiating and receiving U.S. banks must filter IAT transactions using the increased data fields to comply with OFAC regulations so as to block payments to or from persons or entities on the Specially Designated Nationals and Blocked Persons (SDN) list or countries under comprehensive sanctions. IATs must abide by the standard clearing timeframes like any other payment type, but delays may occur if more information is required on the payment due to a hit against the sanctioned list.

IAT volume has grown from 6.2 million in 2010, the first full year the format was available, to 48.6 million in 2013.

The additional work associated with IATs means they cost more than normal ACH transactions. However, they cost much less than wire transfers, which makes them attractive for frequent and repetitive transactions.

## Should You Be Using IATs?

If you are unsure whether or not your company should be using IATs, check with your Deutsche Bank banker. A corporation may be required to use IATs if it meets any of the following criteria:

- It is a subsidiary of a multinational company.
- It has foreign subsidiaries.
- It buys or sells to organizations or individuals outside the territorial jurisdiction of the United States.
- It sends payroll, pension or benefit payments via the ACH network to persons who have permanent resident addresses outside the territorial jurisdiction of the United States.

Non-compliance with NACHA IAT and OFAC regulations can bring criminal and civil penalties, including jail time and fines. The best way to avoid such risks is to understand them and be prepared.

## Best Practices

Best practices related to use of the IAT include:

- Educating your staff about the OFAC and IAT regulations and the penalties for non-compliance
- Checking with your bank about which of your transactions should be IATs
- Having a protocol in place to collect the necessary information before IATs are initiated
- Keeping records. Much of this data is also required by the Bank Secrecy Act/Anti-Money Laundering provision, so it may already be stored in-house.
- Checking for completeness before an IAT is initiated
- Ensuring the originator has all the data it needs when you are the IAT receiver

# International Payment Capabilities

With its global presence, Deutsche Bank can make cross-border payments through its own worldwide locations. The Bank offers its own cross-border payment formats, in addition to IAT, for such transactions, but they require the same level of detail as the IAT.

The Bank provides domestic bulk payments and domestic direct debits in local currencies. It also is the leading SEPA (Single Euro Payments Area) bank and offers non-urgent payments and direct debits, which are treated as European domestic transactions.

FX4Cash is Deutsche Bank's product suite that provides multiple cross-border payment options in 125 currencies. It combines flexible trading, rate and conversion options with products that support clients' payables, receivables and passive cross-border flows.

As international payments continue to grow in volume, Deutsche Bank will continue to serve its clients with market-leading products and services.