

WHAT IS THE ACH NETWORK?

The Automated Clearing House (ACH) Network is an electronic payments network used by individuals, businesses, financial institutions and government organizations. The Network functions as an efficient, electronic alternative to paper checks. It allows funds to be electronically debited or credited to a checking account, savings account, financial institution general ledger account or credited to a loan account.

The ACH Network is a batch processing, store-and-forward system. Transactions are stored by financial institutions throughout the day and processed at specified times in a batch mode. This provides significant economies of scale and faster processing than check payments. All transaction information necessary to process a transaction accompanies the ACH entry.

WHO ARE THE ACH PARTICIPANTS?

There are five key participants that contribute to the successful completion of an ACH transaction:

The Originator is the company or business that has been authorized by the Receiver to either credit or debit their account. Your company is the Originator when you are initiating credit transactions to an employee's account for payroll or to a business customer's account for payment of goods and services. Your company is also the Originator when you are initiating debit transactions to a consumer or business account for payment of goods or services.

The Receiver can be either an individual or a company that has authorized the Originator (your company) to credit or debit their account. An employee is the Receiver if their company is initiating a payroll credit. A business partner is the Receiver if the Originator is sending a credit to pay for goods or services.

The Originator can also be a Receiver, in situations where another party is initiating credits or debits to their account.

The authorization is a key component of the ACH transaction as it gives your company, as the Originator, the authority to send credit or debit transactions to the Receiver's account. The manner in which authorization may be obtained varies based on the type of transaction and is detailed on the ACH Applications card.

The Originating Depository Financial Institution (ODFI) is the financial institution with which your company has a contractual relationship for ACH Services. The ODFI is responsible for sending ACH entries into the ACH Network on your behalf.

The ACH Operator is the central clearing facility for ACH transactions. The ACH Operator is responsible for accepting files of ACH entries from ODFIs, which are then sorted and batched and forwarded to the Receiver's financial institution. The ACH Operator also performs some editing functions, insuring that mandatory information required in each ACH record is included.

The Receiving Depository Financial Institution (RDFI) is a financial institution with which the Receiver has an account relationship. Credit or debit entries sent to a Receiver's account will be received by the RDFI from the ACH Operator and then posted to the Receiver's account.

There is another Network participant that might be involved in the flow of transactions, the Third-Party Service Provider. A Third-Party Service Provider is a party which performs an ACH processing function on behalf of the Originator. A payroll processor is a common example of a Third-Party Service Provider used by Originators to create an ACH payroll file.

HOW DOES THE ACH NETWORK FUNCTION?

As the Originator, your company must first obtain authorization to initiate a transaction to the Receiver's account or provide notice to the Receiver that a transaction will be initiated to their account.

Your company (Originator) then creates a file of ACH transactions assigning a company name that is easily recognized by the Receiver. The file is then sent to your ODFI, which may be a bank or credit union.

The ODFI collects ACH files from Originators with which it has contractual relationships, verifies the validity of these files and at specified times, transmits these files to the ACH Operator.

The ACH Operator receives ACH files from the ODFI, edits the file to make sure they are formatted properly and distributes files of entries to the RDFI.

The RDFI receives files of entries from the ACH Operator for its account holders. Entries are posted based upon the Settlement Date and account number. Periodic statement are provided by the RDFI to the Receiver with descriptive information about the ACH transaction, including the date of the transaction, dollar amount, payee (Originator) name, and transaction description (e.g., payroll, water bill, Internet purchase).

ACH BASICS

HOW ARE ACH FUNDS SETTLED?

Settlement is the actual transfer of funds between financial institutions to complete the payment instructions of an ACH entry. The Federal Reserve Bank or EPC provides settlement services for ACH entries.

The timing of settlement is based upon the Effective Entry Date indicated on the ACH file and the time of its delivery to the ACH Operator. Your company, as the Originator, will determine the Effective Entry Date of the file you send to your ODFI. This is the date your company intends the entries to post to the accounts of the Receivers (employees or customers).

When the ACH Operator processes an ACH file, the Effective Entry Date is read and entries are settled based upon that date, known as the Settlement Date. In most cases, the Effective Entry date is the same as the Settlement Date, but it is possible that the Settlement Date could be after the Effective Entry Date. For example, if the ACH Operator cannot settle on the Effective Entry Date due to untimely file delivery, a stale date, weekend or holiday, the ACH Operator will apply a Settlement Date of the next business day.

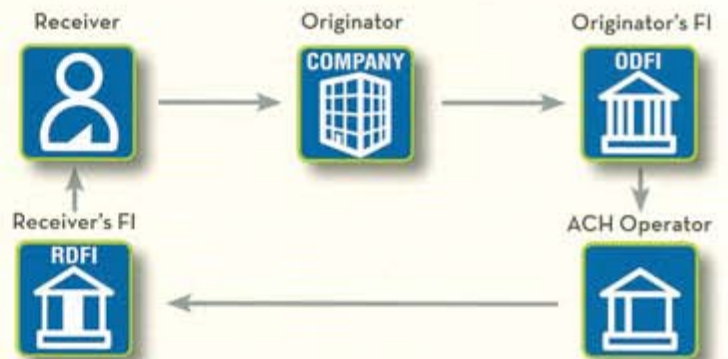
WHAT IS A PRENOTIFICATION (PRENOTE)?

Prenotifications (prenotes) are non-dollar entries used by your company to verify that the account number on an entry is for a valid account at an RDFI. Prenotes are optional and can be sent with any ACH application. Prenotes are originated similarly to valued ACH entries, except that special transaction codes are used and a Zero-dollar amount is indicated.

If your company chooses to send prenotes, you are required to do so at least 6 banking days before sending the first live dollar entry.

If there are any errors in a prenote entry or it cannot be processed, a Notification of Change (NOC) or return will be sent by the RDFI to notify your company of the necessary corrections to be made.

HOW DOES THE ACH NETWORK WORK?



TRANSACTION CODES

ACH entries may be directed to a variety of account types. Both credit and debit entries may be transmitted to demand accounts (checking, NOW and sharedraft), savings accounts and financial institution general ledger accounts. Credit entries only (with the exception of reversals to correct erroneous credit transactions) may be transmitted to loan accounts.

Demand (Checking) Credits

Transaction Code	Description
21	Notification of Change or Return
22	Deposit
23	Prenotification
24	Zero dollar with remittance data

Savings Credits

Transaction Code	Description
31	Notification of Change or Return
32	Deposit
33	Prenotification
34	Zero dollar with remittance data

Financial Institution General Ledger Credits

Transaction Code	Description
41	Notification of Change or Return
42	Deposit
43	Prenotification
44	Zero dollar with remittance data

Demand (Checking) Debits

Transaction Code	Description
26	Notification of Change or Return
27	Payment
28	Prenotification
29	Zero dollar with remittance data

Savings Debits

Transaction Code	Description
36	Notification of Change or Return
37	Payment
38	Prenotification
39	Zero dollar with remittance data

Financial Institution General Ledger Debits

Transaction Code	Description
46	Notification of Change or Return
47	Payment
48	Prenotification
49	Zero dollar with remittance data

WHAT IS AN ACH RETURN?

An ACH return is an ACH entry that the RDFI is unable to post for reasons defined by the return codes listed in the table below. An RDFI may use the return process for valued ACH entries as well as prenotifications (non-dollar entries). The RDFI must transmit the return in time for your ODFI to receive it by opening of business on the second banking day following the Settlement Date of the original entry, also referred to as the

"24-hour rule." Some return reasons allow extended deadlines. Your company as the Originator should receive prompt advice of ALL return entries from your ODFI with a code that describes the reason for the return. The table below indicates the appropriate action that should be taken depending upon the reason for each ACH return.

REASON FOR RETURN	RETURN CODE	ENTRY TYPE	RDFI DEADLINE	ACTION BY ORIGINATOR
INSUFFICIENT FUNDS - Available balance not sufficient to cover amount of debit entry	R01	ALL	24 Hrs	Originator may initiate a new ACH entry; must remain within limits for reinitiating entries and be reinitiated within 180 days of the Settlement Date of the original entry.
ACCOUNT CLOSED - Previously active account has been closed.	R02	ALL	24 Hrs	Originator must stop initiation of entries. Contact Receiver to obtain authorization for another account.
NO ACCOUNT - Account number structure is valid, but doesn't match individual or open account. (May not be used to return ARC, BOC or POP entries that do not contain an individual name.)	R03	ALL	24 Hrs	Originator must stop initiation of entries. Receiver should be contacted for correct account information.
INVALID ACCOUNT - Account number structure not valid; edit of check digit or number failed.	R04	ALL	24 Hrs	Originator must stop initiation of entries until account number/structure is corrected.
UNAUTHORIZED DEBIT TO CONSUMER ACCOUNT USING CORPORATE SEC CODE - A debit entry that was transmitted to a Consumer Account of the Receiver was not authorized by the Receiver.	R05	CCD, CTX	60 Days	Originator must stop initiation of entries.
ODFI REQUEST FOR RETURN - ODFI requested that the RDFI return an entry.	R06	ALL	Undefined	Originator must accept requested return.
AUTHORIZATION REVOKED - Customer who previously authorized recurring entries claims authorization has been revoked from the Originator by the Receiver.	R07	PPD, WEB (Recurring Only)	60 Days	Originator must stop initiation of entries until new consumer authorization is obtained. Depending upon the terms of the original authorization, the Originator may have recourse for collection outside the ACH Network
PAYMENT STOPPED - The Receiver has requested the stop payment of a specific ACH debit entry.	R08	ALL	24 Hrs	Originator must contact the Receiver to identify the reason for the Stop Payment and obtain authorization from the Receiver before reinitiating the entry.
UNCOLLECTED FUNDS - Sufficient ledger balance exists, but value of uncollected items brings available balance below amount of debit entry.	R09	ALL	24 Hrs	Originator may initiate a new ACH entry; must remain within limits for reinitiating entries and be reinitiated within 180 days of the Settlement Date of the original entry.
CUSTOMER ADVISES NOT AUTHORIZED; NOTICE NOT PROVIDED; IMPROPER SOURCE DOCUMENT; OR AMOUNT OF ENTRY NOT ACCURATELY OBTAINED FROM SOURCE DOCUMENT.	R10	ARC, BOC, IAT, POP, TEL, WEB	60 Days	Originator must stop initiation of entries.

- Your company should immediately stop initiation of entries returned using R07 or R10. Disagreements regarding authorization should be handled OUTSIDE the ACH Network.
- RDFIs must obtain a signed Written Statement from the Receiver that details the claim before returning the entry to your ODFI when using return reason codes R05, R07, R10, R37, R51 or R53. Your company may request a copy of this statement for up to one year from the Settlement Date of the return. The RDFI has 10 banking days from the request to provide a copy of the Written Statement.
- Originators must maintain a return rate below 1 percent for entries returned as unauthorized.

ACH RETURNS

REASON FOR RETURN	RETURN CODE	ENTRY TYPE	RDFI DEADLINE	ACTION BY ORIGINATOR
ACCOUNT SOLD TO ANOTHER DFI - Account has been sold to another financial institution	R12	ALL	24 Hrs	Originator must stop initiation of entries and obtain correct routing number information for initiation of subsequent entries.
ACCOUNT FROZEN - Access to the account is restricted due to action by RDFI or by legal action.	R16	ALL	24 Hrs	Originator must stop initiation of entries. Terms of authorization may offer recourse outside the ACH Network.
FILE EDIT RECORD CRITERIA - Fields edited by the RDFI cannot be processed.	R17	ALL	24 Hrs	Originator must identify and correct errors prior to initiation of further entries.
NON-TRANSACTION ACCOUNT - Financial Institution policies or regulations restrict activity to account indicated.	R20	ALL	24 Hrs	Originator must stop initiation of entries.
CREDIT ENTRY REFUSED BY RECEIVER - Receiver refuses transaction because amount is inaccurate, results in overpayment, account is in litigation or Originator is not known to the Receiver.	R23	ALL	24 Hrs (after Receiver notifies RDFI)	Originator must obtain Receiver authorization prior to reinitiating the entry.
DUPLICATE ENTRY - Entry is a duplication. The trace number, date, dollar amount, etc. match another entry.	R24	ALL	24 Hrs	*If entry is a duplication, Originator should accept the return. If the entry has already been reversed, Originator should contact the RDFI to determine a solution.
CORPORATE CUSTOMER ADVISES NOT AUTHORIZED - Corporate Customer has notified RDFI that the entry is not authorized.	R24	ALL	24 Hrs	Originator must stop initiation of entries until subsequent authorization has been obtained. If a valid authorization exists, the Originator may have recourse outside the ACH Network.
PERMISSIBLE RETURN ENTRY - ODFI agrees on behalf of the Originator to accept a return after the deadline for an unauthorized corporate entry.	R31	CCD, CTX	Undefined	**Originator must accept return as agreed upon with RDFI. If the Originator or ODFI has not given permission for the untimely return, the return may be dishonored.
SOURCE DOCUMENT PRESENTED FOR PAYMENT - The source document to which an ARC, BOC or POP entry relates has been presented for payment.	R37	ARC, BOC, POP	60 Days	Originator must accept return. The source document may not be presented for payment.
STOP PAYMENT OF SOURCE DOCUMENT - A Stop Payment has been placed on the source document to which the ARC or BOC entry relates.	R38	ARC, BOC	60 Days	Originator must contact the Receiver to identify the reason for Stop Payment and obtain authorization from the Receiver before reinitiating the entry.
IMPROPER SOURCE DOCUMENT - The RDFI determines the source document used for the ARC, BOC or POP entry is not an eligible item.	R39	ARC, BOC, POP	24 Hrs	Originator must stop initiation of entries.
STATE LAW AFFECTING RCK ACCEPTANCE - RDFI is located in a state that has not adopted Revised Article 4 of the UCC or RDFI is located in a state that requires all canceled checks to be returned to the Receiver.	R50	RCK	24 Hrs	Originator must stop initiation of entries.
ITEM IS INELIGIBLE, NOTICE NOT PROVIDED, SIGNATURES NOT GENUINE, ITEM ALTERED OR AMOUNT OF RCK NOT ACCURATELY OBTAINED FROM THE ITEM.	R51	RCK	60 Days	Originator must not reinitiate the entry. Originator may attempt collection of item outside the ACH Network.
STOP PAYMENT ON ITEM - A Stop Payment has been placed on the item to which the RCK entry relates.	R52	RCK	60 Days	Originator must contact the Receiver to identify the reason for Stop Payment before reinitiating the entry.

*An Originator may reverse an erroneous or duplicate ACH entry/file up to 5 banking days after the Settlement Date of the entry/file. OR it may request the RDFI to send a return. Refer to the 2010 ACH Rules.

**ACH return entries may be dishonored when they are untimely, when they contain incorrect information or have been misrouted. Refer to the 2010 ACH Rules.

WHAT IS A DISHONORED RETURN?

A dishonored return is an ACH return entry transmitted by your ODFI in response to a returned ACH entry that was mishandled by the RDFI. The dishonored process may be used if (1) the RDFI returned the entry in an untimely fashion resulting in a loss to either your company or your ODFI, or (2) the return entry contains incorrect or incomplete information preventing your company or your ODFI from properly processing the return.

Dishonored returns may either be initiated by your company or your ODFI. If your ODFI receives a misrouted return, they will initiate a dishonored return. However, if your ODFI receives an untimely return, the decision to dishonor the return may be made by your company. Depending on the software features of

your ODFI's system, your company may be allowed to give prior instructions in regard to dishonoring returns. For example, if your company identifies customer entries by the Individual ID Number, your ODFI may be instructed to automatically dishonor returns containing errors in this field. Options like this will depend on the particular operations of your ODFI.

To dishonor a return, your ODFI, on your company's behalf, must transmit a dishonored return within **5 banking days** of the Settlement Date of the return entry. For additional information regarding Dishonored Returns, refer to Article Six of the 2010 ACH Rules.

DISHONOR CODE	REASONS FOR DISHONORING A RETURN
R61	Misrouted Return - Return was received by wrong financial institution due to incorrect routing number.
R67	Duplicate Return - More than one return entry has been sent for the same entry.
R68	Field Errors - Return contained one or more input errors. Codes will be used in the Addenda record to indicate the field(s) in error. Codes to be used are: 01-Account Number 02-Trace Number 03-Amount 04-Individual ID 05-Transaction Code 06-Company ID 07-Invalid Effective Entry Date
R70	Permissible Return Not Accepted - RDFI initiated a CCD or CTX return as "R31 - Permissible Return Entry" without ODFI permission or "R06-Returned per ODFI's Request" when the ODFI did not make such a request.

WHAT IS A CONTESTED DISHONORED RETURN?

A contested dishonored return is an ACH return entry transmitted by an RDFI to your ODFI in response to a dishonored return entry that the RDFI disputes. The RDFI may contest dishonored returns that were based on an untimely return, if the original return entry was, in fact, returned within the time limits established by the ACH Rules, as well as misrouted returns, untimely dishonored returns, returns that were not, in fact, a duplicate return as your ODFI claimed, and returns in which no errors were found. Additionally, RDFIs may transmit corrected information to your ODFI by sending

a contested dishonored (corrected) return when receiving a return that contained incomplete or incorrect information. A contested dishonored/corrected return must be transmitted within **2 banking days** after the Settlement Date of the dishonored return entry.

Your ODFI must accept a contested dishonored/corrected return entry transmitted by the RDFI that complies with the ACH Rules. For additional information regarding Contested Dishonored Returns, refer to Article Six of the 2010 ACH Rules.

NOTIFICATION OF CHANGE

WHAT IS A NOTIFICATION OF CHANGE (NOC)?

An NOC is a non-dollar entry transmitted by an RDFI to notify your ODFI that previously valid information contained in a posted entry has become outdated or is erroneous and should be changed. NOCs allow the RDFI to return information to your ODFI (and thus, your company) without returning the value of the entry. Many NOCs are the result of a merger or consolidation at the RDFI, which requires changes in Receiver

account information. When the RDFI is able to recognize the intended account, NOCs provide a means for the RDFI to post the entry to the Receiver's account and to notify your company of necessary changes. Upon receipt of an NOC, your ODFI must report NOC information to you. You are required to make the changes noted in the NOC. For additional information regarding NOCs, refer to Article Six of the 2010 ACH Rules.

CHANGE CODES USED BY RDFI	DESCRIPTION OF ERROR	ACTION REQUIRED BY ORIGINATOR
C01	ACCOUNT NUMBER - The account number is incorrect or is formatted incorrectly.	Change the Receiver's account number record so the correct information will be entered into the ACH Entry Detail Record.
C02	ROUTING NUMBER - A once valid routing number must be changed.	Change the Receiver's financial institution routing number so the correct information will be entered into the ACH Entry Detail Record.
C03	ROUTING NUMBER & ACCOUNT NUMBER - The routing number and account number are incorrect.	Change the Receiver's financial institution routing number and account number so the correct information will be entered into the ACH Entry Detail Record.
C04	ACCOUNT NAME - The customer has changed the name on the account or the Originator has submitted the name incorrectly.	Change the Receiver's individual name or receiving company name so the correct information will be entered into the ACH Entry Detail Record.
C05	TRANSACTION CODE - An incorrect transaction code is causing the entry to be routed to the wrong type of account.	Change the type of account. The account type is indicated on the ODFI's report by a two-digit code. Contact your ODFI if clarification is needed.
C06	ACCOUNT NUMBER & TRANSACTION CODE - The account number is incorrect and the transaction is being routed to the wrong type of account.	Change the Receiver's account number and type of account so the correct information will be entered into the ACH Entry Detail Record.
C07	ROUTING NUMBER, ACCOUNT NUMBER & TRANSACTION CODE - The routing number, account number and account type are incorrect.	Change the Receiver's financial institution routing number, account number and type of account so the correct information will be entered into the ACH Entry Detail Record.
C09	INDIVIDUAL ID NUMBER - Individual ID Number is incorrect.	Change the Individual ID Number so the correct information will be entered into the ACH Entry Detail Record.
C13	ADDENDA FORMAT ERROR - The Entry Detail Record was correct, but the information in the Addenda Record was unclear or formatted incorrectly (i.e. not formatted in ANSI or NACHA-endorsed banking conventions).	Review the formatting in the Addenda Record that accompanied the original Entry Detail Record to determine errors and make corrections using only ANSI standards or NACHA endorsed banking conventions.

- RDFIs choosing to send an NOC are required to do so within 2 banking days of the original ACH entry (except for mass changes). When an RDFI is faced with the need to make mass changes, they often will contact companies that initiate large volumes of ACH payments. Your company and the RDFI may negotiate an alternative method for the processing efficiencies that may be better facilitated outside the regular NOC process.
- An RDFI that transmits an NOC warrants that the information contained in the NOC is correct, and if the changes relate to the Receiver's account number, that the Receiver has authorized the change, if authorization is required. RDFIs are liable for the accuracy of account information indicated in the NOC.
- Your ODFI is required to report NOC information to your company no later than 2 banking days from the Settlement Date of the NOC and are required to report minimum NOC information as outlined in Appendix Six of the 2010 ACH Rules.
- The ACH Rules require your company to make the requested changes within 6 banking days of the receipt of the NOC or prior to the initiation of another ACH entry.
- Improper handling of NOCs signals a risk for both your ODFI and your company. The ACH Rules require each ACH entry to contain the correct Receiver account number and all other information necessary for the RDFI to process the entry. Since your ODFI and your company are liable for losses resulting from erroneous entry information, errors represent potential liability for both parties.

WHAT IS AN ACH APPLICATION?

ACH applications are payment types used by Originators, such as your company, to identify ACH debit and/or credit entries transmitted to a corporate or consumer account at the RDFI. Each ACH application is identified and recognized by a specific Standard Entry Class (SEC) code, which appears in the ACH record format. The SEC code also identifies the specific record layout that will be used to carry the payment and payment-related information. Refer to the 2010 ACH Rules for specific formatting requirements.

ACH APPLICATION	SEC CODE	APPLICATION USE	DEBIT/CREDIT	CONSUMER/CORPORATE	AUTHORIZATION REQUIREMENT
Accounts Receivable Entries	ARC	Convert checks received via the U.S. mail or drop box and collect the funds via the ACH Network. Originator must provide Receiver with ability to opt out of having checks converted to an ARC entry.	Debit	Consumer/Corporate	Notification
Back Office Conversion	BOC	Convert checks received at point-of sale or a manned bill payment location to ACH transactions in the back office.	Debit	Consumer/Corporate	Notification
Corporate Credit or Debit	CCD	Make regular payments or distribute or consolidate funds between corporate entities.	Credit or Debit	Corporate	Agreement
Customer Initiated Entries	CIE	Consumer initiates a credit transaction to a biller, usually via a financial institution's bill pay service	Credit	Consumer Initiated	Agreement
Corporate Trade Exchange	CTX	Transfer funds within a trading partner relationship, including payment-related information.	Credit or Debit	Corporate	Agreement
International ACH Transactions	IAT	Cross-Border ACH Entries.	Credit or Debit	Consumer/Corporate	For Consumer credit entries - Oral or non-written means; For Consumer debit entries - Written For Corporate entries - Agreement
Point of Sale	POS	ACH entry typically initiated by the use of a merchant-issued plastic card to pay an obligation at the point-of-sale.	Debit	Consumer	Written
Point of Purchase	POP	Convert checks received at the point-of-purchase or manned bill payment location to ACH transactions.	Debit	Consumer/Corporate	Notification and Written
Direct Deposit	PPD	Payroll, expense reimbursement, etc.	Credit	Consumer	Oral or non-written means
Direct Payment	PPD	Preauthorized bill payment.	Debit	Consumer	Written
Re-presented Check Entries	RCK	Collect funds via the ACH Network for checks returned insufficient or uncollected funds.	Debit	Consumer	Notification
Telephone Initiated Entries	TEL	ACH entry initiated pursuant to an oral authorization obtained via the telephone.	Debit	Consumer	Oral
Internet Initiated Entries	WEB	ACH entry initiated pursuant to an authorization obtained via the Internet.	Debit	Consumer	Similarly Authenticated

Remember, written authorizations may be in accordance with the Electronic Signatures in Global and National Commerce (E-Sign) Act. Electronic signatures include, but are not limited to, digital signatures and security codes.

WHAT IS AN IAT ENTRY?

An International ACH Transaction (IAT) is an ACH entry that is part of a payment transaction involving a financial institution that is located outside of the territorial jurisdiction of the United States. The location of your company (Originator) or the Receiver (individual/company you are doing business with) are

not considered when identifying an entry as an IAT. Instead, the classifying of an entry as an IAT is based on the location of the financial institution handling the payment transaction (carrying out the instruction and settlement of the transaction).

WILL IAT IMPACT HOW MY COMPANY DOES BUSINESS?

Companies that will most likely be affected include:

- Non-U.S. headquartered companies with U.S. operations
- U.S. companies with pensioners or employees located outside of the U.S. and possibly have funds forwarded to non-U.S. financial institutions
- Third-Party Senders or payment aggregators
- U.S. companies with vendors located outside the U.S.
- U.S. companies receiving ACH credit entries from offshore entities

If your company falls into any of these categories, contact your financial institution for further information on international payment processing.

OFAC Compliance Obligations

The U.S. Department of the Treasury, Office of Foreign Assets Control (OFAC), administers economic sanctions and embargo programs that require assets and transactions involving interests of targeted countries, targeted country nationals, and other specifically identified companies and individuals to be frozen. OFAC has developed a list of Specially Designated Nationals and Blocked Persons (SDN List).

All U.S. citizens and permanent resident aliens, companies located in the U.S., overseas branches of U.S. companies, and, in some cases, overseas subsidiaries of U.S. companies fall under OFAC jurisdiction. As an Originator, your company must comply with OFAC by having a written policy and screening parties you are sending payments to or receiving payments from. It will be your financial institution that bears the liability for any sanction violations.

Did You Know?

If your company receives an IAT entry from an entity that is on the SDN List, then the funds will be frozen, and you will not receive your payment.

The IAT Format

IAT entries have their own unique formatting requirements, found in Appendix Two of the 2010 ACH Rules, and may carry up to 12 Addenda Records:

- 7 Addenda Records = Mandatory BSA "Travel Rule" Data
 - Name/physical address of the Originator (your company),
 - Name/physical address of the Receiver,
 - Receiver's account number,
 - Receiver's bank identity, and
 - Reason for payment
- 2 Addenda Records = Optional Remittance Data
- 3 - 5 Addenda Records* = Mandatory Identification of Foreign Correspondent Bank(s)

*The number of Addenda Records available to identify Foreign Correspondent Banks is dependent upon the number of Addenda Records used to convey Remittance Data.

Outbound IAT Returns

Returns of outbound IAT entries may be received well outside the ACH Rules return deadlines as the rules apply to transactions within the U.S. borders. Contact your ODFI to understand the payment systems rules and laws of the country where the payment will be received.