

STATE OF NEBRASKA  
**State Treasurer**

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Lincoln, NE 68509  
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July 8, 2009

To: All Agencies, Boards and Commissions  
From: State Treasurer Shane Osborn  
RE: International Automated Clearing House (ACH) transactions

**International ACH Transactions (IAT)**

On September 18, 2009, an amendment to the *NACHA Operating Rules* will become effective that has the potential to impact the State of Nebraska agencies and state vendors. NACHA is the National Automated Clearing House Association. NACHA establishes the standards, rules and procedures that govern the ACH network and its' participants.

This amendment will require all payments coming from or being sent to international financial institutions (banks) via the ACH Network to be identified as International ACH Transactions using a new Standard Entry Class (SEC) Code—IAT. The new IAT standard entry class code will be used for both vendor and consumer ACH payments. IAT does not impact international wires or the sending of paper checks or state warrants to international vendors.

The IAT standard entry class code was developed in response to a request from the Office of Foreign Asset Control (OFAC). OFAC shared concerns with NACHA that it thought that the ACH Network is vulnerable to abuse due to the speed and efficiency of the Network. OFAC understands that there are currently transactions flowing through the Network that are funded by international sources. These transactions cannot currently be identified within the Network and are formatted as domestic transactions.

**Sending International ACH Transactions (IAT)**

The new IAT ACH format will be more complicated and require additional details be sent with the transaction that have previously not been required. Agencies **will not** be able to send International ACH Transactions as Accounts Payable Transactions thru NIS or any NIS interfaces. International ACH Transactions will be handled by an exception basis. The State Treasurer's Office will be the only agency that will be able to send IAT formatted transactions.

If you have employees/students/retirees/government benefit recipients that are working /living internationally receiving consumer payments from your agency, you will not be able to pay them via traditional direct deposit unless it is IAT formatted. Please call 402-471-2455 and ask for a member of the Treasury Management Division to discuss these type of consumer payments and the options that will be available to your agency is handling these international consumer payments.

If you require assistance with an IAT transaction that needs to be sent to a international bank, please call 402-471-2455 and ask for a member of the Treasury Management Division. In most cases, the Treasurer's Office will continue to send international wires in lieu of ACH (when a state warrant will not work).

If you are an agency that originates ACH transactions and the Treasurer's Office has not visited with your team yet about IAT, please email Michelle Raphael at [mraphael@treasurer.org](mailto:mraphael@treasurer.org) to arrange a meeting. An ACH Originator is defined as: an individual, corporation or other entity that initiates entries into the Automated Clearing House Network. At the State of Nebraska level, if your agency houses and creates ACH files and sends those files thru NIS or directly to the bank – we will need to talk to you about this rules change.

Each agency is responsible to notify State Accounting if you believe you may be currently paying by ACH an entity that is banking outside of the United States.

### **Receiving International ACH Transactions (IAT credits)**

Agencies will still be able to receive payments from International banks. If the paying corporation requests that you receive those payments by IAT instead of wire, please call 402-471-2455 and ask for a member of the Treasury Management Division to discuss your situation. The Treasurer's Office will be able to receive IAT ACH formatted transactions. There will be a review process in the banking system (before the funds are credited to the State Treasurer bank accounts) and if the transaction is considered suspect the money may be either delayed or possible seized by OFAC.

### **Fines and Penalties**

U.S. corporations (including state governments) 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.

**\*Please make sure that you know your consumer and vendor business partners.** Although we anticipate a small impact at the State government level, all agencies need to be prepared whether you originate ACH or only receive ACH payments. Any payments going out on or after September 18, 2009 that are being sent to international financial institutions (banks) must be properly formatted or the **state agency** risks a penalty/fine. Administrative Services will monitor new ACH vendor set ups but for agencies that interface with NIS and input their own ACH bank payment information, they will be responsible to monitor and make sure that they are not setting up international bank information.

Please contact our treasury management division at [tmstaff@treasurer.org](mailto:tmstaff@treasurer.org) or by phone at 402-471-2455 if you questions or concerns.

Thank you,



Shane Groom

State Treasurer of Nebraska