



State of North Carolina

Office of the State Controller

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STATE CONTROLLER

July 28, 2009

MEMORANDUM

TO: Chief Fiscal Officers
Vice Chancellors
Business Officers
HR Directors

FROM: David McCoy

SUBJECT: International ACH Transactions (IAT) Rules Advisory

This advisory is to alert all North Carolina governmental entities of amendments to the National Automated Clearing House Association (NACHA) Operating Rules that go into effect September 18, 2009. The amendments are contained within a subsection of the NACHA Operating Rules and are referred to as International ACH Transactions rules ("IAT rules").

The IAT rules are a result of NACHA amending the ACH Operating Rules to align them with requirements of the Office of Foreign Assets Control (OFAC). The requirements of OFAC are in accordance with federal law pertaining to economic and trade sanctions against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States.

Governmental entities that originate electronic payments through the ACH network may have received correspondence from their originating bank regarding the IAT rules, but may not have realized that the rules apply to them. While on the surface it may appear that governmental entities are not affected by the IAT rules since they do not ordinarily make international ACH payments, in fact any entity that remits domestic ACH payments is potentially affected.

All entities originating payments electronically, whether for payroll, pensions, or vendor payments, are advised to review the rules to understand how they apply. Origination of electronic payments includes submitting ACH credits to payees (for disbursements), as well as originating ACH debits to draft payors' accounts (for collecting funds).

If the IAT rules are determined to apply to your entity, you must take the necessary actions to comply. Information in the IAT Rules Advisory document found on the State Controller's website can assist you in exercising the necessary due diligence actions to demonstrate good faith efforts to comply with the IAT rules and federal law. The advisory can be viewed at: http://www.osc.nc.gov/SECP/SECP_IAT_Rules.html.