Revised IAT Scenario H - Money Transmitters/Third-Party Service Providers

"For-further-credit-to" model

A domestic or foreign money transmitter or third-party service provider receives a payment order from a customer to debit his U.S. bank account and send the funds to a beneficiary in a foreign country. The money transmitter makes a book entry to record the transaction on the books of its offices in both countries. It creates an ACH debit entry to debit the U.S. bank account and will create a second transfer via wire transfer, book entry, ACH, or other payment system to credit to the ultimate beneficiary of the funds in the foreign country.

Result – Domestic or IAT? The resulting ACH debit to the customer in the U.S. would be an IAT because the funds are being moved out of the U.S. to a foreign receiver in another country through a financial agency in the foreign country. The financial agency in the foreign country could be an office of the money transmitter, a third-party service provider, or a bank that participates in the transaction and delivers the funds to the ultimate beneficiary.

Regardless of the manner in which the money transmitter or third-party service provider moves funds abroad (it could, for example, make a lump sum transfer between its accounts), the debit to the customer at the U.S. RDFI must be an IAT entry in order to convey necessary information on all parties to the transaction to the RDFI for its OFAC compliance obligations.

For-Further-Credit-To Model
A money transmitter or third-party service provider can offer their services via a web portal or by taking in-person transfer requests. A money transmitter or third-party service provider that debits an account in the U.S. and sends a credit to an ultimate beneficiary in a foreign country must utilize the IAT format for the domestic ACH portion of the transfer and must provide additional information on the ultimate beneficiary within the IAT Addenda Record for Remittance Information.

When a U.S. financial institution is requested to provide ACH origination services for a money transmitter or a third-party service provider that wants to offer the ability for customers to send money to or receive money from parties living in a foreign country, these types of transactions involve more parties than the two traditionally identified as Originator and Receiver in an IAT entry. These payment arrangements are commonly known as "split-transaction" payments or "for-further-credit-to" payments, where a third-party service[1] provider originates and settles two separate transactions to complete the underlying payment transaction on behalf of the parties.

Unlike the more traditional debit Inbound IAT Entry, for example, in which the ultimate payer and ultimate beneficiary transmit funds between each other directly (via their own financial institutions) and are identified within the IAT Entry as Receiver and Originator, respectively, in the "for-further-credit-to" model, the Originator of the debit Inbound IAT Entry is not the ultimate foreign beneficiary of the funds transfer. Rather, the Originator is a service provider, collecting funds from a U.S. Receiver for further credit to an ultimate foreign beneficiary. Two separate transactions are created and settled to complete the funds transfer – one between the Originator of the debit IAT Entry (the independent service provider) and the party from which funds are being transferred (the U.S. Receiver of the debit Inbound IAT Entry), and one between the Originator (the independent service provider) and the ultimate foreign beneficiary of the funds transfer. In this version of the "for-further-credit-to" model, only half of the underlying payment transaction (the domestic debit from the service provider to the U.S. Receiver) is visible within the payment record. The ultimate foreign beneficiary of the funds is not identified as a party to the debit entry, leaving ACH participants exposed to the potential risk of indirectly doing business with a blocked party.

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[1] Third-party service provider could be a money transmitter or a bank.

To minimize this risk related to "for-further-credit-to" models, all money transmitters and third-party service providers (both domestic and foreign) must include the following information on the ultimate beneficiary in the Payment Related Information field of the IAT Addenda Record for Remittance Information: ultimate beneficiary's name, street address, city, state/province, postal code, and ISO Country Code.

Domestic Money Transmitters or Third-Party Service Providers
The Originating Company or ODFI is responsible for adding the required information on the ultimate beneficiary to the IAT Addenda Record for Remittance Information.
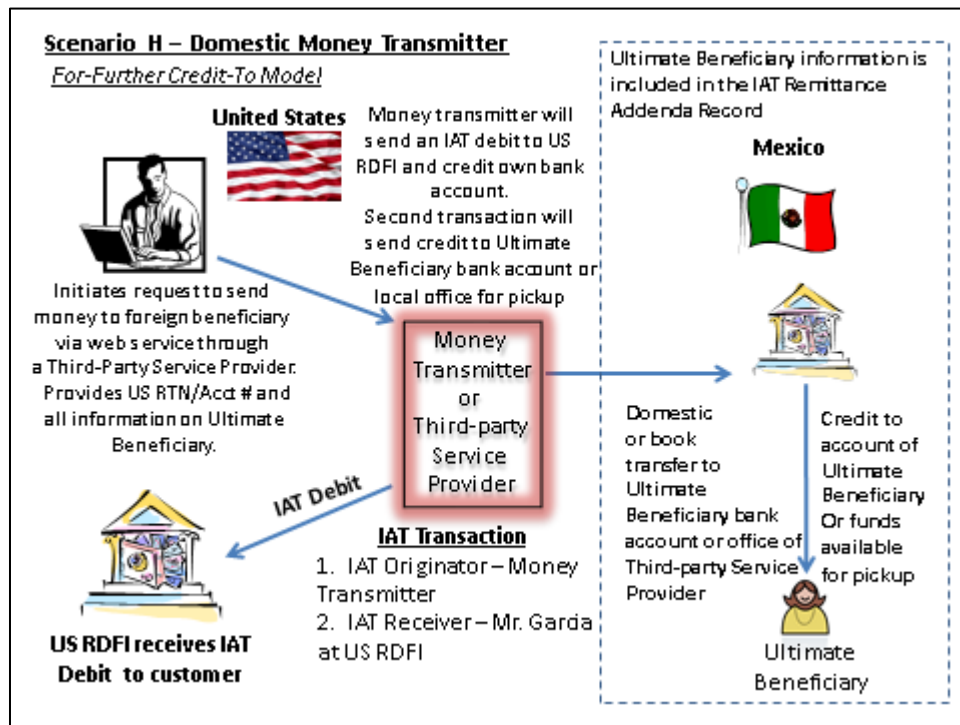
Foreign Money Transmitters or Third-Party Service Providers
A U.S. bank that provides ACH origination services for foreign-domiciled money transmitters or third-party service providers is the U.S. Gateway for these transactions and must comply with all Gateway responsibilities and warranties. Part of the U.S. Gateway responsibilities is to ensure that information on the ultimate beneficiary is included in the IAT Addenda Record for Remittance Information.

Scenario H – Example with Domestic Money Transmitter/Third-Party Service Provider
Mr. Garcia, a resident of El Paso, Texas, logs onto a U.S. money transmitter's or third-party service provider's website and instructs it to make a payment to Maria at her bank in Mexico City. Mr. Garcia provides the third-party service provider with Maria's name, physical address, and banking information for the funds transfer. He also provides third-party service provider with his own banking information (i.e., the routing number and his account number from which funds will be debited at Southwest Bank in El Paso) and his address in El Paso.

The U.S. money transmitter or third-party service provider creates an IAT debit entry and instructs its U.S. bank to transmit the debit IAT Entry to Mr. Garcia at Southwest Bank and to credit the U.S. money transmitter's or third-party service provider's bank account with the amount of the funds. The money transmitter or third-party service provider includes all information on Maria, as the ultimate beneficiary, within the Remittance Addenda Record of the IAT debit Entry. Once the funds have been credited to the money transmitter or third-party service provider's account at the U.S. bank, the third-party service provider subsequently moves the funds to Mexico for further credit to Maria.

Scenario H – Domestic Money Transmitter
For-Further Credit-To Model

United States — Money transmitter will send an IAT debit to US RDFI and credit own bank account. Second transaction will send credit to Ultimate Beneficiary bank account or local office for pickup

Initiates request to send money to foreign beneficiary via web service through a Third-Party Service Provider. Provides US RTN/Acct # and all information on Ultimate Beneficiary.

IAT Debit

US RDFI receives IAT Debit to customer

Money Transmitter or Third-party Service Provider

IAT Transaction
1. IAT Originator – Money Transmitter
2. IAT Receiver – Mr. Garcia at US RDFI

Ultimate Beneficiary information is included in the IAT Remittance Addenda Record

Mexico

Domestic or book transfer to Ultimate Beneficiary bank account or office of Third-party Service Provider

Credit to account of Ultimate Beneficiary Or funds available for pickup

Ultimate Beneficiary

Scenario H - Example with Foreign-Domiciled Money Transmitter/Third-Party Service Provider
Mr. Garcia, a resident of El Paso, Texas, logs onto a Mexican third-party service provider's website and instructs it to make a payment to Maria at her bank in Mexico City. Mr. Garcia provides the third-party service provider with Maria's name, physical address, and banking information for the funds transfer. He also provides third-party service provider with his own banking information (i.e., the routing number and his account number from which funds will be debited at Southwest Bank in El Paso) and his address in El Paso.

The Mexican third-party service provider creates an IAT debit entry and instructs its U.S. bank (which acts as the U.S. Gateway) to originate a debit IAT Entry to Mr. Garcia at Southwest Bank and to credit the third-party service provider's bank account with the amount of the funds. The third-party service provider includes all information on Maria, as the ultimate beneficiary, within the Remittance Addenda Record of the IAT debit Entry. Once the funds have been credited to the third-party service provider's account at the U.S. bank, the third-party service provider subsequently moves the funds to Mexico for further credit to Maria.