



Volume 1, Issue 3
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The Idola Report

Information to Vision

Excellence, reliability, and value are core principles followed by Idola while working with its clients and partners. This newsletter will provide current information to help financial institutions meet their risk and compliance mandates. It is with current, meaningful information that appropriate vision is developed to meet today's challenges.

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IAT – OFAC Requirements and AML Transaction Monitoring Advantages

By Murthy Sivaramakrishnan, CAMS, PMP – Senior Project Manager at Idola Infotech LLC

For the uninitiated, IAT (International ACH Transaction) is a new Standard Entry Class Code for ACH payments to identify international transactions. International transactions are those payments that have been funded internationally or are being sent to another country, and a part of the transaction will be processed via the ACH Network.

On September 18, 2009, the following information needs to be mandatorily included in the new IAT file format:

- Name and physical address of originator
- Name and physical address of the beneficiary
- Originating bank name, identification number, and branch country code
- Intermediary bank name, identification number, and branch country code
- Receiving bank name, identification number, and branch country code

International ACH Transactions that do not contain this information will not be processed by Operators after September 18, 2009.

The IAT identification requirements were developed in response to a request from the Office of Foreign Asset Control (OFAC). OFAC understands that there are currently transactions flowing through the ACH Network that are funded by international sources. These transactions cannot currently be identified within the Network, and are formatted as domestic transactions.

OFAC had requested that NACHA modify their Operating Rules to adequately identify international transactions, and have the banks review the international transactions for OFAC compliance.

Financial Institutions, originating and receiving, need to work with their software vendor(s) or update their software to be compliant with the IAT requirements effective September 18, 2009.

Though the mandate is only for OFAC compliance and therefore most of the focus (and current scramble) is on implementing IAT's OFAC requirements before the September 18, 2009 deadline, the IT and Compliance departments of Financial Institutions should consider the implications of the IAT specifications and the advantages the additional information can provide to AML Transaction Monitoring.

Financial Institutions will be best served to check with their vendors on how the IAT transactions will be processed by their core banking systems to ensure that the additional information available due to the mandates of the IAT requirements are not lost in transition. As part of the implementation, it should be ensured that this additional information makes it to the core banking system and further into the AML Transaction Monitoring Systems (Verify Core Banking to AML Transaction Monitoring System Interface/Mapping for Transactions).

It would also be beneficial to verify the ability to identify IATs as a new transaction code, thus providing the ability to monitor them. Expected IAT volumes may be considered in the KYC procedures for customer on-boarding and risk assessment.

The following categories of BSA monitoring rules, typically considered for wire transactions can be reviewed to consider the IAT transactions as well:

1. High Risk Country Rules
2. Multiple Jurisdiction Rules
3. Large Amount Transactions
4. Single Originator to Multiple Beneficiaries
5. Multiple Originators to Single Beneficiary
6. Same Originator and Beneficiary
7. Velocity Rules
8. Repetitive transactions/Volume Rules

***SWIFT
enhancements
to address
AML
concerns on
cover
payments***

In the SWIFT Standards Release (SR) 2009, MT 202 COV and MT 205 COV will be introduced as two new variant messages of the existing MT 202 and MT 205 messages to address possible exploitation of a lack of transparency with cover payments for money laundering and terrorist funding.

For more details, please click on:

http://www.swift.com/about_swift/press_room/swift_news_archive/home_page_stories_archive_2009/Newstandardsforcoverpayments.page

http://www.swift.com/about_swift/press_room/swift_news_archive/home_page_stories_archive_2009/us2mcof.pdf

***FATF
Guidance to
Money
Service
Businesses***

FATF recently released a guidance report which aims to set out the key elements of an effective risk-based approach and identifies the types of issues that both public authorities and Money Service Businesses may wish to consider when applying a risk-based approach to combating money laundering and terrorist financing

For further information, click on:

<http://www.fatf-gafi.org/dataoecd/45/1/43249256.pdf>

***FDIC May -
June 2009 –
Enforcement
Action***

On June 26, 2009 FDIC made public its enforcement actions for the month of May 2009. The FDIC processed a total of 43 orders in May. These included twenty cease and desist orders; three removal and prohibitions; seventeen civil money penalties; one modification of order of prohibition; and two orders terminating orders to cease and desist.

On July 31, 2009 FDIC made public its enforcement actions for the month of June 2009. The FDIC processed a total of 66 orders in June. These included twenty-seven cease and desist orders; seven removal and prohibitions; twenty civil money penalties; one written agreement; two prompt corrective action directives; one voluntary termination of insurance; seven orders terminating an order to cease and desist; and one adjudicated decision

For more details, please click on:

<http://www.fdic.gov/news/press/2009/pr09099.html>

<http://www.fdic.gov/news/news/press/2009/pr09132.html>

***SAR
Acknowledge
ments for
BSA E-filing
submissions***

FinCEN recently announced that it plans to implement SAR acknowledgement for BSA E-Filing submission for all SAR types.

Please click on the following for more details:
<http://www.fincen.gov/whatsnew/pdf/20090715.pdf>

***Proposed
Sharing of
SAR
Information
between
certain US
affiliates***

During the annual plenary meeting of the Egmont Group, held in Doha Qatar, FinCEN Director James H. Freis, Jr., discussed the concept of SAR sharing as a way to help promote the incentives of trans-nationally active institutions to manage risks in an efficient way.

For more details, please click on:
<http://www.fincen.gov/whatsnew/pdf/20090604.pdf>
http://www.fincen.gov/statutes_regs/frn/pdf/frnSF_SAR_Sharing.pdf

***Money
Laundering
Cases and
Typologies in
Football
(Soccer)***

The Financial Action Task Force (FATF) has recently completed a report examining the sports sector specifically football (soccer) in economic and social terms and provides case examples identifying areas that could be exploited by those who want to invest illegal money into football.

For complete details, click on:
<http://www.fatf-gafi.org/dataoecd/7/41/43216572.pdf>

Red Flags

Federal Trade Commission (FTC) has extended its deferral of enforcement of its Identity Theft Red Flags Rule to Aug 2009, giving creditors and financial institution more time to develop and implement a written Identity Theft Prevention Program. This program must be designed to prevent, detect and mitigate identity theft in connection with the opening of new account and operation of existing ones.

For details, click on:
<http://www.ftc.gov/os/2009/04/P095406redflagsextendedenforcement.pdf>
<http://www.ftc.gov/bcp/edu/pubs/business/idtheft/bus23.pdf>

For recent Red Flags related FAQs click on:
<http://www.fdic.gov/news/news/press/2009/pr09088a.pdf>



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***FinCEN seeks
comment on
issuance of
regulations
for loan and
finance
companies***

Recently FinCEN issued an advance notice of proposed rulemaking (ANPRM) to solicit public comment on a wide range of questions pertaining to the possible application of anti-money laundering (AML) program and suspicious activity report (SAR) regulations to a specific sub-set of loan and finance companies: Non-bank residential mortgage lenders and originators.

For more details, please click on:

<http://edocket.access.gpo.gov/2009/pdf/E9-17117.pdf>

***Share Your
Knowledge***

Knowledge sharing among peers is an essential service that helps us all navigate through our responsibilities in our risk and compliance professions. The Idola Report is dedicated to facilitating this valuable service. If you have information that you believe should be shared with other subscribers of the Idola Report or would like to submit an article for publication, please contact Sal Cangialosi at the address below.

Idola News

Idola is pleased to announce that Murthy Sivaramakrishnan, Senior Project Manager and Ravi Donavalli, Senior Technical Consultant at Idola Infotech have attained the Certified Anti-Money Laundering Specialist (CAMS) certification since the publishing of the previous newsletter.

Mahesh Viswanathan's article on "Importance of Data Collection for a Look Back" was published in "ACAMS Today" magazine (June – August 2009, VOL 8 NO 3). Please click on the following link in order to download the article:

<http://www.idolainfotech.com/resourceswhitepaper.php>

Idola announced "Aegis", a middleware product for OFAC screening of International ACH Transactions (IAT). For more information, please click on the following link:

<http://www.idolainfotech.com/pressrelease.php>



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About Idola

Idola Infotech was founded in 2002 by a team that specialized in software product development and the deployment of complex technology projects. Its management team consists of banking experts, leaders of the regulatory compliance market, and senior technology specialists. They have developed commercial products for one of the largest vendors of financial services software. Project management experience has been earned across a wide range of financial institutions from some of the largest in the world to small community banks. Idola has implemented and deployed software solutions domestically and internationally earning its reputation for *excellence, reliability, and value.*

Products and Services

Technology Services for Financial Institutions
Regulatory Compliance Consulting
Compliance Process Outsourcing
Independent Review of AML Compliance
Financial Services Vendor Support
Data Research and Aggregation
SWIFT Support Services and SWIFT Message Director
Aegis – an OFAC solution for International ACH Transactions (IAT)

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