

SAMPLE COMMUNICATION REGARDING IAT RULES COMPLIANCE
North Carolina State Controller's Office
August 20, 2009

To Employees

Notice to All Employees Currently Receiving Payroll via Direct Deposit – IAT Rules

(Notice only applies to employees currently receiving payments via direct deposit, but could be provided to all employees regardless of the method of payment.)

There has recently been a change in the banking industry rules (NACHA Operating Rules) which the State of North Carolina must adhere to when remitting employees their payments via Direct Deposit. The new rules require the State, as an employer, to identify electronic payments made to employees where the entire payment amount is subject to subsequently be transferred to a foreign bank account. The rules are referred to as "International ACH Transaction (IAT) rules" and are pursuant to requirements of the Office of Foreign Assets Control (OFAC).

In order for the State to comply with the IAT rules and the applicable US Law, you are being contacted to be informed of the new rules. Should you receive your payment via direct deposit at a U.S. financial institution and then have the entire payment amount forwarded to a bank in another country, please advise your payroll department.

Information for employees regarding the IAT rules can be found on the State Controller's website:
http://www.osc.nc.gov/SECP/IAT_Employees.html

To Vendors

Notice to All Vendors Currently Receiving Payments via Direct Deposit – IAT Rules

(Notice only applies to vendors currently receiving payments via direct deposit, but could be provided to all vendors regardless of the method of payment.)

There has recently been a change in the banking industry rules (NACHA Operating Rules) which the State of North Carolina must adhere to when remitting vendors their payments via Direct Deposit. The new rules require the State, as an originator, to identify payments made to vendors where the entire payment amount is subject to subsequently be transferred to a foreign bank account. The rules are referred to as "International ACH Transaction (IAT) rules" and are pursuant to requirements of the Office of Foreign Assets Control (OFAC).

In order for the State to comply with the IAT rules and the applicable US Law, you are being contacted to be informed of the new rules. Should you receive your vendor payments via direct deposit at a U.S. financial institution and then have the entire payment amount forwarded to a bank in another country, please advise the agency that remits payments to you.

Information for vendors regarding the IAT rules can be found on the State Controller's website:
http://www.osc.nc.gov/SECP/IAT_Vendors.html

Inquiry to a Specific Vendor Identified as a Potential IAT Payee

(Notice only applies to vendors currently receiving payments via direct deposit, and meets one or more of the conditions listed.)

There has recently been a change in the banking industry rules (NACHA Operating Rules) which the State of North Carolina must adhere to when remitting vendors their payments via Direct Deposit. The new rules require the State, as an originator, to identify payments made to vendors where the entire payment amount is subject to subsequently be transferred to a foreign bank account. The rules are referred to as "International ACH Transaction (IAT) rules" and are pursuant to requirements of the Office of Foreign Assets Control (OFAC).

In order for the State to comply with the IAT rules and the applicable US Law, you are being contacted to be informed of the new rules. Additionally, as a vendor that has been identified as meeting one or more of the criteria (conditions) below, you are requested to complete the "IAT Payee Affirmation Status Form" and return to the address indicated. Failure to complete the form could make you ineligible to continue to receive future payments electronically. The State of North Carolina may elect to remit payments that are potential IAT payments via check instead of via electronic funds transfer.

Due diligence criteria has been established for those vendors to be contacted for specific inquiry. Conditions that would prompt the agency to reasonably consider the vendor as a potential IAT payee, thereby resulting in an inquiry, other than a general notice, being made of the payee are as follows:

- Physical or mailing address of payee is a foreign address; or
- No US Tax ID number or social security number is on file; or
- Vendor is known not to be a domestic corporation recognized by the Internal Revenue Service (not created or organized in the United States or under the laws of the United States, any of its states, or the District of Columbia); or
- Payee is known to be a "foreign person" as defined by the Internal Revenue Service, which includes nonresident aliens, foreign corporations, foreign partnerships, foreign trusts, foreign estates, foreign governments, international organizations, and any other person who is not a U.S. person (Generally, the U.S. branch of a foreign corporation or partnership is treated as a foreign person); or
- Payee meets the definition of a "nonresident alien" for IRS tax withholding purposes pursuant to the Internal Revenue Code

Information for vendors regarding the IAT rules can be found on the State Controller's website:

http://www.osc.nc.gov/SECP/IAT_Vendors.html

IAT Payee Affirmation Status Form – For Vendors

I acknowledge that electronic payments to the designated account must comply with the provisions of U.S. law, as well as the requirements of the Office of Foreign Assets Control (OFAC). Check one of the following:

___ I affirm that, regarding electronic payments the State of North Carolina may remit to the financial institution for credit to the account that I have designated, the entire payment amount **is not** subject to being transferred to a foreign bank account.

___ I affirm that, regarding electronic payments the State of North Carolina may remit to the financial institution for credit to the account that I have designated, the entire payment amount **is** subject to being transferred to a foreign bank account. I understand that any future payments that may be remitted to me in the future may be labeled with "IAT" as the standard entry class. I acknowledge that availability of funds credited to the account will be subject to my receiving financial institution's policies

and procedures. I also understand that the remitting agency may elect to remit future payments to me via paper check instead of electronically.

Information for vendors regarding the IAT rules can be found on the State Controller's website:

http://www.osc.nc.gov/SECP/IAT_Vendors.html