Remittances & FedGlobal^{SM} ACH Payments

July 9, 2009

Interagency Minority Depository Institutions National Conference

Minority Depository Institutions: A Bridge to Community Stabilization

---

FedGlobal
ACH Payments

New Name & Expanded Offering

- Previous offering was limited in reach and scope
  - FedGlobal utilizes the new NACHA cross-border format (IAT) to reach more countries and provide more payment types

- Directo a México will grow with FedGlobal
  - Continuity
    - direct, easy access to all peso-denominated bank accounts in Mexico
    - competitive per-item surcharges
    - ODFIs determine own customer fees
    - no fees to receivers in foreign countries
  - Innovation
    - payments to unbanked receivers using same channel in Mexico
    - payments to unbanked receivers also available to 12 Latin American countries

2

Federal Reserve
Cross-Border Research

- One-third of respondents are considering cross-border payments in their own organization. Among this group:
  - 1/3 expected to do so within 1 year and another third within 2 years
- Other data
  - Business and consumer payments were seen as equal drivers
  - 39% cited the IAT as the most important driver for cross-border ACH
  - 3/4 of respondents think both account to account and account to cash are important products.
- Preferred regions for sending payments to were Europe (41%), Latin America (16%), Asia (12%)
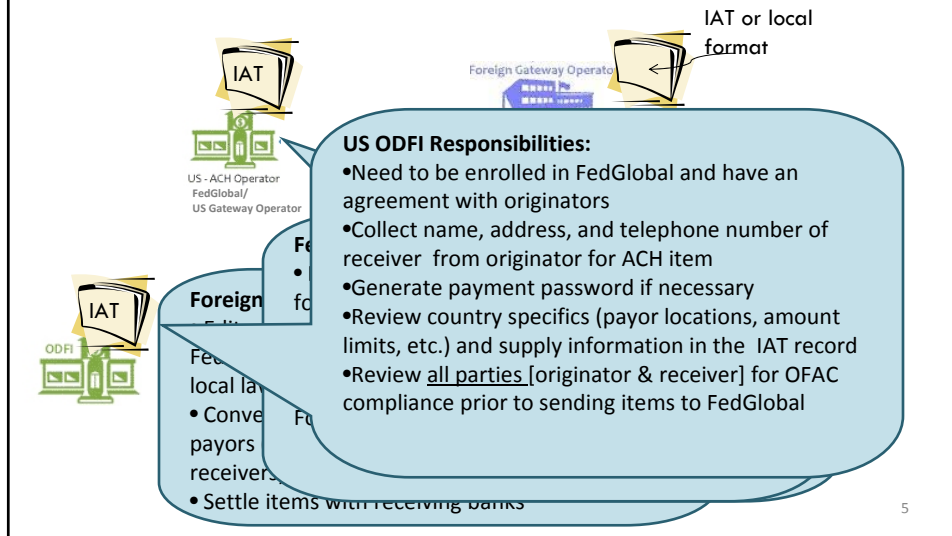
Survey taken Fall 2007.

3

Account to Unbanked Receiver

- What it is:
  - Utilize NACHA IAT format to enable payments from accounts at US ODFI to be picked up by unbanked receivers at offices of banks or trusted, third-party provider

  - IAT format contains all the Travel Rule information making ACH item robust for regulatory compliance

4

How it Works

US ODFI Responsibilities:
- Need to be enrolled in FedGlobal and have an agreement with originators
- Collect name, address, and telephone number of receiver from originator for ACH item
- Generate payment password if necessary
- Review country specifics (payor locations, amount limits, etc.) and supply information in the IAT record
- Review all parties [originator & receiver] for OFAC compliance prior to sending items to FedGlobal

---

Slide 5 Recap

US ODFI Responsibilities:
- Need to be enrolled in FedGlobal and have an agreement with originators
- Collect name, address, and telephone number of receiver from originator for ACH item
- Generate payment password if necessary
- Review country specifics (payor locations, amount limits, etc.) and supply information in the IAT record
- Review all parties [originator & receiver] for OFAC compliance prior to sending items to FedGlobal

FedGlobal Responsibilities:
- Edit IAT items according to NACHA Rules and formats
- Initiate settlement with US ODFI and Foreign Gateway Operator
- Process and settle valid IAT items forward to Foreign Gateway Operator

FedGlobal ACH Payments

Slide 5 Recap

Foreign GO Responsibilities:
- Edit, process and forward payments according to FedGlobal service level agreement and applicable local laws and rules
- Convert format and distribute IAT items to payors (may be banks or trusted, third-party receivers) for pick-up by unbanked receivers
- Settle items with receiving banks

Foreign RDFI Responsibilities:
- Banks and trusted, third-party receivers will accept valid items and hold for pick-up by unbanked receivers
- Receivers must present valid ID and payment password to be able to pick up funds
- Return payments after 30 days if not picked up

7

FedGlobal ACH Payments

Services by Country/Region

Region	Country	FX Options			Payment Transfer Options	
		FF-USD	FF-local currency (F3X)	FV – USD to local currency	Account-to-Account	Account-to-unbanked receiver
North America	Canada	✓	✓	✓	✓	
	Mexico		✓	✓	✓	✓
Central America*	Panama	✓			✓	
	All other	✓		✓		✓
South America*	All	✓		✓		✓
Europe*	All	✓	✓	✓	✓	
Refer to next slide for detailed country list and availability dates						

8

List of Countries

| Region	Countries	Service Available	Funds to RDFI (1 day item)
North America	Canada	Today	D + 1
	F3X – Canadian dollar	1Q 2010	D+1
	Mexico	Today	D + 1
	F3X – Mexican peso	Today	D+1
	Account to Unbanked Receiver	4Q 2009	D+1
Central America	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua (Account to Unbanked Receiver)	4Q 2009	D + 1
	Panama	9/18/2009	D + 1
South America	Argentina, Bolivia, Brazil, Colombia, Ecuador, Peru, Uruguay (Account to Unbanked Receiver)	4Q 2009	D + 1
Europe	Austria, Belgium, Cyprus, Czech Rep., Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom	1Q 2010	D + 1
	F3X – euro and UK pound	1Q 2010	D + 1

9

Promotion

- White-label marketing materials will be available to enrolled U.S. financial institutions to assist them in promoting FedGlobal products to their customers

- White-label brand name not yet finalized

- Materials available Fall 2009

10

DFI Interest in Cross-Border Origination
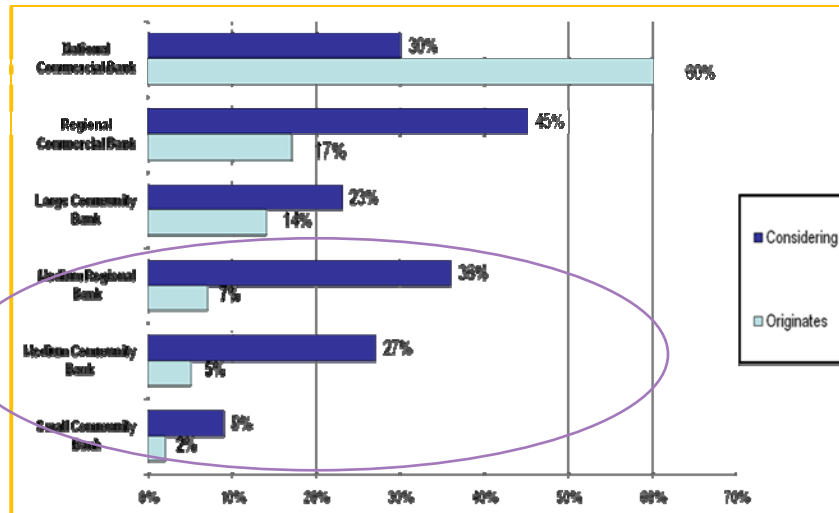
Source: Federal Reserve Banks. Spring 2009.

Contact Info

Elizabeth McQuerry

Assistant Vice President

Federal Reserve Retail Payments Office

elizabeth.mcquerry@atl.frb.org

404/498-7888

Check for Updates:

http://www.frbservices.org/campaigns/fedglobal/index.html?id=homebanner&loc=fedglobal

FedGlobal
ACH Payments

Additional Resources

13

FedGlobal
ACH Payments

FedGlobal Enrollment Process

1. Information Gathering:

| | Manuals with IAT format are not yet available. |

- – Review Service Manual and FAQs available at: www.frbservices.org/operations/fedach/
- – Manual includes overview of cross-border ACH, risks, information on destination service areas including foreign bank routing numbers (where possible), payment and settlement flows, FX options, holiday schedules, and exception processing

2. Form an implementation team

- – Include Operations, Compliance, and Marketing
- – Verify if ACH software accommodates cross-border format (IAT) for origination
- – Determine internal processes to update compliance and operational procedures
- – Plan marketing plan/ program
- – Determine necessary payment information to collect from the customer to accommodate ACH origination practices.

14

FedGlobal Enrollment Process

3. **Set-up and Testing:**
   – ODFI to complete Service Request Form in Service Manual or in FedACH Participation Agreement (Part 6A) and send to FedACH Sales Specialist:
   http://www.frbservices.org/contactus/fedach_specialists.html
   – A FedACH testing coordinator will contact you to schedule format and/or transaction testing
   – Verify that all internal procedures are in place
   – Launch marketing campaign

4. **Ready for Production**

IAT Tools for RDFIs

- FRB provides tools to assist RDFIs in identifying IAT transactions

   1) IAT Output File Sort
      - Optional service to receive IAT items separately from domestic items
         – Complete Section 3A of the FedACH Participation Agreement
      - Same delivery timeframes as domestic files
      - Eliminates need to interrogate entire output file, allowing for processing efficiencies
      – $35 per month

IAT Tools for RDFIs

2) IAT Report in FedEDI® Plus

- End of day report of IAT items
- Generated on a fixed schedule or request reports "on demand"
- Available at RDFI and corporate customer level
- Complete Section 6D and E of the FedACH Participation Agreement to begin set-up process
— $0.20 for scheduled report and $0.75 for on demand report

IAT Format Testing

- IAT Testing is highly recommended for all financial institutions [ODFIs and RDFIs]
- Financial institutions may schedule testing using FedACH on-line scheduler:
  http://www.frbservices.org/HomePage/app/fedachTestRequest.jsp
  - Sample IAT file templates available upon request from Customer Operations Sites for financial institutions wanting to test specific values