

International ACH Transactions
Glossary of Terms & Acronyms

APACS - manages the main clearing networks which allow UK banks and building societies to exchange payments.

BACS Payments Schemes Ltd - BACS is the scheme manager for the UK ACH payments system.

Bank Identification Code (BIC) - all SWIFT members have an address, known as BIC codes which are the SWIFT members' international clearing codes. The bank BIC codes are made up of specific characters: 1—4 company name, 5—6 country, 7—8 city/town and 9—11 (optional) department code. (e.g. JPMorgan Chase = CHASGB2L).

Bank Secrecy Act of 1970 (BSA) – The Currency and Foreign Transactions Reporting Act, also known as the Bank Secrecy Act (BSA) was enacted by congress to prevent banks and other financial service providers from being used as intermediaries for, or to hide the transfer or deposit of money derived from, criminal activities.

Clearing House Interbank Payments System (CHIPS) – is an independent bank-owned payments system for clearing large value payments. CHIPS is a real-time, final payments system for U.S. dollars that uses bi-lateral and multi-lateral netting for maximum liquidity efficiency.

Continuous Linked Settlement (CLS) - means of settling foreign exchange transactions finally and irrevocably. CLS eliminates settlement risk, improves liquidity management, reduces operational banking costs and improves operational efficiency and effectiveness.

Correspondent Banking – An arrangement under which one bank provides payment and other services to another bank. Payments through correspondents are often executed through reciprocal accounts (so-called nostro and vostro accounts), to which standing credit lines may be attached. Correspondent banking services are primarily provide

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across international boundaries but are also known as agency relationships in some domestic context. A vostro account is the term used by a correspondent to describe an account held on behalf of a foreign bank; the foreign bank would in turn regard this account as its nostro account.

Cover Payment - in the serial method of funds transfer, there is a single funds transfer consisting of a series of payment orders, each of which is sent to the next party in the chain. A receiving bank gets paid by its sender when: it receives final settlement through a funds-transfer system like CHIPS or Fedwire, it debits an account of the sender on its books, it receives a credit to an account it has with the sender, or the sender causes the receiving bank's account at another bank to be credited (i.e., the receiving bank gets *cover*).

Cross Border Settlement - a settlement that takes place in a country other than the country in which one trade counter party or both are located.

Direct Clearer - a financial institution, usually a bank, that directly clears checks or other payment instruments with other institutions in the domestic payment systems.

Financial Action Task Force (FATF) - The FATF is an international, inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. The FATF is therefore a "policy-making body" created in 1989 that works to generate the necessary political will to bring about legislative and regulatory reforms in these areas. The FATF has published 40 + 9 Recommendations in order to meet this objective.

FinCEN - Financial Crimes Enforcement Network (FinCEN) is a network, a means of bringing people and information together to fight the complex problem of money

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laundering. Created in 1990, FinCEN has worked to maximize information sharing among law enforcement agencies and its other partners in the regulatory and financial communities. Through cooperation and partnerships, FinCEN's network approach encourages cost-effective and efficient measures to combat money laundering domestically and internationally.

Foreign Exchange Market (FOREX) - the foreign exchange market itself consists of a worldwide network of interbank traders connected by telephone lines and computers. The FOREX market is a two-tiered market: - Interbank Market (Wholesale) [International Banks, Traders, Brokers & Central Banks] - Client Market (Retail). FX traders “create market” by quoting a two way bid/ask market price. They stand ready to buy or sell currency at the quoted rate. Like in other financial markets this price implies a spread, which favors the dealer. There are also FX brokers who match buy/sell orders but do not carry inventory.

Foreign Exchange Rate - a foreign exchange rate is the relative value between two currencies. In particular, it is the quantity of one currency required to buy or sell a unit of the other currency.

Foreign Exchange Settlement Risk - the risk that one party to a foreign exchange transaction will pay the currency it sold but not received the currency it bought. This is also called cross-currency settlement risk or principal risk.

Foreign Exchange Quote - an exchange rate quote is given by stating the amount of price currency (numerator) that can be bought in terms of 1 unit currency (denominator). e.g.: In 1.2USD/EUR, the USD is the price currency and the EUR the unit currency.

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Foreign Gateway Operator – means a Gateway Operator that acts as an entry point to or exit point from a foreign country.

Funds transfer - the series of transactions, beginning with the *originator's* payment order, made for the purpose of making payment to the beneficiary, including any payment order issued by the *originator's bank* or an *intermediary bank*. A funds transfer is completed by the *acceptance* of a payment order for the benefit of the beneficiary by the beneficiary's bank.

Gateway Operator – means either an ACH Operator or a Participating Depository Financial Institutions, as defined by the ACH Operating Rules that acts as an entry point to or exit point from the United States for ACH payment transactions.

International ACH Payment (IAT) – means a debit or credit entry that is part of a payment transaction involving a financial agency's office that is not located in the territorial jurisdiction of the United States. For the purposes of this definition, a financial agency means an entity that is authorized by applicable law to accept deposits or is in the business of issuing money orders or transferring funds. An office of a financial agency is involved in the payment transaction if it (1) holds an account that is credited or debited as part of the payment transactions, (2) receives payment directly from a person or makes payment directly to a person as part of the payment transaction, or (3) serves as an intermediary in the settlement of any part of the payment transaction. IAT entries must be originated using the IAT Standard Entry Class Code.

International Bank Account Number (IBAN) - a combination of the country code and 26 character account number. The IBAN is mandatory for payment with the SEPA.

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ISO 20022 - UNiversal Financial Industry (UNIFI) message scheme with a single methodology (neutral business modeling + XML syntax + reverse engineering), a single financial repository (dictionary + catalogue) and a single development process.

International Payments - a payment where the ultimate originator or ultimate beneficiary is located in another country.

Irrevocable – transaction is incapable of being returned or revoked.

Know Your Customer (KYC) - a guideline stated or implied by various securities regulatory bodies which requires that brokers determine the suitability of investments for customers before making recommendations.

OECD – Organization for Economic Co-operations and Development. The OECD brings together the governments of countries committed to democracy and the market economy from around the world to support sustainable economic growth, boost employment, raise living standards, maintain financial stability, assist other countries' economic development, and contribute to growth in world trade.

Office of Foreign Assets Control (OFAC) - the Office of Foreign Assets Control of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction. OFAC acts under Presidential wartime and national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze foreign assets under US jurisdiction.

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Real Time Gross Settlement (RTGS) - gross settlement system in which both processing and settlement is taking place in real time (continuously) without netting against credits on a fully covered based with payment finality.

Single Euro Payments Area (SEPA) - SEPA is the area where citizens, companies and other economic actors are able to make and receive payments in euro, within Europe, whether between or within national boundaries under the same basic conditions, rights and obligations, regardless of their location.

SWIFT - the financial industry-owned co-operative supplying secure standardized messaging services and interface software to 8,100 financial institutions in more than 208 countries. SWIFT's worldwide community includes banks, broker/dealers and investment managers, as well as their market infrastructures in payments, securities, treasury and trade.

Travel Rule - Bank Secrecy Act's (BSA) "Travel Rule" is part of 31 C.F.R. 103.33(g). The Travel Rule requires that the financial institution of the originator of the wire transfer or other transaction to include the name, physical address and account number of the originator, the name of the originating financial institution, the amount and execution date of the transaction along with the name, physical address and account number of the beneficiary and the beneficiaries financial institution.

VocaLink - is the payment processing provider for ACH and other services in the UK.

Vostro Account - a correspondent bank account a financial institution holds on behalf of an overseas correspondent.

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Acronyms

AML/BSA -Anti-Money Laundering/Bank Secrecy Act	OFAC - Office of Foreign Assets Control
BIC - Bank Identification Code	PE-ACH - Pan European ACH
BIS – Bank for International Settlement	RTGS - Real Time Gross Settlement
BSA – Bank Secrecy Act of 1970	SDN – Specially Designated National (FTO – Foreign Terrorist Organization;
CHIPS - Clearing House Interbank Payments System	SDNT – Specially-Designated Narcotics Traffickers)
FATF - Financial Action Task Force	SEPA - Single Euro Payments Area
FinCen – Financial Crimes Enforcement Network	STP - Straight Through Processing
FGO – Foreign Gateway Operator	SWIFT - Society for Worldwide Interbank Financial Telecommunication
FX – Foreign Exchange	USA PATRIOT ACT - Uniting and Strengthening America by Providing
GO – Gateway Operator	Appropriate Tools to Intercept and Obstruct Terrorism Act of 2001
IAT – International ACH Transaction	UN/CEFACT – United Nations Centre for Trade Facilitation and Electronic
IBAN - International Bank Account Number	Business
ISO – International Standards Organization	XML – eXtensible Mark-up Language
KYC - Know Your Customer	
OECD - Organization for Economic Co-operations and Development	