



## FEDERAL RESERVE BANK OF DALLAS

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**HELEN E. HOLCOMB**  
FIRST VICE PRESIDENT AND  
CHIEF OPERATING OFFICER

September 3, 2003

**Notice 03-48**

**TO:** The Chief Operating Officer of each  
financial institution and others concerned  
in the Eleventh Federal Reserve District

### **SUBJECT**

**New FedACH International<sup>SM</sup> Services**

### **DETAILS**

The Federal Reserve is pleased to announce two FedACH International<sup>SM</sup> limited production implementations (LPIs), expected to begin November 3, 2003. The trans-Atlantic LPI service will feature credit flows to and from five countries in Western Europe: Austria, Germany, The Netherlands, Switzerland, and the United Kingdom. The Mexico LPI service will initially enable United States-to-Mexico credit flows. Mexico-to-United States credit flows will be introduced in the latter part of 2004.

Limited production implementation is the term used to define the initial phase of implementing a new FedACH International service. During the LPI, a limited number of U.S. depository financial institutions (DFIs) will participate as originators. These DFIs will work with the Federal Reserve to ensure the success of the service before participation is opened to all depository financial institutions. Although the number of U.S. originating DFIs is limited during the initial phase, all U.S. depository financial institutions need to be prepared to receive and process ACH items beginning with the start of the LPI. The trans-Atlantic and Mexico LPIs will run for a 9- to 12-month period, after which the services are expected to move into full production.

The trans-Atlantic and Mexico services, along with the Canada service, will soon comprise the family of FedACH International services, which is expected to grow as additional countries are added. Although the Canada service has been in production since 2001, payments in that service flow only in one direction, from the U.S. to Canada. As a result, only U.S. depository institutions actively originating in that service have had to be prepared to receive cross-border items coming back as returns from Canada. This will not be the case with the new LPI services.

## **What This Means for Receiving Depository Financial Institutions**

Beginning November 3, 2003, the trans-Atlantic service will include incoming payments to the U.S. from Europe. All U.S. depository financial institutions will need to be prepared to receive and process incoming, cross-border ACH credit transactions. The introduction of Mexico-to-U.S. payments later in 2004 will further increase the likelihood that U.S. depository institutions will receive cross-border ACH payments.

Business and consumer account holders at receiving depository financial institutions (RDFIs) may authorize incoming payments without advance notice to their DFIs. To successfully post incoming credits to customer accounts, U.S. depository financial institutions should ensure they are prepared to receive cross-border ACH payments starting November 3, 2003. To accomplish this, depository financial institutions should confirm that they are prepared for cross-border payments.

Being prepared means that an institution's ACH processing software has been updated to handle National Automated Clearing House Association (NACHA) cross-border standard entry class (SEC) codes of CBR (corporate) and PBR (consumer), as well as unique field information that will appear in these records. For example, unique field information includes such data as International Organization for Standardization (IOS) country and currency codes. To accomplish this, an institution may need to upgrade an existing application by obtaining and installing a patch from its ACH software vendor or by enhancing an in-house application to accommodate cross-border formats.

The Federal Reserve and foreign gateway operators have made significant efforts to assure that the translation between NACHA formats and the formats used in other countries results in a clean, straight-through processing flow for cross-border ACH payments. If you receive any cross-border ACH payments that you cannot process for any reason, we encourage you to contact FedACH Central Operations Support so that we can resolve the issue.

## **MORE INFORMATION**

### **Participating in Limited Production Implementations**

If you are interested in participating in the LPI or receiving additional information about FedACH International services, please contact Diane Holloway at (214) 922-5470, or toll free at (800) 333-4460, extension 5470.

Paper copies of this notice or previous Federal Reserve Bank notices can be printed from our web site at [www.dallasfed.org/banking/notices/index.html](http://www.dallasfed.org/banking/notices/index.html).

Sincerely,

