



International ACH Credits (IAT) to Canada

Eastern Bank offers International ACH (IAT) credits to Canada denominated in either US dollars or CA dollars. Because the Canadian banking system is very different from the American banking system, this document provides information and formatting instructions to create IAT credits to Canada using Eastern Treasury and a brief overview of the nuances of the Canadian clearing system related to IAT's.

Payee and Canadian Institution Formatting Information

During the inquiry and set-up process work with customers/vendors to obtain accurate information on the **receiver's account number and the Canadian institution's routing number** and **determine if the receiver's account is denominated US dollars (USD) or Canadian dollars (CAD).**

The check sample illustrates how to identify and format the Payee's Account Number and the Canadian Bank's routing information for creating ***IAT Transactions in Eastern Treasury.***

The Canadian Bank lookup table can be searched by Bank name or Bank routing number.

*** Important Note *** Canadian Bank routing numbers include the bank's branch location in the routing number, therefore it is imperative for the customer/vendor to provide accurate routing number information

Refer to the example below:

1. Receiving Financial Institution Bank ID is a combination of 2 numbers.
 - a. **002** is the **Institution Number** – a leading zero is added, **0002** is the result
 - b. **95042** is the **Branch Number**
 - c. Combine the 2 numbers - "**000295042**" is the Routing Transit or **Bank Identification Number**
2. Receiver's Account Number is "**06940234567**" – no symbol is included for input

James Brown 555 Main Street Montreal, Quebec, CA M6H 3D3	Denominated in US Dollars (USD)
Pay to the order of _____	_____20_____ \$ _____
VOID	_____/100 DOLLARS
The Scotiabank Bank 888 Birchmount Road 4 th Floor Scarborough, NS	
408911: 95042 : 002 : 0694:0234567	

The following screen shots translate the above Bank information into an IAT Payment:

← New International ACH Transaction

Originator Information

* Originator ID: ACH COMPANY 2-
 * Value Date: 10/17/2019
 No Balance Available
 Payment must be approved by 10/17/2019 18:00 EDT

Batch Description: INTACHTRN
 Descriptive Date:
 Comments: Stored with the transaction, but not forwarded

Destination Information

* Destination Country: CANADA
 * Destination Currency: CAD - CANADIAN DOLLAR
 USD - US DOLLAR

Payee Information

* Name: James Brown
 ID:
 Q

* Address: Main st

* Country: CANADA
 * City: Montreal
 * Province: Quebec
 * Postal Code: M6H 3D3

* Bank + Account/IBAN: Bank + Account
 * Account Number: 06940234567
 * Bank Code Type: CA
 * Bank Code: 000295042 - THE BANK...
 * Account Type: Checking
 * Transaction Type Code: Business/Commercial
 THE BANK OF NOVA SCOTIA
 888 Birchmount Road 4th Floor
 Scarborough

* Debit/Credit: Credit
 * Amount: 10.00 USD

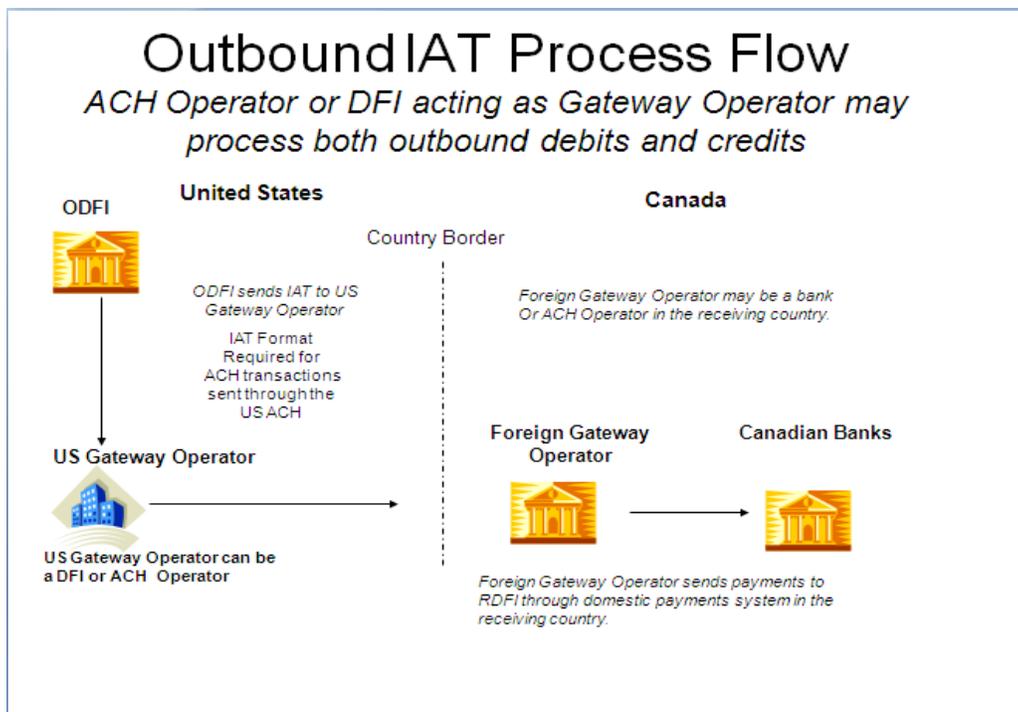
The following information provides a general description, processing and regulatory information for sending ACH Payments to Canada.

International ACH Transaction (IAT) processing – Canada

General Description

Eastern Bank supports the Federal Reserve’s mission to ensure an efficient, effective and accessible retail payments system and offers a single processing stream for our customers sending and receiving domestic and international ACH credit items using domestic FedACH deadlines.

Cross-border payments are formatted using the NACHA Standard Entry Class (SEC) code IAT (international ACH transaction). The Company/Batch Header Record contains information specific to cross-border payments, including data related to foreign exchange, origination and destination country, and currency codes. The IAT SEC code and fields in the Company Batch Header Record allow cross-border payments to be readily identified.



Canadian Requirements and Service Description

For payments originated in the U.S. and sent through Eastern Bank, the Federal Reserve Bank of Atlanta serves as the U.S. Gateway Operator (GO) and works with the appropriate Foreign Gateway Operator (FGO). Eastern Bank has partnered with the Federal Reserve Bank and Scotiabank, which are acting as gateway operators and serve as conduits to their domestic payments systems to accomplish straight-through processing of payments.

It is important to remember that each country is governed by its own domestic clearing rules and practices. Some of the prominent differences between the U.S. and Canadian payments systems are highlighted to assist you in planning and implementing IAT transactions. The Canada Service supports both forward ACH 1-day and 2-day debits and credits originated in the U.S. and destined to any receiver’s account in Canada. Please note that Eastern Bank only allows **2-day** credit transactions to Canada.

NACHA Operating Rules allow for transactions to be originated in three types of currency value exchange: fixed-to-fixed (FF), fixed-to-variable (FV), or variable-to-fixed (VF). **Eastern Bank accommodates fixed-to-variable (FV) and fixed-to-fixed (FF) Credit transactions for outbound payments destined to Canada.**

As Canada is a dual-currency country, it is common practice for customers in Canada to have bank accounts denominated in either Canadian or U.S. dollars. Therefore, the Canada service allows for the flexibility in foreign exchange options, depending upon what the Canadian receiver's account is denominated in – fixed-to-fixed (FF) or fixed-to-variable (FV). The items can be paid in a variable amount of Canadian dollars (FV - USD to CAD) based upon a daily exchange rate applied by Scotiabank or in U.S. dollars (FF- USD to USD). All settlement with U.S. participants is in U.S. dollars.

Rule Differences

The Federal Reserve Bank and Scotiabank serve as conduits to their domestic payment systems to process and deliver international ACH payments. ACH items originated in the United States are governed by U.S. laws and rules (including the NACHA Rules), until they cross the border into Canada. Once they arrive in Canada, Canadian laws and rules apply.

Prenotifications and Notifications of Change (NOC)

Prenotes are not supported in Canada. Any prenotes sent to Canada will be rejected by FedACH. To verify account information for a new receiver, a forward IAT credit for \$2.00 may be sent. If the information for the receiver is incorrect, the receiving financial institution will return the item within the appropriate time frame for the receiving country.

NOC processing is supported in the Canada Service and NOCs may be initiated to notify ODFIs in the U.S. that previously valid information contained in a posted entry has become outdated and should be changed.

ODFI Recalls and Reversals

Reversals are not supported in FedGlobal. If an error is detected after a file has been submitted, the U.S. ODFI should contact the originator, which in turn should work with the receiver to request a refund of the duplicated funds. In addition, the U.S. ODFI can contact FedACH, who can provide contact information for the foreign RDFI.

The U.S. ODFI and/or originator are responsible for contacting the foreign RDFI or the beneficiary to request a refund of the item.

Canadian Payments System Overview

In Canada, the clearing and settlement of ACH payments is handled separately. There is no ACH Operator, and ACH payments are exchanged directly among banks that are known as direct clearers in the Automated Clearing Settlement System (ACSS). The Bank of Canada, which is the central bank, provides the settlement for payments processed. Canadian banks are classified as either a direct or indirect clearing bank. There are a small number of financial institutions that act as direct clearers; all other financial institutions are indirect clearers and must arrange for a direct clearer to act as an agent on their behalf within the clearing system.

As noted earlier, ACH items originated in the U.S. are governed by U.S. laws and rules (including OC4 and the NACHA Rules) until they cross the border into Canada. Once they arrive in Canada, Canadian laws and the rules of the Canadian Payments Association (CPA) apply. The CPA, as the rulemaking authority in Canada, imposes significant financial penalties for rule violations. The Canadian payment rules can be obtained from the web site at <http://www.cdnpay.ca>. In the case that Scotiabank is notified for a CPA Rules violation, it will inform the ODFI that a violation has occurred and on a best effort basis, will work with the ODFI to ensure that the ODFI's payments are compliant with the CPA rules.

Examples of rule differences include but may not be limited to the following:

- Return times are longer in Canada than in the U.S. In Canada, consumers can return debits up to 90 days after the debit date. Businesses can return debits up to 10 days. Although credits are seldom returned, the same return timeframes apply.
- While debits into Canada are supported, originating financial institutions must be aware of, and comply with, the substantive requirements of the Canadian payment system rule H-1 on pre-authorized debits ("PAD"). Please refer directly to the CPA Rules to review the requirements of Rule H-1 at:

http://www.cdnpay.ca/imis15/pdf/pdfs_rules/rule_h1.pdf . Please note that Eastern Bank does not allow the processing of debits to Canada at this time.

• Bill C-25 was introduced in June 2009 to update existing procedures and laws of money laundering and terrorist financial reporting. Due to the nature of this bill, Scotiabank will be reviewing all payments for proper compliance, including the quality of the data that is being passed from the U.S. to Canada. If for some reason, there are pertinent fields such as the receiver information, that is not properly formatted according to the NACHA formats and/or the quality of the data within the fields is not reasonable, Scotiabank will return the item back to the originating depository financial institution. For more information on Bill C-25, please refer directly to: <http://www.fintrac.gc.ca/publications/nr/Bg2007-10-25-eng.asp> .

Payment and Settlement Flows

This section describes both processing and settlement schedules for the Canada Service.

Processing

1. Originator submits IAT transactions to Eastern Bank by 4:00 PM
 - a. FF and FV credit payments cannot be combined in one batch therefore must be batched separately
 - b. Eastern Bank submits transactions to OFAC screening
 - c. NACHA formatted file containing Canadian cross-border transactions is transmitted to FedACH
2. FedACH reviews the file and validates that receipt is from an eligible participant
 - a. The deposit deadline for cross-border items is 2:15 AM ET
 - b. Files are transmitted to Scotiabank by 6:00 AM ET for further processing
3. Scotiabank translates the NACHA formatted items into the Canadian format and converts the U.S. dollar amounts into Canadian dollars if the items are FV
 - a. Subsequently, Scotiabank posts the transactions to receiving accounts held at Scotiabank or distributes the transaction to RDFIs in Canada.

Settlement

1. Transactions are delivered to Canadian RDFIs according to standard Canadian electronic funds transfer (EFT) delivery schedules and exchanges between direct clearers
 - a. Canadian EFT payments are exchanged at 10:00 ET and 2:30 PM ET
 - i. All U.S. dollar items (FF) are delivered in the 10:00 AM ET exchange
 - ii. All FV items are delivered to Canadian RDFIs in the 2:30 PM ET exchange
 1. Scotiabank sets the foreign exchange rate at 10:00 AM ET
 - b. Each Canadian RDFI can post items to receiver accounts according to its own internal timetable
 - c. A survey of Canadian banks shows that the posting times vary from 5:30 PM ET on Day 1 to 8:00 AM ET on Day 2 for FV items and 11:00 AM ET on Day 1 to 8:00 AM ET on Day 2 for FF items.

The convention of “Day 0” and “Day 1” is used to distinguish the “day” in which processing occurs versus the “day” in which settlement takes place and reflects the FedACH processing day cycle (e.g. start of Day “0” at 3:00 AM ET Monday through close of Day “0” at 2:15 AM ET on Tuesday).

Fixed-to-Fixed (FF – USD to USD)

If sending payments to Canadian receivers using the FF payment option: The items are deposited by the ODFI/SP (Sending Point), received and processed by FedACH and forwarded to Scotiabank where the items are converted into the Canadian format. In this case, there is no foreign exchange, and the items are delivered to the Canadian banks in U.S. dollars. Due to the time frames for exchanging U.S. dollars in Canada, 1-day FF payments received by FedACH after 2:00 PM ET will be processed as 2-day payments.

Fixed-to-Variable (FV – USD to CAD)

If sending payments to Canadian receivers using the FV payment option: The ODFI/SP deposits an ACH input file with FedACH, which receives and processes the file. The deposit deadline is 02:15 ET on FedACH processing Day 0⁴. FedACH acknowledges receipt of the file for the ODFI/SP, creates the accounting entries, and makes available settlement information to the ODFI and Scotiabank. Scotiabank receives the Canadian items in the file from FedACH on Day 1. Scotiabank reformats the items, converts the U.S. dollar amounts into Canadian dollars at 10:00 ET and exchanges the payments with the Canadian banks. All settlement with U.S. participants is in U.S. dollars.

Holiday Schedule

Canadian banking holidays are not all identical to U.S. banking holidays, and ODFIs occasionally transmit items through FedACH for settlement on a Canadian holiday. When an ODFI submits items for settlement on a national Canadian holiday that is not a U.S. holiday, FedACH will process the items and settle against the ODFI's settlement account on the specified settlement date, and Scotiabank will process, deliver and settle the items to the receivers in Canada on the next Canadian banking day after the holiday. The FX Rate will then be set according to the rate posted on the business day following the holiday and funds availability will be at the opening of business on the following day.

Canadian Banking Holidays

New Year's Day (observed)
 Family Day *
 Good Friday *
 Victoria Day *
 Canada Day *
 Civic Holiday *
 Labor Day
 Thanksgiving Day *
 Remembrance Day *
 Christmas Day (observed)
 Boxing Day *

* Indicate holidays that differ from US Banking holidays

Exception Processing

Return Items

When Scotiabank receives files from FedACH, they are processed and posted to receiving accounts at Scotiabank or distributed to receiving institutions through the Canadian clearing system. Subsequently, Scotiabank or the Canadian RDFI may find it necessary to return an item. The item will be returned with the original dollar amount adjusted as necessary based upon the prevailing exchange rate, and the original forward item amount will be referenced in the return addenda record (field eight, position 47-56).

The procedures noted below outline the steps involved in two return item scenarios: items returned/rejected by Scotiabank and items returned by a Canadian RDFI. The items will be returned using one of the following U.S. NACHA Return Reason codes.

Code	Reason
R01	Insufficient Funds
R02	Account Closed
R03	No Account/Unable to Locate Account
R04	Invalid Account Number
R06	Returned per ODFI's Request
R07	Receiver Dispute
R08	Payment Stopped
R09	Uncollected Funds
R10	Customer Advises Not Authorized
R12	Branch Sold to Another DFI
R14	Representative Payee Deceased
R15	Beneficiary or Account Holder Deceased
R16	Account Frozen
R17	File Record Edit Criteria

R20	Non-Transaction Account
R24	Duplicate Entry
R80	Cross-Border Payment Coding Error
R81	Non-Participant in Cross-Border Program
R82	Invalid Foreign Receiving DFI Identification
R83	Foreign Receiving DFI Unable to Settle
R84	Entry Not Processed By OGO

Items returned by Scotiabank

Upon receipt of items from FedACH, Scotiabank may be unable to process some payments and will return these payments. Items may be returned because the Canadian RTN and account numbers within the addenda records are not within Scotiabank's defined edit range. It is critical that ODFIs ensure that items returned for edit failures are corrected before they are retransmitted. This will avoid having items reject "multiple times" for the same edit error.

Additionally, Scotiabank will reject Credit payments if the effective entry date is more than 30 calendar days prior to the processing date. Debit payments will be rejected if the effective entry date is more than 173 calendar days prior to the processing date. Please note that Eastern Bank only allows the processing of credit entries at this time. These date ranges were set by Scotiabank to conform to the timeframes established in the CPA Rules.

Items returned by the RDFI or receiver

Items processed by Scotiabank to the receiving institution may be returned if the RDFI is unable to post the items (account closed, invalid account number, etc). Items will generally be returned no later than the business day following receipt by the first organizational unit that is able to make or act upon a decision to accept an item.