

USD Clearing and Settlement Solution

December 2011



Overview

Challenges in the USD Clearing Market

Key Features of inXpay's USD Clearing Solution

Benefits of inXpay's USD Clearing Solution

Potential Regulatory Issues

Challenges in the USD Clearing Market



Difficult to communicate /understand existing providers and regulations



Counterparty Risk



Cannot transact with some bank accounts



Poor visibility of transaction status



Little or no reversal capabilities

Key features of inXpay's USD Clearing Solution

- Distinctive competence in designing and delivering a Pan-American clearing solution
 - Uses established and regulated clearing house (NACHA)
 - Uses proven systems
- Cash settlements managed in existing US domiciled bank accounts
 - Legacy contracts can be registered
 - Facility to pre-register positions for clearing
- Flexibility with respect to interface for originating transactions
- Secure reporting
 - Existing 9XX messages
 - User interface for line-level details



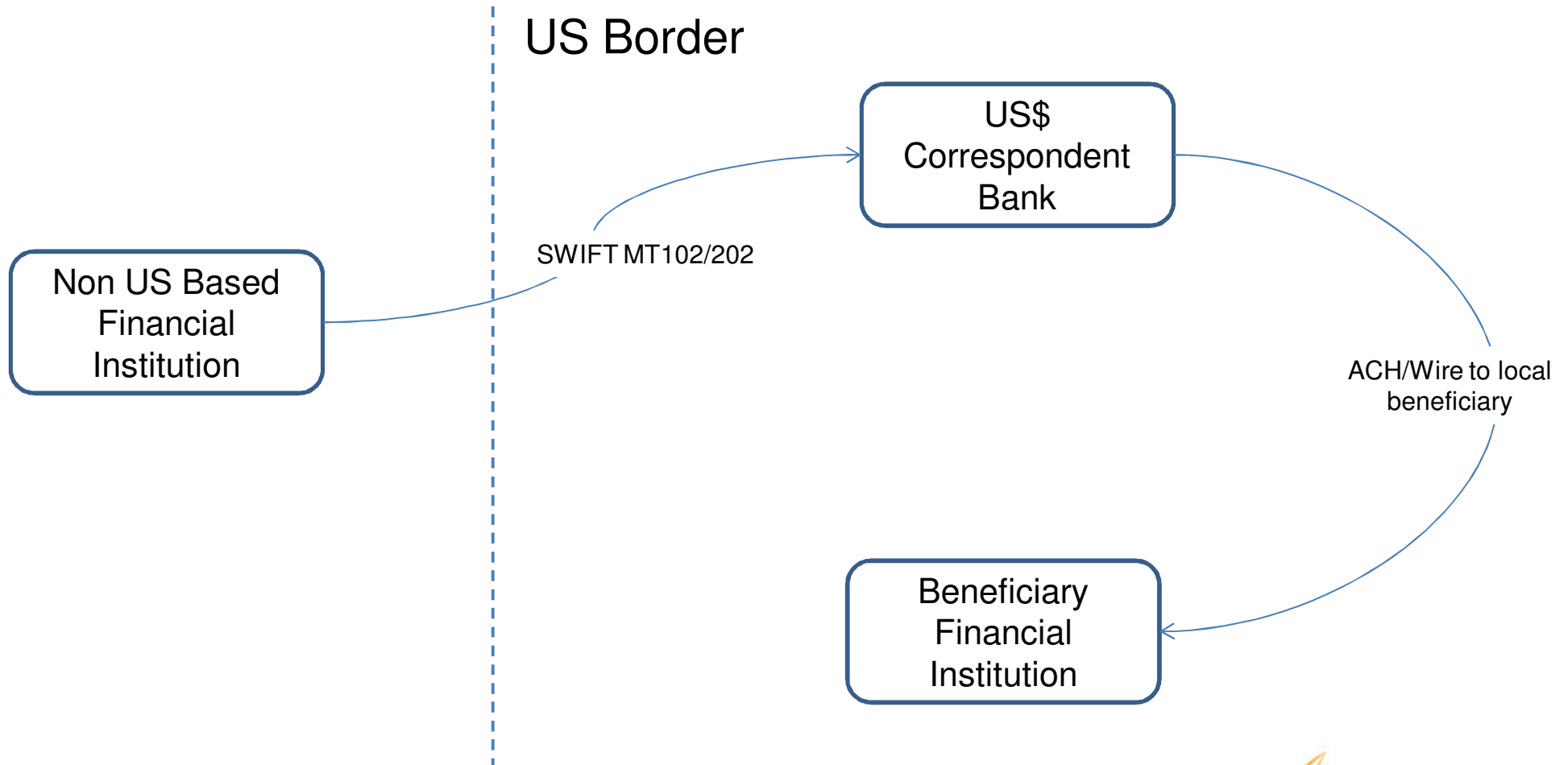
Benefits of inXpay's USD Clearing Solution

- Improved connectivity by reducing
 - Counterparty risk
 - Settlement risk
 - Operational risk
- Reduced systemic risk for market as a whole
- Greater market depth and liquidity
- Standardized contracts for members including collateral requirements

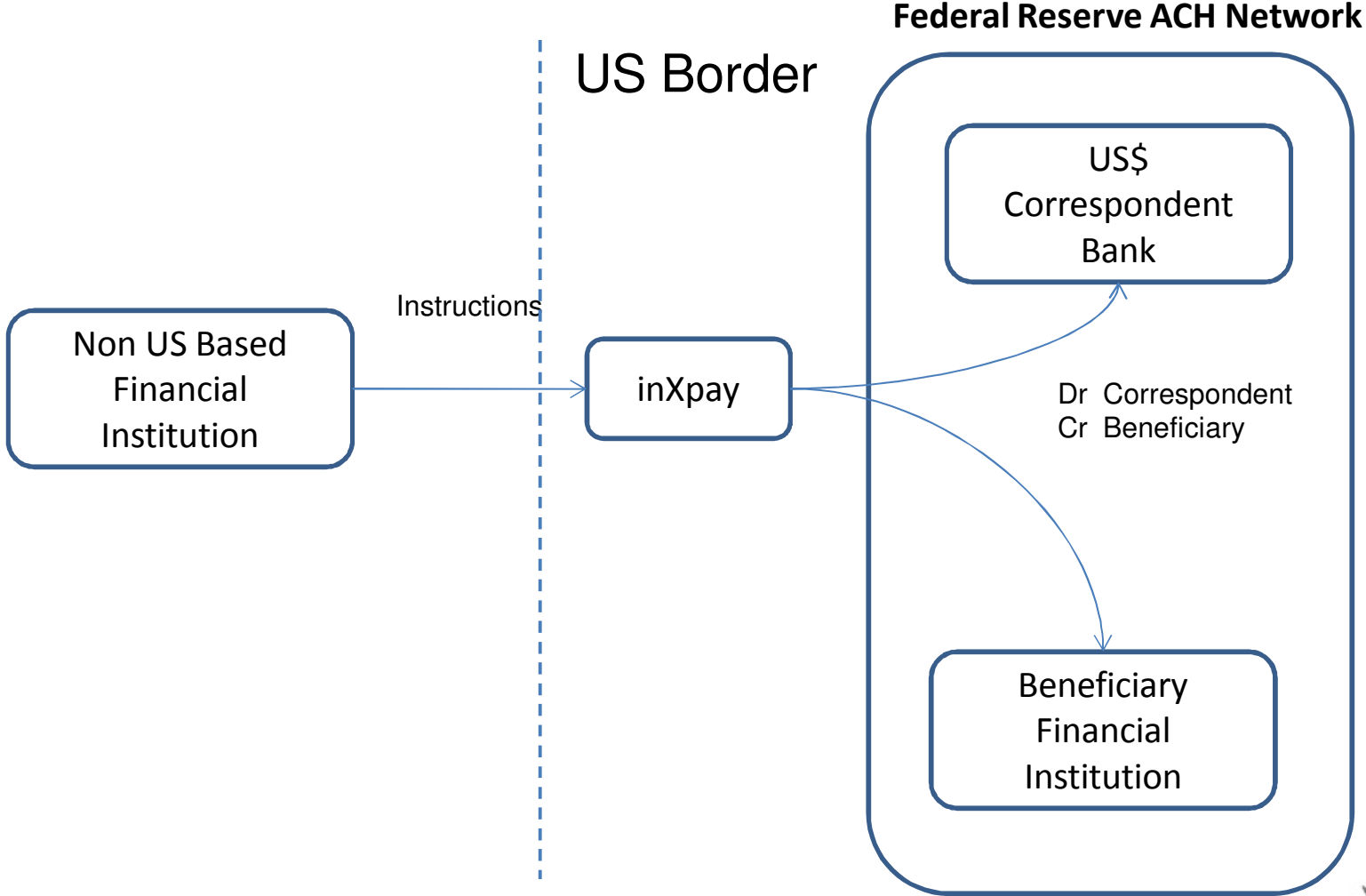
inXpay's USD Clearing System Design and Process



The As-is USD Clearing and Settlement System



inXpay's USD Clearing and Settlement Solution



Potential Issues – International ACH Transactions (IAT)

- Why should ACH Participants Understand the IAT Rules
- ACH Participants Most Likely to be Impacted
- Definition of IAT and Payment Transactions
- Scenarios to Help Identify IAT's

Why Should ACH Participants Understand IAT?

OFAC violations carry penalties.

- ACH Receivers and Originators are subject to U.S. law, including OFAC sanctions.
- Originating Financial Institutions will obligate an Originating Company or Third Party Sender through the warranties in their ACH origination agreement or terms & conditions.
- Originating Company acknowledges that they may not initiate ACH entries that violate the laws of the United States.

ACH entries could be delayed.

- Financial institutions handling ACH transactions are subject to both U.S. law and the NACHA Operating Rules.
- Financial Institutions will be required to OFAC screen both inbound and outbound ACH IAT entries so there may be delays if an entry needs to be scrutinized further.

ACH Participants Most Likely to be Impacted

- Non-U.S. headquartered companies with U.S. operations
- U.S. companies with pensioners or employees located outside of the U.S. and possibly have funds forwarded to a non-U.S. financial institution.
- Third-Party Senders or Payment Aggregators
- U.S. companies with vendors located outside the U.S.
- U.S. companies receiving ACH credit entries from offshore entities

IAT Definition - Key Components

Definition

- An ACH entry that is part of a payment transaction involving a financial agency's office that is not located in the territorial jurisdiction of the U.S.

A financial agency is involved if one or more applies.

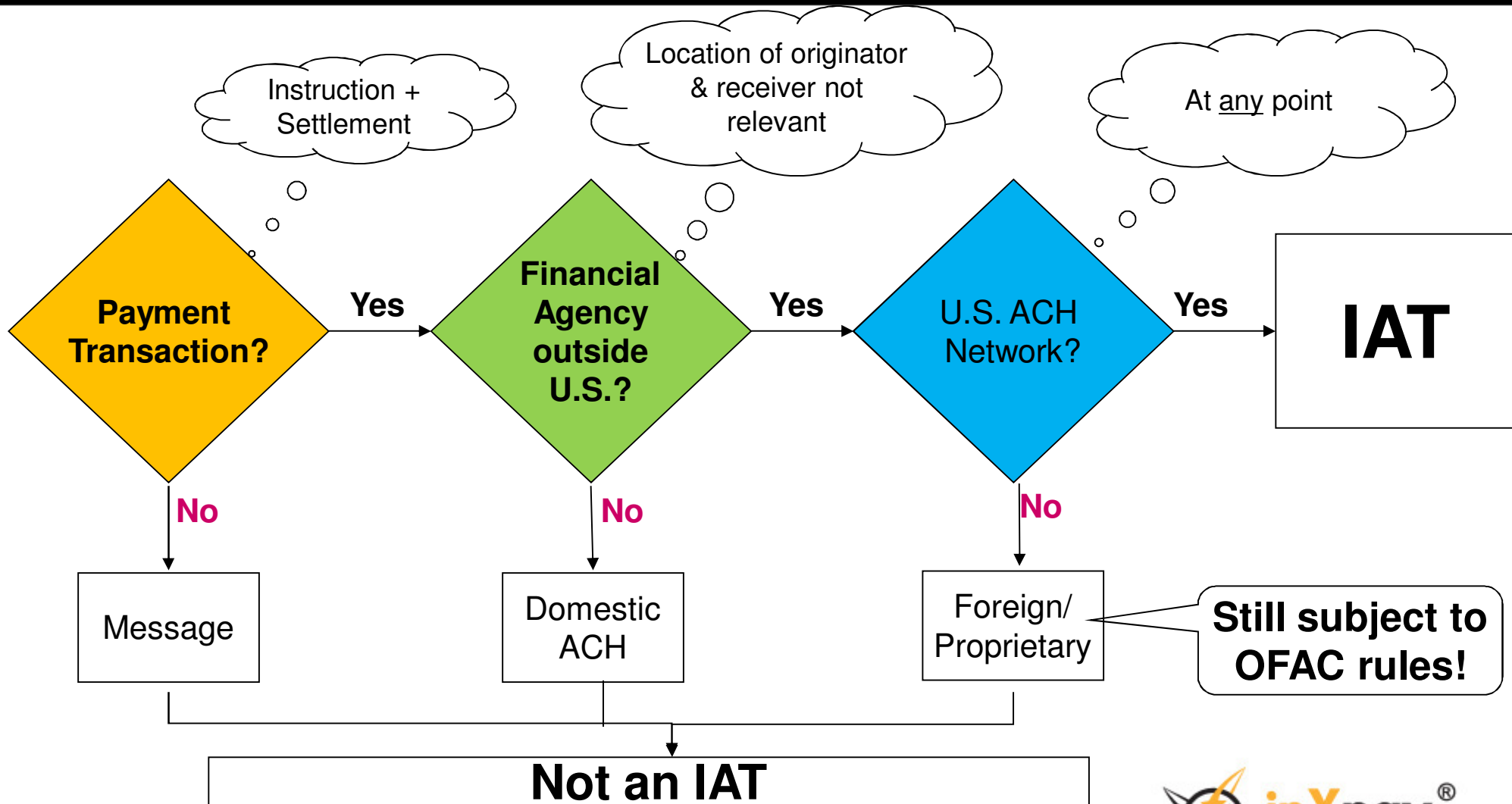
The financial agency / financial institution:

- Holds an account that is credited or debited as part of a payment transaction
- Receives funds directly from a Person or makes payment directly to a Person as part of a payment transaction
- Serves as an intermediary in the settlement of any part of a payment transaction

Payment Transaction Guidance

- “Payment Transaction” is not defined, OFAC requested that the following guidance be included in the ACH Operating Guidelines.
- A Payment Transaction is:
 - An instruction of a sender to a bank to pay, or to obtain payment of, or to cause another bank to pay or to obtain payment of, a fixed or determinate amount of money that is to be paid to, or obtained from, a Receiver and
 - Any and all settlement, accounting entries or disbursements that are necessary or appropriate to carry out the instruction.

Is My Transaction an IAT?



IAT Entries

- Entries may be either a debit or credit to the Receiver's account.
- The Receiver may be a consumer or corporate accountholder.
- IAT entries flow through the domestic ACH Network and settle in U.S. dollars.
- The ACH formats are different for those entries designated as IAT. The formats of other ACH entries do not change.

IAT Key Scenarios

- If the financial institutions involved in the settlement of the transaction are outside the territorial jurisdiction of the U.S.
- If the money to fund the transaction is coming into/or out of the U.S. with the payment request, the items are considered IAT transactions.

Thank you.

