



NOTICE OF AMENDMENT
TO THE
2022 NACHA OPERATING RULES

February 28, 2022
SUPPLEMENT #1-2022

Micro-Entries

*Effective Dates: Phase 1 - September 16, 2022
Phase 2 - March 17, 2023*

Supplement #1-2022 to the Nacha Operating Rules

On January 31, 2022, the Nacha Voting Membership approved an amendment to the Nacha Operating Rules on the following topic:

- Micro-Entries: Phase 1 – effective September 16, 2022
Phase 2 – effective March 17, 2023

This supplement provides ACH Network participants with a summary of the key components of the change, along with details regarding the technical changes to Rules language. To ensure compliance with the most current rules, use this Supplement in conjunction with the 2022 edition of the Nacha Operating Rules.

Micro-Entries

The purpose of the Micro-Entries rule amendment is to improve the effectiveness of Micro-Entries as a method of account validation; to better enable ODFIs and RDFIs to identify Micro-Entries so they can apply any desired processing routines or other controls; and to improve the quality of Micro-Entries in the ACH Network.

The Micro-Entry rule changes will:

- define Micro-Entries within the Nacha Operating Rules;
- standardize certain formatting elements for Micro-Entries;
- establish other Micro-Entry origination practices; and
- apply risk management requirements to the origination of Micro-Entries.

The Micro-Entry rule will be effective in two phases as follows:

- Phase 1 will be effective on September 16, 2022. As of this date, “Micro-Entry” will be a defined term and type of payment within the Nacha Operating Rules, and Originators of Micro-Entries will be required to use the standard Entry Description and follow other origination practices.
- Phase 2 will be effective on March 17, 2023. On that date, Originators of Micro-Entries will be required to use commercially reasonable fraud detection practices, including the monitoring of forward and return Micro-Entry volumes.

SUMMARY

Micro-Entries are a generally accepted method in the marketplace for an ACH Originator to test the validity of a Receiver’s account. Although Originators have used this low-cost, within-Network option for quite some time, Micro-Entries are not defined within the Rules. The Micro-Entry Rule amendment (the Rule) will define the use of these entries in the ACH Network. Specifically, the Rule will:

- Define a “Micro-Entry” as a credit or debit Entry used by an Originator for the purpose of verifying a Receiver’s account or an individual’s access to an account. Credit Micro-Entries must be in an amount of less than \$1.00. One or more debit Micro-Entries must not exceed, in total, the amount of the corresponding credit Micro-Entries. The definition accommodates the existing practice of offsetting the amounts of credit Micro-Entries with one or more debits, which nets the total verification practice to \$0 and permits a debit offset to be greater than \$1.00 only to offset the amounts of credit Micro-Entries.
- Standardize formatting for Micro-Entries by requiring the use of “ACCTVERIFY” in the Company Entry Description field. The Rule also will require that the Company Name be readily recognizable to the Receiver, and be the same or similar to the Company Name that will be used in future entries. However, the Originator will be allowed to have minor variations in the Company Name to accommodate processing needs. A standard description will make Micro-Entries more easily identifiable, and better enable ODFIs and RDFIs to apply any desired processing routines or controls.
- Establish other origination requirements for Micro-Entries. Originators using debit Micro-Entry offsets must send the debit and the corresponding credit Micro-Entries simultaneously for settlement at the same time. The Rule will also require that the total amount of the credit Micro-Entry(ies) must be equal to or greater than the value of the debit Micro-Entry(ies). The aggregate total of debits and credits cannot result in a net debit to the

Receiver's account. Originators of Micro-Entries may initiate future entries to the Receiver's account as soon as the Originator's process for validating the amounts of the Micro-Entries has been completed. However, the Originator may not originate a future entry simultaneously with Micro-Entries.

- Apply risk management requirements to Originators of Micro-Entries. These Originators will be required to conduct commercially reasonable fraud detection on its use of Micro-Entries, including monitoring of forward and return volumes of Micro-Entries. Monitoring forward and return volumes, at a minimum, will establish a baseline of normal activity for the Originator. Using commercially reasonable fraud detections will minimize the incidence of fraud schemes that make use of Micro-Entries.

Although not a part of the Rule, ACH participants should understand how other provisions of the Nacha Operating Rules apply to Micro-Entries. Micro-Entries may be referred to as test transactions, but they are actual "live" ACH entries that result in the movement of money. As a result, ODFI warranties apply to Micro-Entries, including the warranties that they are authorized and contain accurate information.

IMPACT TO PARTICIPANTS

Originators: Originators that use Micro-Entries will have to adopt new formatting conventions by including "ACCTVERIFY" in the Company Entry Description and meeting the Company Name requirement for these entries. Originators will have to adhere to the required timing and waiting periods associated with Micro-Entries. Originators that do not already have in place commercially reasonable fraud protection for their Micro-Entry origination will have to begin monitoring their forward and return volumes. They may also consider practicing other desired velocity checks or anomaly detection.

ODFIs: ODFIs will need to make sure that their Originators that use Micro-entries are aware of the Rule and its requirements.

RDFIs: RDFIs should consider incorporating Micro-Entry activity into existing fraud detection, AML and money mule detection processes. To advance the effectiveness of Micro-Entries as a fraud mitigation tool, RDFIs should consider treating corresponding credit and debit Micro-Entries the same when making post/no post decisions, i.e., they should either post both or return both. RDFIs that have not automated their return processing are encouraged to do so to minimize the impact that additional administrative returns may have on their operations.

EFFECTIVE DATE

The Micro-Entry rule will become effective in two phases. Phase 1, which will incorporate the definition, formatting requirements and other origination requirements, will become effective on September 16, 2022. On March 17, 2023, Phase 2 will become effective. On this date, Originators will have to apply commercially reasonable fraud detection practices to Micro-Entry origination, including monitoring forward and return volumes.

TECHNICAL SUMMARY

Below is a summary of the impact of the Micro-Entry rule on the Nacha Operating Rules. Sections of the Rules that are affected by this amendment are also included and reflect rule language as it will read upon implementation in highlighted, italicized text.

Phase 1 - September 16, 2022:

- *Article Two, Section 2.7 (Micro-Entries)* – New section to establish rules surrounding Micro-Entries.
- *Article Two, Subsection 2.7.1 (General Rule for Micro-Entries)* – New subsection to describe Micro-Entries.
- *Article Two, Subsection 2.7.2 (Formating Requirements for Micro-Entries)* – New subsection to establish Micro-Entry formatting.

- *Article Two, Subsection 2.7.3 (Restrictions on Transmission of Debit Micro-Entries)* – New subsection to state the timing and aggregate value requirements for Micro-Entries.
- *Article Two, Subsection 2.7.4 (Waiting Period Following Origination of Micro-Entries)* – New subsection requiring the Originator to wait until the Receiver has completed the Originator’s Micro-Entry validation process.
- *Article Eight, Section 8.59 (“Micro-Entry”)* – New section to define Micro-Entry.
- *Appendix One, Part 1.2 (Data Specifications for ACH Records)* – Updates to include new Company Entry Description for Micro-Entries.
- *Appendix Three, Subpart 3.2.2 (Glossary of Data Elements - Company Entry Description)* – Updates to include new Company Entry Description for Micro-Entries.
- *Appendix Three, Subpart 3.2.2 (Glossary of Data Elements - Company Name)* – Updates to include new Company Name requirement for Micro-Entries.

Phase 2 - March 17, 2023

- *Article Two, Subsection 2.7.5 (Commercially Reasonable Fraud Detection for Micro-Entries)* – New subsection to require Originators to conduct commercially reasonable fraud detection when using Micro-Entries.

As approved January 31, 2022, effective September 16, 2022, the Rules will be amended as follows for Phase 1 changes related to Micro-Entries.

ARTICLE TWO

Rights and Responsibilities of ODFIs, Their Originators, and Third-Party Senders

SECTION 2.7 Micro-Entries (New Section)

SUBSECTION 2.7.1 General Rule for Micro-Entries

An Originator may originate one or more Micro-Entries to a Receiver’s account prior to initiating future credit or debit Entries to the Receiver’s account. A credit Micro-Entry must be in an amount less than \$1.00. One or more debit Micro-Entries must not exceed, in total, the amount of the corresponding credit Micro-Entries.

SUBSECTION 2.7.2 Formatting Requirements for Micro-Entries

An Originator must submit Micro-Entries as a separate batch of Entries with the content “ACCTVERIFY” in the Company Entry Description Field of the Company/Batch Header Record.

The name of the Originator in a Micro-Entry (as identified in the Company Name field or the Originator Name field) must reflect the same Originator that will be identified in future Entry(ies) to the Receiver’s account. The Originator may make minor variations to the content of the Company Name field or Originator Name field, such as for accounting or tracking purposes, provided that the name of the Originator remains readily recognizable to the Receiver.

SUBSECTION 2.7.3 Restrictions on Transmission of Debit Micro-Entries

An Originator that Transmits one or more debit Micro-Entries to a Receiver’s account must simultaneously Transmit for settlement at the same time one or more credit Micro-Entries that, in aggregate value, are equal to or greater than the amount of the debit Micro-Entry(ies).

SUBSECTION 2.7.4 Waiting Period Following Origination of Micro-Entries

An Originator that has originated one or more Micro-Entries to a Receiver’s account may initiate future Entries to the Receiver’s account as soon as the Originator’s process for verifying the amounts of the Micro-Entries has been completed.

ARTICLE EIGHT

Definitions of Terms Used in These Rules

SECTION 8.59 “Micro-Entry”

a credit or debit Entry used by an Originator for the purpose of verifying a Receiver’s account or an individual’s access to an account.

APPENDIX ONE

ACH File Exchange Specifications

PART 1.2 Data Specifications for ACH Records

The following table shows the data specifications for ACH Records.

TYPE OF FIELD	ALPHABETIC/ ALPHAMERIC	NUMERIC
Valid Characters	0-9, A-Z, a-z, space, EBCDIC values greater than hexadecimal “3F”, ASCII values greater than hexadecimal “1F”	0-9
Justification	Left	Right
Empty Field Handling	Space filled	Zero filled
Special Notes	Certain fields require the use of UPPERCASE characters – see below.	Must be unsigned (Neither positive (+) or negative (-) signage.)

UPPERCASE characters must be used for all of the following:

- all alphabetic characters within the Standard Entry Class Code field;
- all alphabetic characters within the File ID Modifier field;
- all alphabetic characters within the Change Code and Refused COR Code fields;
- all alphabetic characters within the Return Reason Code, Dishonored Return Reason Code, and Contested Dishonored Return Reason Code fields;
- Company Entry Description fields containing the words “RETRY PYMT,” “REVERSAL,” “RETURN FEE,” “RECLAIM,” “NONSETTLED,” “AUTOENROLL” (for ENR entries), “REDEPCHECK” (for RCK entries), “NO CHECK” (for XCK entries), and “HCCLAIMPMT” (for Health Care EFT Transactions); and

- *Company Entry Description fields containing the words “ACCTVERIFY” (for Micro-Entries), “RETRYPYMT,” “REVERSAL,” “RETURN FEE,” “RECLAIM,” “NONSETTLED,” “AUTOENROLL” (for ENR entries), “REDEPCHECK” (for RCK entries), “NO CHECK” (for XCK entries), and “HCCLAIMPMT” (for Health Care EFT Transactions); and*
- Company Name fields containing the words “CHECK DESTROYED” (for XCK entries).

APPENDIX THREE

ACH Record Format Specifications

PART 3.2 Glossary of ACH Record Format Data Elements**SUBPART 3.2.2 Glossary of Data Elements**

Company Entry Description: 10 Positions – Company/Batch Header Record – Mandatory (all batches)

The Originator establishes the value of this field to provide the Receiver with a description of the purpose of the Entry. For example, “Gas bill,” “Reg. Salary,” “ins. prem.,” “Soc. Sec.,” “DTC,” “Trade Pay,” “PURCHASE,” etc.

This field must contain the word “ACCTVERIFY” when the batch contains Micro-Entries.

This field must contain the word “NONSETTLED” when the batch contains Entries that could not settle.

This field must contain the word “RECLAIM” when the batch contains Reclamation Entries.

This field must contain the words “RETRY PYMT” when the batch contains Reinitiated Entries. For any Reinitiated Entry, the description “RETRY PYMT” must replace the original content of the Company Entry Description field transmitted in the original Entry, including content otherwise required by these Rules.

This field must contain the words “RETURN FEE” when the batch contains Return Fee Entries.

This field must contain the word “REVERSAL” when the batch contains Reversing Entries.

ADV: The Originator, i.e., the Originating ACH Operator, uses this field to describe to the institution receiving the ADV File the type of activity to which the accounting information relates.

CCD: This field must contain the word “HCCLAIMPMT” when the batch contains Health Care EFT Transactions.

ENR: This field must contain the word “AUTOENROLL” when the batch contains Automated Enrollment Entries.

RCK: This field must contain the word “REDEPCHECK”.

TRX: This field contains the routing number of the keeper.

WEB: For a Person-to-Person Entry, this field must contain a description that the Receiver would readily recognize as descriptive of a Person-to-Person Entry.

XCK: This field must contain the words “NO CHECK”.

Company Name: 16 Positions – Company/Batch Header Record – Mandatory (all batches except IAT)

This field identifies the source of the Entry and is used for descriptive purposes for the Receiver. Except as otherwise noted below, this field must contain the name by which the Originator is known to and readily recognized by the Receiver of the Entry.

In a transaction in which the Originator of a debit Entry is not the payee of the transaction (the party to which payment is ultimately being directed), the Company Name field of the debit Entry must contain the name by which the payee is known to and readily recognized by the Receiver of the Entry. In a transaction in which the Originator of a credit Entry is not the payor of the transaction (the party from which payment is ultimately being directed), the Company Name field of the credit Entry must contain the name by which the payor is known to and readily recognized by the Receiver of the Entry.

For Micro-Entries, this field must contain the same or similar name of the Originator that will be included in future Entries (see Article Two, Subsection 2.7.2 – Formatting Requirements for Micro-Entries).

For Return Fee Entries, this field must contain the same name of the Originator as identified in the Company Name field of the underlying Entry. For a Return Fee Entry based on the return of a Check, the Company Name field must contain the name of the payee of the Check.

ADV: The ACH Operator is both the Originator and the ODFI. The ACH Operator originating the ADV File identifies itself by name in this field.

ARC, BOC: This field identifies the payee of the Eligible Source Document or the payee name indicated on the bill or invoice.

CCD: For a Health Care EFT Transaction, this field must contain the name of the Health Plan originating the Entry, or, where an organization is self-insured, the name of the organization’s third-party administrator that is recognized by the Health Care Provider and to which the Health Care Provider submits its claims.

CIE: This field contains the bill payment service provider’s name.

MTE: This field identifies the owner of the terminal where the transaction was initiated.

POP, POS, SHR: This field identifies the merchant with whom the Receiver initiated the transaction.

RCK: This field identifies the Originator of the RCK Entry, which is the original payee on the face of the Check.

TRC: This field identifies the name of the keeper.

WEB: For a Person-to-Person Entry, this field contains the P2P service provider’s name; the P2P service provider is either the ODFI or a Third-Party Service Provider.

XCK: This field must contain the words “CHECK DESTROYED” (left justified).

REVERSALS: The name of the Originator must reflect the same Originator identified in the Erroneous Entry to which the Reversal relates. The Originator or ODFI of the Reversing Entry may make minor variations to the original content of the Company Name field, such as for accounting or tracking purposes, provided that the name of the Originator remains readily recognizable to the Receiver.

As approved January 31, 2022, effective March 17, 2023, the Rules will be amended as follows for Phase 2 changes related to Micro-Entries.

ARTICLE TWO

Rights and Responsibilities of ODFIs, Their Originators, and Third-Party Senders

SECTION 2.7 Micro-Entries

SUBSECTION 2.7.5 Commercially Reasonable Fraud Detection for Micro-Entries (New Subsection)

An Originator of Micro-Entries must conduct commercially reasonable fraud detection on its use of Micro-Entries, including by monitoring of forward and return volumes of Micro-Entries.