Micro-Entries (Phase 1)

RULE STATUS

Recently Implemented Rule

This Rule defines and standardizes practices and formatting of Micro-Entries, which are used by some ACH Originators as a method of account validation.

The term Micro-Entry is defined, and Originators are required to use the standard Company and Description and follow origination practices.

Download our one-page overview of the Micro-Entry Rule and what it means to you.

Download our Micro-Entry Return Scenario chart for additional information on return handling.

Details

This Rule defines and standardizes practices and formatting of Micro-Entries, which are used by some ACH Originators as a method of account validation

Phase 1 of the Rule will:

- Defines "Micro-Entries" as ACH credits of less than $1 and any offsetting ACH debits, used for the purpose of verifying a Receiver's account

- Standardizes the Company Entry Description and Company Name requirements for Micro-Entries

- Establishes other Micro-Entry origination practices

Phase 2 of the Rule will be effective March 17, 2023

- Originators of Micro-Entries will be required to use commercially reasonable fraud detection, including the monitoring of Micro-Entry forward and return volumes

Technical

The Rule defines "Micro-Entry" as a type of ACH Entry

- A Micro-Entry will be "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."

- A credit Micro-Entry must be in the 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

- This definition accommodates the existing practices 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

The Rule will standardize formatting for Micro-Entries

In the Company Entry Description field, the Rule requires the use of "ACCTVERIFY"

- A standard description makes Micro-Entries more easily identifiable, and better enable ODFIs to apply any desired processing routines or other controls

- Like other rules for the standardized use of the Company Entry Description, ODFIs are not required to review, validate or correct an Originator's formatting

The Company Name must be readily recognizable to the Receiver, and be the same or similar to the Company Name that will be used in future Entries

- Permitted to have minor variations to accommodate processing needs

- Mirrors the Company Name requirement from the recently approved rule on Reversals

The Rule will establish other origination requirements

An Originator that is using debit Micro-Entry offsets must send the debits and the corresponding credit Micro-Entries simultaneously for settlement at the same time

- Better enables the simultaneous delivery of credit Micro-Entries and corresponding debit Micro-Entry offsets to RDFIs in the same file

The total amount of the credit Micro-Entry(ies) must equal to or greater than the value of the debit Micro-Entry(ies)

- The aggregate total of the debits and credits cannot result in a net debit to the Receiver's account

An Originator using 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

- The Originator is in the best position to know when the validation process is complete

- A future Entry may not be originated simultaneously with Micro-Entries

- ODFIs are not required to review or inspect files to enforce this

In Phase 2 of the Rule risk management requirements will be applied to Originators.

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

- The use of commercially reasonable fraud detection is intended to minimize the incidence of fraud schemes that make use of Micro-Entries

- Monitoring forward and return volumes, at a minimum, establishes a baseline of normal activity

- An Originator would not be required to perform an entry-by-entry review

Impact

Benefits

For RDFIs and their Receivers

- Better enables identification of individual Micro-Entries

- Better enables RDFIs to apply desirable processing routines and other controls

- Better enables the receipt of corresponding debit and credit Micro-Entries to the same account at the same time

- Reduces the potential of receiving fraudulently-initiated Micro-Entries

For ODFIs and their Originators

- Better effectiveness of the Micro-Entry process for account validation

- Better customer experience due to standardization of some aspects of the process and the standardization of the description

For the ACH Network as a whole

- A more effective Micro-Entry process for account validation through the ACH Network

- Addressing pain points of Originators, ODFIs and RDFIs

- Improve the quality of this type of Entry in the ACH Network

Impacts

Originators

Originators will adopt the formatting conventions for Micro-Entries

- Company Entry Description of "ACCTVERIFY"

- Company Name requirement

Originators will observe the required timing and waiting periods

- Must send credit and corresponding debit Micro-Entries (if using) simultaneously

- Must wait to originate future Entries until the verification process is complete

Originators will need to conduct commercially reasonable fraud detection for Micro-Entries *(Phase 2)*

- Monitoring forward and return volumes of Micro-Entries

- Other desired velocity checks or anomaly detection

RDFIs should consider:

- Incorporating incoming micro-entry activity into existing fraud detection, AML, and money mule detection

- Treating corresponding credit and debit Micro-Entries the same when making post/no-post decisions (i.e., post both or return both)

- Automating return processing, especially for administrative return reasons such as account closed or no account