



WEST SHORE BANK

2023

NACHA Rules Update

This 2023 NACHA Rules notification provides a summary of changes to the NACHA Operating Rules & Guidelines (“Nacha Rules”), listed chronologically in the order of effective date. For further information we recommend that you obtain a copy of the 2023 NACHA Operating Rules and Guidelines. The Nacha Rules are published annually and may be referenced or ordered at www.nacha.org/store. More detailed information regarding these changes may also be found at www.nacha.org/rules/operating-rules.

Micro-Entries (Phase 2) - Effective March 17, 2023

This Rule will define and standardize practice and formatting of Micro-Entries, which are used by some ACH Originators as a method of account validation.

This phase of the Rule requires Originators of Micro-Entries to use commercially reasonable fraud detection, including the monitoring of Micro-Entry forward and return volumes.

Details:

Phase 2 of the Micro-Entries Rule builds upon the initial implementation of Phase 1 of the Rule. As of the effective date, Originators of Micro-Entries are required to employ commercially reasonable fraud detection practices, including the monitoring of forward and return Micro-Entry volumes.

Technical Summary:

This Rule modifies the following area of the NACHA Operating Rules:

- 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.

Impact to Participants:

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.