

**MEMO# 1490**

October 25, 1989

## **CHECK AGING STUDY - MONTH OF NOVEMBER, 1989**

October 25, 1989 TO: OPERATIONS COMMITTEE NO. 22-89 RE: CHECK AGING STUDY - MONTH OF NOVEMBER, 1989 \_\_\_\_\_ At the October 18, 1989 meeting, the Operations Committee agreed to conduct a "check aging" study of investor checks presented to money market and other income funds for share purchases during the month of November, 1989. For this study, please submit check data for ginnie mae, U. S. Government and municipal funds as well as money market funds. For those Committee members who were not at the meeting, the check aging study is being performed at this time in an effort to determine whether monies from checks deposited into bank checking accounts are being made available to customers as provided for under the recently adopted Federal Reserve rule implementing the Expedited Funds Availability Act enacted by the Congress on August 10, 1987. The effective date for the FED rule was September 1, 1988. The Act includes specific and detailed provisions requiring banks to: (1) Make funds available to their customers within specified time frames, (2) Pay interest on interest-bearing transaction accounts not later than the day the bank receives provisional credit, and (3) Disclose their funds availability policies to their customers. Under the temporary schedule that became effective on September 1, 1988, a depository bank must make the proceeds of local checks available for withdrawal by the third business day following deposit; that is, the proceeds of local checks deposited on a Monday must be available for withdrawal by the following Thursday. The depository bank must make the proceeds of nonlocal checks available for withdrawal by the seventh business day following deposit; that is, the proceeds of a Monday deposit must be available for withdrawal by Wednesday of the following week. -2- As was done with the seven previous "check aging" studies (July 1980, March 1981, November 1982, November 1984, November 1985, January 1987 and November 1988), the attached forms are to be completed by each Committee member for each type of fund. Please complete a separate form for each fund and fill out both sides of each form. In accordance with a special request from the SEC, please note that this year's survey requests information regarding foreign checks. Namely, we are requesting that you separately report the number of foreign checks returned in November and the number and corresponding total dollar amount of foreign checks sent to drawee banks for collection in November. Please supply the information requested for the items enumerated on the form as follows: (1) The number of checks returned that were drawn against domestic banks and cleared through the Federal Reserve System. (2) The number of checks returned that were drawn against foreign banks and sent out for special collection by the fund's custodian. Please note that this is a new item. (3) The number of redemption requests refused in November because of uncollected payments (as set forth as fund policy in No. 4 below). (4) Each fund's policy (if any) with respect to how long investments made by personal check are held before redemption proceeds are mailed or wired, or a check is

permitted to be drawn against the shareholder account. Please state the fund's policy as set forth in the prospectus. (5) The total number of all shareholder checks drawn on domestic banks and cleared through the Federal Reserve System that were deposited and cleared in the month of November for each fund. (6) The total number of foreign checks sent out by the fund's custodian for special collection in November and their corresponding total dollar amount. Please note that this is a new item. -3- It is very important that we have maximum participation in this year's study. The previous check aging studies have been most valuable for the Institute in responding to questions before the SEC, Federal Reserve and the Congress. Participation and completion of this study by all Committee members is most important as this will be the second check aging study performed after the effective date for banks implementing the new rule. Therefore, please contact your transfer agent as soon as possible so that they can be prepared to start the study on November 1, 1989. If you are new to the Operations Committee and have not participated in prior studies and you have questions regarding the study, please call Donald O'Connor at the Institute. Please return the completed form(s) and any other responses or comments you may have as soon as possible in December. Send them to Rita Pemberton, Investment Company Institute, 1600 M St., N.W. - 6th Floor, Washington, D.C. 20036. If you have any questions, please contact Donald E. O'Connor at 202/955-3550. Robert W. Blucke Chairman

Attachments

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