

MEMO# 7774

April 9, 1996

CHECK AGING STUDY-MAY, 1996

April 9, 1996 TO: OPERATIONS COMMITTEE No. 6-96 RE: CHECK AGING STUDY-MAY, 1996

At the November 28, 1995 meeting, the Operations Committee agreed to conduct an aging study of checks presented for mutual fund share purchases during the month of May, 1996. This study is performed in an effort to determine when monies from checks deposited into mutual fund accounts are clearing through the Federal Reserve System. Previous check studies conducted by the Institute have aided mutual funds in establishing appropriate redemption policies regarding hold periods. Due to the increased level and sophistication of check fraud, some Operations Committee members are reviewing their current hold policies to ensure there is sufficient time to detect and prevent potential fraud schemes. The survey has also been useful for the Institute and its members in responding to inquiries from the SEC and the Federal Reserve regarding check clearing and hold policies. Each Operations Committee member should complete the attached Check Aging forms for seven mutual funds; preferably three equity funds, three bond funds, and one money market fund. A separate form for each fund should be completed and returned to the Institute no later than July 31, 1996. Activity recorded is for the month of May, 1996 only. Check Aging Survey Forms Please complete a separate survey form for each fund and be sure to fill out all questions in the survey. The following information should be provided: (1.) The total number of all shareholder purchase checks deposited and cleared during the month of May, 1996. (2.) Number of returned checks received for purchase. State the number of checks received for share purchases that were later dishonored or returned by the bank. List the number of checks returned based upon the number of days elapsed since the date of deposit and the date of return. For example, if during May 1996, 5 checks were returned six days after the deposit, put the number 5 in the box opposite number 6 in the "Elapsed Number of Days" column. (3.) Reason for Return for Checks Returned After 11 Days If checks were returned 11 or more days after deposit, please provide a brief description of why the checks were returned - for example "Insufficient Funds". (4.) The funds hold policy regarding purchase checks. Please state the number of calendar days the fund may delay the mailing of redemption proceeds while waiting for a purchase check to clear. Please state the policy as set forth in the funds prospectus. (5.) The number of redemption transactions in which proceeds were delayed because they were received during the funds hold period. Completion Date Please complete this information and return to Natalie Lacireno-Paquet (telephone number 202/326-5852) at the Investment Company Institute, 1401 H Street, NW, Washington, DC 20005. All surveys should be returned no later than July 31, 1996. We appreciate your participation in this years study. If you have any questions regarding the survey, please contact the undersigned at 202/326-5850. Justine Phoenix Director - Operations/ Transfer Agency Attachment

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.