

MEMO# 8360

October 29, 1996

CHECK AGING STUDY - MAY, 1996

October 29, 1996 TO: OPERATIONS COMMITTEE No. 30-96 RE: CHECK AGING STUDY - MAY, 1996 _____ At its October 20, 1996 meeting, the Operations Committee reviewed the results of the check aging study conducted in May 1996 and concluded that an additional study should be conducted during the month of November, 1996. The results of the May 1996 study, which were previously provided (See memo to Operations Committee No.20-96-dated August 27, 1996) indicated that checks were not clearing as quickly as in previous studies. This is an apparent reversal of the acceleration of check clearing noted in prior studies conducted after the implementation of the Expedited Funds Availability Act in the late 1980s. Thus, the Committee agreed that an immediate follow-up study is needed to test these surprising results. 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 have been 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. Please be prepared to collect information on either a.) seven of your complex mutual funds (preferably three equity funds, three bond funds, and one money market fund OR, b) if you prefer, all the funds in your complex. In the May 1996 study, several complexes found it easier to provide information for all their funds rather than a sample selection of funds. Either method is acceptable. Forms for the study will be mailed separately this week. This memo is to inform you that you should be prepared to begin collecting information for the month of November. This information should be returned to the Institute no later than January 31, 1997. If you have any questions regarding the survey, please contact the undersigned at 202/326-5850. Thank you for your cooperation and assistance in this effort. Justine Phoenix Director - Operations/ Transfer Agency Attachment

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