

MEMO# 8362

October 30, 1996

CHECK AGING STUDY - NOVEMBER, 1996

October 30, 1996 TO: OPERATIONS COMMITTEE No. 31-96 RE: CHECK AGING STUDY - NOVEMBER, 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. 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. Please provide a separate form for each fund. (Alternatively, if you utilize one DDA for all your funds and wish to consolidate the data for all funds in your complex, you may fill out one form. Please indicate on the form the number of funds in your complex on the "Name of Fund" line.) All check aging survey forms should be completed and returned to the Institute no later than January 31, 1997. Activity recorded is for the month of November 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 November, 1996. (2.) Number of purchase checks returned by the bank as uncollected. 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 between the date of deposit and the date of return. For example, if during November 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 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 and indicate whether it is in calendar or

business days. (5.) The number of redemption transactions in which proceeds were delayed because they were received during the funds hold period. Finally, if you are able to detect any patterns as to the source of returned checks (direct investors, broker-dealers, financial planners, etc.), please provide a brief description on a separate sheet. Completion Date Please complete this information and return to Beatrice Williar (fax number 202/326- 5853) at the Investment Company Institute, 1401 H Street, NW, Washington, DC 20005. All surveys should be returned no later than January 31, 1996. We appreciate your participation in this study. If you have any questions regarding the survey, please contact the undersigned at 202/326-5850. Justine Phoenix Director - Operations/ Transfer Agency Attachments

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