

MEMO# 3219

October 24, 1991

CHECK AGING STUDY - MARCH, 1991

October 24, 1991 TO: OPERATIONS COMMITTEE NO. 32-91 RE: CHECK AGING STUDY - MARCH, 1991 _____ Attached hereto are the results of the Operations Committee Check Aging Study of investor's checks presented to money market and other income funds during the month of March, 1991. Forty- two (42) management companies representing four hundred eighty- nine (489) funds participated in the survey. Two hundred forty (240) funds reported no returned check activity. The results of the funds surveyed show that for the month of March, 1991, a total of 1,039,400 shareholder checks were deposited and cleared. A total of 3,444 shareholder purchase checks were dishonored or returned. Of these, a total of 3,271 or 95% were returned within 10 days of deposit. Within 15 days of deposit, 98.3% of all dishonored checks were returned to funds. Comparisons of these figures with those of earlier (1987) check aging studies, which occurred prior to the implementation of Federal Reserve rules under the Expedited Funds Availability Act showed that only 76.7% of checks were returned within the first 10 days and that it took a full 15 days after a check deposit for greater than 90% (94.1%) of checks to be returned. However, the Institute's Check Aging studies performed after September 1, 1988, the effective date of the Federal Reserve rules, show a steady improvement in check clearing times in each year. The results of the March, 1991 study indicate that checks are clearing a great deal faster than in each of the prior study years. For analysis purposes, a summary table of the previous eight check aging studies is attached. The Operations Committee has been conducting check aging studies yearly since 1980. The results of the Check Aging Studies have aided mutual funds in establishing appropriate redemption policies which further protect shareholder assets where fund shares are purchased by personal checks. Donald E. O'Connor Vice President - Operations Attachments