



FEDERAL RESERVE BANK
OF DALLAS

TONY J. SALVAGGIO
FIRST VICE PRESIDENT

DALLAS, TEXAS 75222

September 17, 1993

Notice 93-99

TO: The Chief Operating Officer of
each financial institution in the
Eleventh Federal Reserve District

SUBJECT

**Discontinuance of the Cash Services
Early Credit/Late Debit Program**

DETAILS

The Federal Reserve System has recently conducted a review of the Early Credit/Late Debit Program, which has been available to qualifying depository institutions that use Federal Reserve cash services. Under this program, qualifying institutions obtain credit for cash deposits on the day the cash is shipped to the Federal Reserve rather than the day it is received by the Federal Reserve Bank. On orders shipped from the Federal Reserve, a financial institution is charged upon arrival of the cash at the institution rather than at the time the cash leaves the Federal Reserve.

When the program was initially implemented in 1983, non-member institutions were not yet subject to full reserve requirements and member institutions were experiencing the reduction in reserve requirements promulgated by the Monetary Control Act of 1980. As a result, many financial institutions met reserve requirements with vault cash, and cash in transit represented lost investment opportunities to these institutions. Since that time, the percentage of institutions using the program that fully meet reserve requirements through vault cash has dwindled. At the same time, the Federal Reserve has increased its emphasis on reducing risk in the payments system. Since the Early Credit/Late Debit Program is tantamount to an unsecured extension of credit, it presents considerable risk to the Federal Reserve.

In light of the diminishing value of the Early Credit/Late Debit Program to depository institutions and the inherent risk of the program, the Federal Reserve will discontinue the program effective December 15, 1993. After this date, shipments from the Federal Reserve will be charged to financial institutions' accounts on the date of shipment by the Federal Reserve Bank. Deposits sent to the Federal Reserve on or after December 16, 1993, will be credited on the date of receipt by the Federal Reserve. In this District, the Federal Reserve uses satellite coin terminals to ship and receive coin. For the purposes of this announcement, these terminals are considered the premises of the Federal Reserve.

This change will have an effect on the timing of accounting entries for financial institutions participating in the Early Credit/Late Debit Program. These institutions are encouraged to closely review the change with their reserve management and/or accounting personnel.

MORE INFORMATION

For more information, please contact Mary Louise Rosas, (214) 922-6801, at the Dallas Office; Javier Jimenez, (915) 521-8202, at the El Paso Office; Luke Richards, (713) 652-1544, at the Houston Office; or Richard Gutierrez, (210) 978-1401, at the San Antonio Office.

For additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 922-5254.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tompkins Salzman".