



FEDERAL RESERVE BANK
OF DALLAS

HELEN E. HOLCOMB
FIRST VICE PRESIDENT AND
CHIEF OPERATING OFFICER

DALLAS, TEXAS
75265-5906

December 24, 1999

Notice 99-113

“A Year 2000 Readiness Disclosure”

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

SUBJECT

**Procedures for Accepting and
Processing Food Stamp Deposits**

DETAILS

Neither the federal nor the state government anticipates any Electronic Benefit Transfer (EBT) system failures during January 2000. However, we want to remind financial institutions of the proper procedures for accepting and processing food stamp deposits. This reminder is necessary since your state may decide to issue food coupons in place of EBT to food stamp recipients in case of an EBT Y2K-related system failure. If such a system failure occurs, retailers authorized to participate in the food stamp program in your area will receive instructions regarding proper redemption procedures for food coupons. Please keep in mind that any decision to use food coupons as a contingency will be made independently and locally by each state or county government.

Retailer Food Stamp Deposits

Financial institutions should *never* accept a deposit of food stamps without a completed Redemption Certificate (RC) (FNS-278B) from an authorized retailer. The food stamp value entered by the retailer on each RC must be the same as the total value of food stamps that accompany the RC for that deposit. The instructions on the back of the RC require that each deposit of food stamps made by a retailer be verified by the financial institution, and the verified total must be entered in the “Bank’s Total” block on each RC. If the retailer has made an error, the financial institution must enter the correct amount in the “Bank’s Total” block. The correct

amount must also be MICR-encoded in the proper location in the MICR band. *Only the amount of food stamps received from the specific retailer named on the RC for that individual deposit is to be entered in the "Bank's Total" block and the MICR band on that RC. Coupons deposited from other authorized firms should not be included or consolidated on any other RC document.*

Handling and Processing Wholesaler Redemption Certificates (RCs)

A few authorized retailers are permitted to redeem coupons through an authorized wholesaler. The wholesaler then redeems the coupons at a financial institution. Some questions have arisen about the proper handling of wholesaler RCs (FNS 278-4) by financial institutions.

Coupons accepted by a wholesaler from a retailer must be accompanied by the retailer's RC (FNS 278B). The wholesaler must fill out a wholesaler RC (FNS 278-4) listing the amount of coupons accepted from each retailer. The wholesaler then deposits the coupons at a financial institution.

The financial institution must MICR-encode each of the accompanying retailer's RCs submitted by the wholesaler with the amount entered by the retailer on the RC. Also, the financial institution must reconcile the amount of coupons in the wholesaler's deposit with the total amount of coupons on the retailers' RCs and the wholesaler's RC. *It is essential that the wholesaler's RC is submitted to the Federal Reserve Bank along with the related retailers' RCs and food coupons.*

Financial institutions must ensure that respondent banks follow the procedures described above in processing all food coupon deposits. Individual retailer and wholesaler redemption information is critical to Food and Nutrition Service monitoring of store compliance with food stamp program regulations. We appreciate the cooperation of your financial institution in complying with these food stamp redemption requirements.

MORE INFORMATION

If you need further information, please contact the local U.S. Department of Agriculture Food and Nutrition Service field office. For additional copies of this Bank's notice, contact the Public Affairs Department at (214) 922-5254.

Sincerely,

A handwritten signature in black ink that reads "Helen E. Holcomb". The signature is written in a cursive style with a large initial "H" and "E".