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FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, N.Y.

RECTOR 2-5700

February 23, 1962

Third Progress Report on MICR Program

To All Banks in the Second
Federal Reserve District:

Enclosed is a copy of a press statement and its accompanying tables summarizing the results of the third semiannual survey of commercial bank participation throughout the nation in the Magnetic Ink Character Recognition program of the American Bankers Association. Also enclosed is an additional table showing the participation by banks in this District in the program.

Although barely one year has elapsed since the first survey, the latest figures reveal that Second District banks have made a significant stride forward in preparing their checks for processing on electronic check-handling equipment. Now 97.0 per cent of all banking offices to which checks are sent for payment by the Federal Reserve Bank of New York have started encoding their ABA routing numbers, as compared with 89.1 per cent six months ago and 68.4 per cent one year ago. Geographically, all banking offices in 68 of the 75 counties in New York, New Jersey, and Connecticut located within the Second District have started encoding their checks, including all banking offices in the twelve northern counties of New Jersey. Six months ago, all banking offices located in 47 of the 75 counties had started encoding their checks, and one year ago, all banking offices located in only 13 of such counties had done so. In terms of average check volume handled daily by this Bank, 53.0 per cent of all checks are now encoded in contrast to 38.0 per cent six months ago and 19.5 per cent one year ago.

While the progress made by Second District banks since the first survey was undertaken has been very encouraging, it is our hope that those banks that are not yet encoding their checks with magnetic ink will do so as soon as possible. We would also urge the cooperation of those customers of banks who order their check forms directly. If MICR, as is generally agreed, is the key to the solution of the check collection problem of the future, its value will only be realized when all banks are actively participating in the program.

ALFRED HAYES,
President.

Enclosures



STATEMENT for the Press

Federal Reserve Bank of New York
New York 45, N.Y.
REctor 2-5700 - EXT. 156

No. 11

FOR RELEASE: MONDAY, FEBRUARY 26, 1962

In only a year the proportion of checks carrying magnetic ink identification of the bank on which they are drawn has increased from one in five to almost three in five, the Federal Reserve System reported over the week-end. This is the finding of the third semiannual survey undertaken by the System to measure participation by commercial banks in the MICR program of The American Bankers Association according to Marcus A. Harris, Chairman of the Federal Reserve System's Subcommittee on Collections.

The survey indicated that 54.6 per cent of all checks cleared through the 12 Federal Reserve Banks and their 24 branches carried the magnetic ink characters devised by The American Bankers Association for electronic identification of drawee banks, a prerequisite for high-speed check processing. This figure compares with 36.1 per cent just six months ago and 19.5 per cent one year ago.

Furthermore, the survey indicated that of the 15,709 banking offices throughout the country to which checks are sent for collection by the Federal Reserve Banks, 97.1 per cent were issuing some redesigned checks bearing encoded ABA routing numbers. This figure compares with 80.3 per cent and 52.6 per cent in August and February 1961, respectively.

These percentage increases, Mr. Harris said, are significant testimony to the fact that virtually all banks have recognized the urgent need to improve the Nation's collection system to accommodate an ever-increasing volume of checks.

(M O R E)

Among the 12 Federal Reserve Districts, the Third (Philadelphia) District leads, with all par banks in that District now encoding their checks, and with 73.3 per cent of such checks being encoded. The greatest improvement percentagewise in the number of banks encoding occurred in the Eighth (St. Louis) District, which showed an increase of 47.8 per cent since the August 1961 survey, while the greatest improvement in the number of checks encoded occurred in the Ninth (Minneapolis) District where the percentage of encoded checks increased by 25.2.

Cataloging the figures on a state-by-state basis discloses that all par banks located in ten states and the District of Columbia are now encoding their checks. These states are: Delaware, Montana, New Hampshire, New Jersey, North Dakota, Ohio, Rhode Island, South Dakota, Vermont and West Virginia. Delaware also leads in the volume of encoded checks issued with 78.6 per cent, followed by Washington with 73.3 per cent and California with 70.8 per cent.

Mr. Harris observed that, although country banks, in total, lead their city counterparts by a slight margin both with respect to the percentage of banks encoding and the percentage of encoded checks being issued, this relationship varies within each Federal Reserve District, and suggests a broad distribution of banks are participating in the MICR program. He went on to say that now that virtually all banks are participating in the program by encoding their ABA routing number on their checks, it is the hope of the banking system that more and more banks will also encode the dollar amount on checks which they receive for collection.

The attached tables give information on the encoding of checks in the 12 Federal Reserve Districts, and in each of the 50 states, the District of Columbia, Puerto Rico and the Virgin Islands.

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SECOND DISTRICT ENCODING SURVEY BY STATES AND COUNTIES

February 1962

	Banking Offices to Which Checks are Sent by FRBNY	Per Cent of Encoding Offices		Total Daily Average Check Volume Sent to All Banking Offices	Per Cent of Check Volume	
		Now Encoding	Increase Since August 1961		Now Encoded	Increase Since August 1961
New York City						
Bronx	0	0	0	0	0	0
Kings	6	100.0	16.7	3,780	37.5	8.9
New York	61*	67.2	25.2	904,687	40.7	11.5
Queens	3	66.7	0	9,212	55.5	14.2
Richmond	1	100.0	0	3,436	69.2	22.1
Total	71	70.4	24.2	921,115	41.0	11.7
New York State						
Albany	5	100.0	0	89,651	39.7	10.6
Allegany	15	100.0	0	3,232	49.7	15.5
Broome	9	100.0	0	12,340	61.6	25.3
Cattaraugus	14	100.0	0	5,517	57.8	15.3
Cayuga	8	100.0	0	4,722	57.0	15.5
Chautauqua	16	100.0	0	5,503	53.7	13.8
Chemung	4	100.0	0	4,118	58.6	4.8
Chenango	5	100.0	0	3,850	56.1	20.7
Clinton	4	100.0	0	3,779	80.8	5.7
Columbia	4	75.0	0	1,470	71.6	11.3
Cortland	5	100.0	0	2,676	59.1	14.8
Delaware	13	100.0	7.7	8,268	39.2	12.9
Dutchess	14	100.0	0	20,206	66.5	18.6
Erie	37	100.0	0	46,706	74.2	16.8
Essex	4	100.0	16.7	2,212	63.3	19.5
Franklin	6	100.0	0	2,026	51.0	25.8
Fulton	6	100.0	14.3	2,914	44.1	20.0
Genesee	8	100.0	0	3,095	55.6	21.4
Greene	5	100.0	0	2,898	63.2	10.6
Hamilton	1	100.0	0	300	23.7	10.8
Herkimer	8	100.0	0	7,804	61.3	7.4
Jefferson	14	100.0	0	4,311	52.1	26.2
Lewis	6	83.3	16.6	947	38.6	27.4
Livingston	6	100.0	0	1,991	64.7	11.9
Madison	7	100.0	0	3,680	71.9	21.4
Monroe	9	100.0	0	8,399	54.9	18.0
Montgomery	7	100.0	0	4,844	76.3	27.7
Nassau	64	100.0	1.7	124,565	72.7	18.8
Niagara	12	100.0	0	4,890	66.3	14.3
Oneida	14	100.0	7.1	14,427	64.8	17.1
Onondaga	14	100.0	0	25,064	59.5	24.8
Ontario	7	100.0	0	4,872	53.5	12.2
Orange	20	100.0	0	16,727	60.9	16.7
Orleans	4	100.0	25.0	1,152	63.4	22.7
Oswego	9	100.0	0	4,154	45.5	13.6

* Includes 22 foreign banking agencies and corporations whose drafts are collectible through the City Collection Department of the New York Clearing House.

(Over)

	Banking Offices to Which Checks are Sent by FRBNY	Per Cent of Encoding Offices		Total Daily Average Check Volume Sent to All Banking Offices	Per Cent of Check Volume	
		Now Encoding	Increase Since August 1961		Now Encoded	Increase Since August 1961
New York State (Cont'd)						
Otsego	12	100.0	8.3	4,797	55.2	19.2
Putnam	4	100.0	0	3,919	72.3	32.3
Rensselaer	6	100.0	0	4,640	61.8	15.5
Rockland	9	100.0	0	10,688	71.3	32.9
St. Lawrence	17	100.0	5.9	7,290	53.5	24.2
Saratoga	6	83.3	16.6	3,888	45.9	23.0
Schenectady	5	100.0	0	7,332	72.2	30.4
Schoharie	2	100.0	50.0	940	44.5	28.2
Schuyler	4	100.0	0	1,009	57.6	21.6
Seneca	5	100.0	0	1,668	58.2	20.8
Steuben	14	100.0	0	8,701	61.6	12.7
Suffolk	45	100.0	0	50,984	68.9	23.8
Sullivan	11	100.0	0	5,542	65.1	19.3
Tioga	6	100.0	0	2,449	74.1	16.9
Tompkins	4	100.0	25.0	7,326	34.1	24.0
Ulster	15	100.0	0	16,822	66.8	12.8
Warren	8	100.0	37.5	3,767	46.9	21.4
Washington	8	100.0	0	3,278	47.3	18.0
Wayne	10	100.0	0	6,348	58.3	15.3
Westchester	17	100.0	0	93,188	68.3	12.0
Wyoming	10	100.0	10.0	2,155	64.5	15.4
Yates	2	100.0	0	841	32.5	13.7
Total	604	99.5	2.8	695,882	62.3	17.4
Total New York City and State	675	96.4	4.3	1,616,997	50.2	14.1
New Jersey						
Bergen	43	100.0	2.3	74,249	76.0	20.8
Essex	28	100.0	25.0	111,576	50.7	22.0
Hudson	12	100.0	8.3	73,373	58.8	10.3
Hunterdon	8	100.0	0	5,073	65.1	26.1
Middlesex	24	100.0	12.5	44,905	63.5	28.4
Monmouth	20	100.0	20.0	24,092	50.8	30.3
Morris	10	100.0	10.0	32,101	69.4	7.3
Passaic	7	100.0	0	34,064	79.9	16.6
Somerset	8	100.0	0	13,384	61.0	15.5
Sussex	6	100.0	0	6,305	61.3	39.9
Union	25	100.0	12.0	101,667	47.6	13.1
Warren	10	100.0	0	7,003	71.9	39.0
Total	201	100.0	10.0	527,792	59.7	17.1
Connecticut						
Fairfield	29	96.6	6.9	76,475	69.2	21.6
Virgin Islands and Puerto Rico	16	81.3	50.0	5,355	29.1	14.3
Total Second District	921	97.0	7.9	2,226,619	53.0	15.0

February 1962

ENCODING SURVEY BY STATES AND OTHER SUBDIVISIONS

FEBRUARY 1962

State	No. of Banking Offices in Survey	Per Cent of Banking Offices		Total Daily Average Check Volume Sent to All Banking Offices	Per Cent of Check Volume	
		Now Encoding	Increase Since August 1961		Now Encoded	Increase Since August 1961
Alabama	179	91.1	29.3	108,600	28.0	10.9
Alaska	39	92.3	28.2	11,100	32.4	20.2
Arkansas	138	96.4	50.7	68,900	24.7	14.8
Arizona	151	82.8	15.7	26,900	37.9	15.6
California	1,525	98.7	0.6	1,147,000	70.8	10.1
Colorado	165	97.6	4.9	99,500	53.6	21.4
Connecticut	138	99.3	11.1	327,500	69.6	20.4
Delaware	37	100.0	0	25,700	78.6	9.3
Florida	275	94.2	9.4	265,100	43.8	19.1
Georgia	136	93.4	16.8	207,000	45.9	24.1
Hawaii	77	55.8	0.5	5,100	5.9	2.2
Idaho	105	83.8	14.3	42,800	33.9	5.6
Illinois	973	99.4	19.0	804,700	57.7	23.3
Indiana	539	99.8	15.0	268,600	52.0	20.8
Iowa	735	98.4	20.0	187,700	42.0	20.1
Kansas	590	98.5	21.2	219,600	33.1	24.4
Kentucky	376	96.3	33.1	170,000	37.7	11.4
Louisiana	115	93.0	20.8	104,400	35.8	17.2
Maine	73	97.3	40.7	75,000	37.3	18.3
Maryland	174	98.9	1.2	200,000	61.0	16.8
Massachusetts	197	99.0	26.6	699,000	59.5	11.8
Michigan	483	98.3	13.0	401,300	62.9	24.3
Minnesota	296	99.7	2.8	252,100	61.8	26.9
Mississippi	70	77.1	15.5	45,000	42.2	15.9
Missouri	584	96.4	56.0	335,300	37.0	17.1
Montana	122	100.0	13.1	48,800	45.3	23.1
Nebraska	420	98.3	27.0	131,000	27.5	16.8
Nevada	39	92.3	10.5	12,600	47.6	4.2
New Hampshire	65	100.0	3.0	93,000	57.0	18.3
New Jersey	287	100.0	10.2	646,900	64.1	17.6
New Mexico	81	95.1	19.2	26,500	44.2	17.8
New York	675	96.4	6.3	1,617,000	50.2	14.1
North Carolina	250	96.8	27.3	123,000	35.8	18.6
North Dakota	58	100.0	1.7	25,900	57.5	21.1
Ohio	689	100.0	5.2	588,000	64.0	29.0
Oklahoma	382	99.7	54.4	183,400	40.4	25.3
Oregon	251	99.6	4.8	116,500	66.8	20.8
Pennsylvania	910	99.9	3.0	687,000	69.7	20.2
Rhode Island	23	100.0	52.2	62,000	56.5	16.5
South Carolina	135	78.5	31.6	49,000	26.5	12.5
South Dakota	105	100.0	2.9	38,200	49.0	21.1
Tennessee	257	98.4	26.2	163,200	41.1	23.6
Texas	1,000	96.5	14.3	574,000	42.1	17.7
Utah	86	70.9	19.2	87,500	31.5	14.5
Vermont	69	100.0	20.3	63,000	65.1	38.0
Virginia	355	95.5	11.7	205,000	47.3	20.7
Washington	392	96.2	8.7	275,900	73.3	16.5
West Virginia	181	100.0	3.8	87,000	48.3	15.9
Wisconsin	625	97.1	28.7	162,300	43.8	23.6
Wyoming	55	92.7	14.5	8,000	25.0	12.5
District of Columbia	11	100.0	0	22,000	45.5	17.9
Puerto Rico & Virgin Islands	16	81.3	50.0	5,400	29.6	14.8
Total	15,709	97.1	16.8	12,200,000	54.6	18.5

ENCODING SURVEY BY FEDERAL RESERVE DISTRICTS

FEBRUARY 1962

District			No. of Banking Offices in Survey	Per Cent of Banking Offices		Total Daily Average Check Volume Sent to All Banking Offices	Per Cent of Check Volume	
				Now Encoding	Increase Since August 1961		Now Encoded	Increase Since August 1961
1	Boston	City	7	100.0	14.3	210,000	48.1	20.2
		Country	529	99.2	23.7	1,033,000	62.6	15.5
		Total	536	99.3	23.6	1,243,000	60.2	16.0
2	New York	City	78	74.4	26.6	996,200	42.5	11.5
		Country	843	99.1	5.6	1,230,500	61.5	17.9
		Total	921	97.0	7.9	2,226,700	53.0	15.0
3	Philadelphia	City	19	100.0	4.8	160,000	80.3	22.0
		Country	678	100.0	1.6	448,700	70.9	20.2
		Total	697	100.0	1.7	608,700	73.3	20.7
4	Cleveland	City	33	100.0	8.8	225,000	63.1	24.3
		Country	1,175	99.4	7.2	658,100	63.2	23.9
		Total	1,208	99.4	7.2	883,100	63.2	24.0
5	Richmond	City	26	88.5	19.3	108,000	60.2	15.3
		Country	1,056	95.1	14.5	567,000	45.1	18.2
		Total	1,082	94.9	14.6	675,000	47.6	17.7
6	Atlanta	City	50	90.0	15.0	153,100	50.6	20.4
		Country	856	93.1	19.0	661,800	39.4	19.5
		Total	906	92.9	18.8	814,900	41.5	19.6
7	Chicago	City	85	100.0	6.9	218,000	49.6	20.2
		Country	2,682	98.5	17.3	1,389,000	58.0	22.5
		Total	2,767	98.6	17.0	1,607,000	56.9	22.8
8	St. Louis	City	87	94.3	32.2	146,900	45.5	22.6
		Country	1,168	96.7	48.9	488,900	33.6	18.8
		Total	1,255	96.6	47.8	635,800	36.4	19.8
9	Minneapolis	City	63	100.0	0	164,700	64.5	29.1
		Country	710	99.9	7.3	244,700	52.7	22.5
		Total	773	99.9	6.7	409,400	57.4	25.2
10	Kansas City	City	77	98.9	4.2	127,700	42.6	18.7
		Country	1,727	98.3	34.2	634,700	36.0	24.6
		Total	1,804	98.3	32.9	762,400	37.1	23.5
11	Dallas	City	67	97.0	6.2	119,000	46.8	15.3
		Country	1,075	96.1	16.1	496,900	40.8	18.0
		Total	1,142	96.1	15.5	615,900	41.9	17.7
12	San Francisco	City	139	97.1	0	189,100	69.3	10.0
		Country	2,479	94.7	4.7	1,529,000	66.7	12.9
		Total	2,618	94.8	4.4	1,718,100	67.0	12.6
Total		City	731	94.5	11.3	2,817,700	51.8	17.4
		Country	14,978	97.3	17.1	9,382,300	55.5	18.9
		Total	15,709	97.1	16.8	12,200,000	54.6	18.5