

FEDERAL RESERVE BANK
OF NEW YORK

Fiscal Agent of the United States

[Circular No. 5760]
January 18, 1966]

Handling of Food Stamp Coupons by Commercial Banks

To All Commercial Banks in the Second Federal Reserve District:

Enclosed is a statement dated January 1965 prepared by the U. S. Department of Agriculture, entitled "Procedures for Commercial Banks in Handling Food Coupons Under the Food Stamp Program." It supersedes the statement forwarded to you with our Circular No. 5040, dated May 25, 1961. In addition, the instructions set forth in this circular supersede those in Circular No. 5040.

The U. S. Department of Agriculture has informed us that effective February 1, 1966, the Erie County Welfare District, which embraces Erie County in New York State, will begin operations under the Food Stamp Program. This will be the first area in the Second Federal Reserve District in which the program will operate. Although the program may not be in force in your area at this time, please retain these instructions for future use in the event that the Department of Agriculture subsequently designates your locality for participation in the program.

Food stamp coupons (in denominations of 50 cents and two dollars) deposited with and cancelled by commercial banks as indicated in the enclosure may be forwarded to Federal Reserve Banks and Branches for payment by credit to the reserve account of a member bank or the clearing account of a nonmember clearing bank. This Bank, as fiscal agent of the United States, will receive for payment at its Head Office and Buffalo Branch any such coupons forwarded to it by Second District member and nonmember clearing banks.

Banks receiving food stamp coupons should handle such coupons in accordance with the Department of Agriculture's regulations governing the Food Stamp Program, which are summarized in the enclosure. In particular, we should like to call to your attention the requirement that the first bank of deposit cancel each coupon by indelibly marking "paid" or "cancelled" together with the name of the bank or its ABA transit number on the *face* of the coupon by means of an appropriate stamp. The endorsement stamp of a bank used on checks should not be used. In addition, the following instructions should be observed:

(a) Food stamp coupons should be separately sorted according to denomination and packaged in units of 100 pieces if volume warrants. They should not be included in deposits of checks and other cash items. If sent to the Head Office of this Bank, they should be directed to the attention of the Coupon Division, Collection Department. Questions regarding any phase of the collection procedure should be referred to that Division or to the Buffalo Branch.

(b) In forwarding food stamp coupons for payment, banks are requested to show, on deposit slips accompanying the coupons, the total number and aggregate dollar amount of each denomination, as well as the dollar total of the deposit.

(c) Nonmember banks that do not maintain clearing accounts with this Bank should, and member and nonmember clearing banks may, send food stamp coupons to a correspondent bank for presentation to this Bank for payment. Correspondent banks should consolidate their daily deposits into one sending to this Bank.

(d) Immediate credit will be given for food stamp coupons when received at our Head Office or Buffalo Branch prior to 1:30 p.m. Necessary adjustments for overages or shortages will be made under appropriate advice to the sending bank.

(e) Depositing banks should retain customers' deposit slips and any other pertinent records that would assist in substantiating reimbursement claims against the Department of Agriculture for items lost in transit.

The right is reserved to withdraw, add to, or amend at any time any of the provisions of this circular.

Additional copies of this circular and of the enclosure will be furnished upon request.

ALFRED HAYES,
President.

Commercial Banks

Procedures for Commercial Banks in Handling Food Coupons Under The Food Stamp Program

The Food Stamp Program, in operation since 1961 on a pilot basis, is now operated by the United States Department of Agriculture under the Food Stamp Act of 1964. Under this program, eligible households will exchange an amount of money representing their normal expenditures for food for an allotment of food coupons of higher monetary value. The coupons will be used to purchase commercial brand food at retail food stores which have been approved to accept coupons by the Agricultural Marketing Service, U. S. Department of Agriculture. Retailers accepting the coupons will be able to redeem them at face value, for account or payment in cash through the facilities of commercial banks, including both members and non-members of the Federal Reserve System. Retailers may also redeem coupons through approved food wholesalers. These wholesalers will subsequently redeem the coupons through the facilities of commercial banks.

Coupons are engraved documents about the size of U. S. currency and are printed by the Bureau of Engraving and Printing, U. S. Department of the Treasury. Coupons are printed in two denominations: fifty-cent coupons (orange) and two-dollar coupons (blue). Coupons are an obligation of the United States within the meaning of 18 U. S. C. 8. The provisions of Title 18 of U. S. Code "Crimes and Criminal Procedure" relative to counterfeiting and alteration of obligations of the United States and the uttering, dealing in, etc., of counterfeit obligations of the United States are applicable to these coupons. Also, the provisions of Section 14 C, The Food Stamp Act of 1964, relating to the making of false claims against the United States are applicable to transactions involving these coupons.

Under Regulations issued by the Secretary of Agriculture:

1. Authorized retail food stores and wholesale food concerns may present food coupons for redemption to commercial banks for account or for cash.
2. Coupons submitted to banks for redemption by approved retail food stores must be accompanied by a properly executed and signed Form AMS-253, Retail Merchant's Food Stamp Program Redemption Certificate (Exhibit A). The back of each coupon must be stamped or otherwise marked with the name or Food Stamp Program Authorization number of the store.

3. Coupons submitted to banks for redemption by approved wholesaler food concerns must be accompanied by a properly executed and signed Form AMS-253-1, Wholesalers' Food Stamp Program Redemption Certificate (Exhibit A). Attached thereto must be the properly executed and signed Form AMS-253 for each retail food store from which the wholesaler has accepted food coupons. The back of each coupon must be stamped or otherwise marked with the name or Food Stamp Program Authorization number of both the retail food store and the wholesale food concern. In addition the name or Food Stamp Program Authorization number of each retailer and the value of coupons each certificate represents must be listed on the reverse of the Wholesaler's certificate.
4. Banks shall not accept coupons for redemption from unauthorized retail food stores, wholesale food concerns, or any other unauthorized persons, partnerships, corporations, or other legal entities. Banks may require persons presenting coupons for redemption to exhibit their Agricultural Marketing Service Food Stamp Program Authorization, Form AMS-254 (Exhibit A)
 - a. Coupons accepted for redemption must be cancelled by the first bank receiving the coupons by indelibly marking "paid" or "cancelled" together with the name of the bank or its ABA routing symbol-transit number on the face of the coupons by means of an appropriate stamp. The coupons should not be endorsed by any bank.
 - b. A portion of a coupon consisting of not less than three-fifths ($3/5$) of a whole coupon may be accepted for redemption at face value. A portion of a coupon of less than three-fifths ($3/5$) of a whole coupon will not be accepted for redemption.
5. The Food Stamp Program Redemption Certificates shall be held by the receiving bank until the coupons have been paid by the Federal Reserve Bank, after which the certificates shall be forwarded weekly by the receiving bank to the Agricultural Marketing Service's local food stamp office. Banks will be notified of the address of this local office by the Agricultural Marketing Service.
6. Banks which are members of the Federal Reserve System and nonmember clearing banks may forward cancelled coupons directly to Federal Reserve Banks for payment in accordance with applicable regulations or instructions of the Federal Reserve Banks. Other banks may forward cancelled coupons through ordinary collection channels.

7. Banks may forward cancelled coupons via fourth-class mail (parcel post), provided that the Food Stamp Authorization number or the name of the food store or wholesale food concern is stamped on the coupon rather than handwritten out. Under postal regulations, any handwritten entry on any part of a mailed item subjects the entire package to the first class mail rate. Shipments under fourth-class mail may be expedited through the Special Handling procedure of the U. S. Post Office.
8. Banks may wish to reduce sorting and handling costs of coupons by requiring those depositors of substantial numbers of coupons to pre-cancel the coupons for the bank and sort them into bundles containing a specific number of coupons (100, for example) prior to making a deposit. This would eliminate all handling of individual coupons by the bank except for any verification count the bank may wish to make. This type of arrangement must be between the bank and the customer on an individual basis. If this procedure is followed, the retailer or wholesaler must cancel the face of the coupon using a stamp that contains: (1) the Food Stamp Program Authorization number of the retail or wholesale concern; (2) the word "PAID" in approximately 3/4 inch high letters, and (3) the ABA routing symbol-transit number of the bank. All lettering on the stamp used by the retailer or wholesaler must be in outline or open type, not solid type. The stamp shall not exceed 1-1/2" by 2". Banks shall inform the AMS local food stamp office if they intend to use this procedure.
9. Federal Reserve Banks acting as fiscal agents of the United States, are authorized to receive cancelled coupons from member banks of the Federal Reserve System and non-member clearing banks sent in accordance with instructions to be issued by the Federal Reserve Banks and to pay such coupons.
10. While in the course of shipment, cancelled coupons shall be considered to be at the risk of the U. S. Department of Agriculture, if the bank transmitting such coupons has exercised due diligence and taken ordinary care in making the shipment. Reports of loss, destruction or damage shall be given promptly on discovery to all of the following: Agricultural Marketing Service; the nearest Secret Service Office; the Post Office or other carrier; and the Secretary of the Treasury, Bureau of Accounts.

FORM AMS-253
Actual Size: 8" x 3-1/4"

INSTRUCTIONS TO RETAIL MERCHANTS:
(1) In presenting coupons to banks, separate coupons by denomination. (2) BLOCK A: Show the name and address of the bank or wholesaler redeeming the coupons. (3) BLOCK B: Show the store's name, address, and authorization number and the date. (4) BLOCK C: Show the value of coupons being redeemed. (5) BLOCK D: Be sure the certification is signed by the store's representative and that his title is given.

(A) NAME AND ADDRESS OF BANK OR WHOLESALER

(NAME)

(STREET AND NO.)

(CITY AND STATE)

(B) Name of store _____ Authorization No. _____
Address _____ Date _____

(C) TOTAL VALUE OF COUPONS REDEEMED → \$ _____

(D) CERTIFICATION
This is to certify that the food coupons submitted herewith for redemption were, in accordance with the regulations governing the Food Stamp Program, received by the above-named authorized retail food store in exchange for eligible foods. It is further certified that none of said coupons were knowingly accepted from any person who had no right to transfer, exchange, or negotiate such coupons under the regulations.

By _____ Title _____
(SIGNATURE OF FIRM'S REPRESENTATIVE)

FORM AMS-253 (12-1-64) RETAIL MERCHANT'S FOOD STAMP PROGRAM REDEMPTION CERTIFICATE U.S. DEPARTMENT OF AGRICULTURE AGRICULTURAL MARKETING SERVICE

FORM AMS-253-1
Actual Size: 8" x 3-1/4"

INSTRUCTIONS TO WHOLESALEERS:
(1) In presenting coupons to banks, separate coupons by denomination. (2) BLOCK A: Show name and address of bank redeeming or crediting coupons. (3) BLOCK B: Show firm's name, address, and authorization number and the date. (4) BLOCK C: Show value of coupons being redeemed. (5) BLOCK D: Be sure the certification is signed by the firm's representative and that his title is given. (6) BLOCK E: (On reverse) Furnish names or authorization numbers of retailers and value of coupons redeemed by each. (7) Attach certificates received from retailers. (8) If you also engage in retail business, prepare a separate Retail Merchant's Food Stamp Program Redemption Certificate (Form AMS-253) for all coupons redeemed from your retail outlet.

(A) NAME AND ADDRESS OF BANK

(NAME)

(STREET AND NO.)

(CITY AND STATE)

(B) Firm _____ Authorization No. _____
Address _____ Date _____

(C) TOTAL VALUE OF COUPONS REDEEMED → \$ _____

(D) CERTIFICATION
This is to certify that the food coupons submitted herewith for redemption were, in accordance with the regulations governing the Food Stamp Program, received by the above-named authorized wholesale food concern from authorized retail food stores accompanied by the attached Food Stamp Program Redemption Certificates signed by the food retailers. It is further certified that none of said coupons were knowingly accepted from any person who had no right to transfer, exchange, or negotiate said coupons under the regulations.

By _____ Title _____
(SIGNATURE OF FIRM'S REPRESENTATIVE)


FORM AMS-253-1 (12-1-64) WHOLESALEER'S FOOD STAMP PROGRAM REDEMPTION CERTIFICATE U.S. DEPARTMENT OF AGRICULTURE AGRICULTURAL MARKETING SERVICE

FORM AMS-253-1 (REVERSE)

FORM AMS-253-1 (REVERSE)	(E) NAME OR AUTHORIZATION NO. OF RETAILER	TOTAL VALUE OF STAMPS														TOTAL *
		*NOTE: This total must agree with the total value of stamps shown in block "C".														

FORM AMS-254
Actual Size: 6" x 4"

FORM AMS-254 (2-1-63) U.S. DEPARTMENT OF AGRICULTURE AGRICULTURAL MARKETING SERVICE



FOOD STAMP PROGRAM AUTHORIZATION

THIS CERTIFIES that _____

is granted authorization to accept and redeem food coupons on condition that the acceptance and redemption of all coupons shall be in accordance with the rules and regulations governing the Food Stamp Program and such revisions and amendments as may be made. *A change in ownership voids this authorization.*

AUTHORIZATION NO. _____

Area Representative, AMS, USDA

Date of Approval