

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **10363**
August 1, 1990]

**PROCEDURES FOR REDEEMING FOOD COUPONS
Effective September 1, 1990**

*To All Depository Institutions, and Others
Concerned, in the Second Federal Reserve District:*

The purpose of this circular is to supplement the procedures provided for in Operating Circular No. 4 for the handling of food coupons by this Bank. The instructions set forth in this circular supersede those in Circular No. 10229, dated March 16, 1988.

As specified in Appendix C of Operating Circular No. 4, food coupons will be handled by this Bank as cash items in accordance with an agreement between the Secretary of Agriculture, on behalf of the United States, and the Federal Reserve Banks as depositaries and fiscal agents of the United States pursuant to the authorization of the Secretary of the Treasury. With respect to matters not covered by this agreement, the terms and conditions of Regulation J, applicable to cash items, and of our time schedules shall be applicable to such coupons. This Bank will receive food coupons only from (a) depository institutions that maintain accounts with us and that are (i) insured by the Federal Deposit Insurance Corporation ("FDIC") or (ii) insured under the Federal Credit Union Act and have retail stores or wholesale food concerns in their field of membership ("eligible credit unions"), and (b) FDIC-insured depository institutions and eligible credit unions that do not maintain accounts with us but have arranged with us to send coupons to us for crediting to the account of a depository institution maintaining an account with us.

Food coupons in denominations of \$1 (brown), \$5 (purple), and \$10 (blue-green) deposited with and cancelled by depository institutions may be forwarded to this Bank or its Buffalo Branch following verification. This Bank, as fiscal agent of the United States, will receive at its Head Office and Buffalo Branch any such food coupons forwarded to us by Second District depository institutions and credit the appropriate accounts. A depository institution that elects to deposit food coupons with us for credit to another depository institution should notify us by letter of its intention to do so and designate the depository institution to whose account credit is to be given. In addition, the correspondent depository institution must provide us with authorization in writing of its willingness to accept the credit, as well as any resultant debit or credit adjustment entries.

Redeemed food coupons should ordinarily be forwarded to the office of this Bank that maintains the account to which the proceeds of the coupons are to be credited. However, a depository institution in the Head Office territory of this Bank may send its redeemed food coupons to our Buffalo Branch, where the District processing takes place, if by doing so it can save time or expense. Immediate credit will be given for redeemed food coupons received at our Head Office prior to 2:00 p.m., or at our Buffalo Branch prior to 3:00 p.m. Any necessary adjustments for over-ages or shortages will be made after final verification, and the appropriate advice will be sent to the depository institution.

Cancellation of coupons

In accordance with procedures of the United States Department of Agriculture, the first depository institution receiving food coupons for redemption *must cancel them* by indelibly stamping "PAID" or "CANCELLED" and

the name of the receiving depository institution, or its nine-digit routing number, *on the face of the coupons*. The endorsement stamp that a depository institution uses to cancel checks may not be used for cancelling food coupons.

As an alternative, depository institutions may also arrange to have their customers pre-cancel the coupons. Under such an arrangement the retailer or wholesaler, in lieu of marking or stamping his store or identification number on the back of each coupon, is permitted to *cancel the face of each coupon* using a stamp not larger than 1½ inches by 2 inches that contains the following information:

1. The Food Stamp Program Authorization Number or the name of the store;
2. The word "PAID" in letters approximately ¾ inch in height; and
3. The routing number of the depository institution.

A proper cancellation of the depositing depository institution on each coupon is extremely important for control purposes. Accordingly, depositing institutions have the responsibility to ascertain that all food coupons presented for redemption are cancelled properly. *Under United States Department of Agriculture regulations, coupons submitted to depository institutions for credit or cash must be properly endorsed by the depositing authorized retail food store or wholesale food concern and must be accompanied by a properly completed and signed redemption certificate.*

Packaging

Redeemed food coupons should be separately sorted according to denomination and arranged, face and top up, in standard packages of *100 coupons* each; under no circumstances should the denominations be mixed. *Deposits may include only one odd-lot package (less than 100 coupons) of each denomination.* All packages of coupons (standard and odd-lot) must be bound with a paper strap, and the dollar amount of the coupons enclosed in the package must be indicated on the strap, together with the name and address of the depositing institution.

If volume warrants, standard packages of food coupons must be arranged according to denomination, in bundles consisting of 10 packages; under no circumstances should packages of different denominations be mixed in a bundle. *Deposits may include only one odd-lot bundle (less than 10 packages) of each denomination.* Each bundle of 10 packages should be well secured, preferably by no more than three heavy rubber bands, *which should be placed around each end of the short axis and once around the long axis of the bundle.* Pins, clips, or staples should not be used to bind packages or bundles, nor should the food coupon packages or bundles be included in deposits of checks or in deposits of cash.

MICR encoding of Redemption Certificates

All food coupon Redemption Certificates must be MICR-encoded in accordance with standard check encoding specifications prior to deposit with this Bank. Depositing depository institutions must MICR-encode the redeemed amount on all Redemption Certificates. In some instances, a depository institution may need to encode its ABA number and the retailer identification number as explained in the "Redemption Certificate MICR Encoding Example and Instructions" included with this circular.

Preparation of Redemption Certificates

The MICR-encoded Redemption Certificates should be assembled into a single bundle accompanied by a tape listing of the amounts. The listing order should correspond to the order of the certificates. In cases where an institution submits more than 500 redemption certificates in a deposit, they may be broken down into smaller bundles of 200 to 300 certificates with a tape listing prepared for each bundle and a grand total that proves to the Food Coupon Deposit Document and accompanying food coupons. Bundles should be free of any foreign objects such as paper clips or staples.

Balancing of deposits

All food coupon deposits must "balance". This means that the Food Coupon Deposit Document (Form FNS-521), and the Redemption Certificates (Form FNS-278B) included in the deposit must both equal the value of the food coupons being deposited.

Deposit tickets

In forwarding redeemed food coupons to us for payment, depositing institutions are requested to use Food Coupon Deposit Document Form FNS-521 as the deposit ticket. That form provides space for indicating the total number of coupons and the total dollar amount for each denomination, as well as the dollar total of the deposit. Space is also provided on the ticket to indicate the office where the deposit was prepared, the nine-digit check routing number, and the total amount of Food Stamp Redemption Certificates shipped. Instructions for completing the ticket are printed on the back of the form. The last copy of the deposit ticket (green copy) should be retained by the depository institution. *It is important that the ticket (all copies) be properly and accurately prepared in order to insure that the appropriate depository institution receives the proper credit.* Preprinted deposit tickets may be obtained from the Buffalo Branch (see section headed "Ordering supplies").

Deposit envelopes

Deposit envelopes (gray) should be used to enclose the deposit ticket that must accompany each food coupon deposit. Depository institutions forwarding food coupon deposits to the Head Office of this Bank should use envelope COUP C74N; institutions forwarding food coupon deposits to our Buffalo Branch should use envelope COUP C74B. For first class mail, courier, or messenger deliveries, the envelope (with deposit ticket enclosed) should be affixed securely to the *outside* of the package or bundle containing the redeemed coupons; if a canvas bag is used for shipment, the envelope should be tied to the neck of the bag. A delay in credit may result if the envelope is not fastened properly to the *outside* of the coupon deposit. For registered mail shipments, the deposit envelope must be enclosed *inside* the package.

Consolidation

A depository institution that has more than one office in a city or municipality should consolidate the food coupons received from all of its offices within the city or municipality before depositing the coupons with this Bank.

Food coupons totaling \$100 or less should be held and consolidated into one aggregate deposit and forwarded for redemption weekly.

Liability

The Food and Nutrition Service of the Department of Agriculture is not liable for food coupons lost in the custody of a depository institution or in transit to a Federal Reserve Bank (7 C.F.R. § 278.5(c)(1989)).

Partial coupons

Depository institutions may accept for redemption at face value a portion of a coupon that consists of at least three-fifths of a whole coupon. *Less than three-fifths of a whole coupon will not be accepted by this Bank for redemption.* A coupon not meeting the three-fifths requirement should be returned to the retailer or wholesaler, together with instructions to contact the local Food and Nutrition Service Field Office of the Department of Agriculture for a determination as to its redemption value. If we receive a partial coupon that does not meet the three-fifths requirement, we will return it to the depositing institution and debit its account accordingly.

Old series food coupons

Old series food coupons in the \$.50, \$2, and old-style \$5 denominations should not be included in deposits sent to this Bank. Such coupons can be redeemed only by direct presentment to the local Food and Nutrition Service Field Office.

Ordering supplies

Supplies of food coupon deposit documents (tickets), deposit envelopes, \$1, \$5, and \$10 front pieces, and re-order forms may be obtained from this Bank by calling Tel. No. 716-849-5060 or 5160 or by writing to:

Buffalo Branch
Federal Reserve Bank of New York
Cash Division
P.O. Box 961
Buffalo, New York 14240

Compliance with procedures

We reserve the right to return a food coupon deposit that does not comply with the requirements of this circular (such as lack of or improper cancellation, or improper packaging). If we return a deposit, it will be returned at the expense of the depository institution. A deposit that is out of balance (i.e., the Redemption Certificate value does not equal the food coupon total) and a deposit received without properly encoded Redemption Certificates will be handled in the following manner by this Bank:

On the first occasion, a telephone call will be made to the depository institution to explain the requirements and emphasize the need for compliance.

On the second occasion, a letter will be sent to the Operations Officer at the depository institution to explain the requirements, re-emphasize the need for compliance, and outline future actions to be taken by this Bank in the event of noncompliance.

On the third and subsequent occasions, the deposit is subject to return at the depository institution's expense.

General

This Bank maintains an address file of the depository institutions that are served in the Second Federal Reserve District. All of the pre-printed deposit documents are obtained from this file, so it is very important that any changes of address or name, additions or deletions of offices, and similar information be reported immediately. Write to or call the Buffalo Branch to report any such changes.

It is also important that the information contained in this circular be brought to the attention of those persons who have responsibility for your food coupon operations, and, in particular, anyone who prepares food coupon deposits. Additional copies of this circular will be furnished upon request.

If you have any questions about our food coupon operations or the provisions of this circular, please contact the Food Coupon Section of the Cash Division at the Buffalo Branch (Tel. No. 716-849-5160).

E. GERALD CORRIGAN,
President.

REDEMPTION CERTIFICATE

MICR ENCODING EXAMPLE AND INSTRUCTIONS

The example below illustrates the MICR encoding required on Redemption Certificates (RCs) prior to deposit at the Federal Reserve. Each RC must have a Food and Nutrition Service (FNS) identification number, a retailer identification number, and the Redemption Certificate amount encoded on the RC. Retailers will be supplied with and instructed to use RCs that are pre-encoded with a FNS number and the retailer identification number. This leaves only the RC amount to be encoded. Since few retailers have encoding capabilities, depository institutions must encode the RC amount in order to comply with deposit regulations. In the event that a retailer does not submit a pre-encoded RC, the depository institution must also encode its own ABA number and the retailer identification number as illustrated in the example. The encoding should be in accordance with standard MICR check encoding specifications.

FORM APPROVED OMB NO. 0584-0085 FORM FNS-278B (2-90) USDA-FNS	FOOD STAMP REDEMPTION CERTIFICATE		DENOMINATION	VALUE
	ABC Food Store 15 Elm Street Plainview, New York 12345		\$1.00	\$ 107 .00
	CERTIFICATION OF FIRM'S REPRESENTATIVE		\$5.00	\$ 455 .00
	Signature	<i>John F. Smith</i>	\$10.00	\$ 1560 .00
	Title	<i>Cash Mgr</i>	FIRM'S TOTAL	\$ 2,122 .00
	Date	<i>4/1/90</i>	BANK'S TOTAL	\$ 2,122 .00
BANK CERTIFICATION ON REVERSE				
I certify that the FIRM'S TOTAL is accurate and the food coupons redeemed were accepted in accordance with Food Stamp Program Regulations. Do Not Borrow, Lend or Make Duplicates of Redemption Certificates.				

⑆000001009⑆ 5549345⑈

⑆0000212200⑆

Transit No. Field (positions 33-43) 9 digit ABA number (if missing)	Account No. Field (positions 18-32) first 7 digits of the retailer identification number (if missing)	Amount Field (positions 1-12) Amount
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