

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. **10651** ]  
August 23, 1993 ]

DISCONTINUATION OF THE CASH SERVICES  
EARLY CREDIT/LATE DEBIT PROGRAM

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

The Federal Reserve System recently conducted a review of its Early Credit/ Late Debit Program, which has been available to qualifying depository institutions that use Federal Reserve cash services. As described in paragraphs 8 and 28 of this Bank's Operating Circular No. 3 on Currency and Coin, qualifying institutions under that program may obtain credit for cash deposits on the day the cash is shipped to the Reserve Bank, rather than the day it is received by the Reserve Bank. On shipments from the Reserve Bank, a qualifying institution is charged upon arrival of the cash at the institution, rather than at the time the cash leaves the Reserve Bank.

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 declined. At the same time, the Federal Reserve has increased its emphasis on reducing risk in the payment systems. Because 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 has decided to **discontinue the program effective December 15, 1993**. After this date, shipments from a Reserve Bank will be charged to institutions' accounts on the date of shipment by the Federal Reserve Bank. Deposits sent to a Reserve Bank on or after December 16, 1993, will be credited on the date of receipt by the Reserve Bank in accordance with the Reserve Bank's crediting policies.

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

If you have any questions regarding this matter, please contact Donald R. Anderson, Manager, Accounting Department (212) 720-5250; Bruce A. Cassella, Bank Services Officer (212) 720-6070, or Thomas J. Lawler, Manager, Cash Function (201) 531-3270.

WILLIAM J. McDONOUGH,  
*President.*