

**FEDERAL RESERVE BANK
OF NEW YORK**

AT-10867
August 27, 1996

**CHECK OPERATIONS
Handling of Large Value Checks**

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

The Federal Reserve Banks are committed to reducing risk in the nation's payments system, through a variety of means. This letter serves as an announcement of one such step, intended to reduce the risks involved with handling as cash items, checks written for very large dollar values. The Federal Reserve Banks will no longer handle as cash items, checks valued at \$100 million or more. The Reserve Banks will charge back and return such items to the depositing institution. This Bank will implement this policy on September 27, 1996.

In this regard, this Bank will implement sub-paragraph 7(d) of our Operating Circular No. 4. The Operating Circular states that the Reserve Banks do not handle as cash items checks that have "...not been preprinted or postencoded, in accordance with the American National Standard Specifications for Placement and Location of MICR Printing, X9.13 (September 1983)..." Checks with a value of \$100 million or more cannot be encoded and must be processed manually.

Furthermore, the Operating Circular will be revised to state specifically that Reserve Banks will not accept as cash items checks of \$100 million or more, or items of lesser value that in our view are intended to avoid the restriction on handling items of this size.

Transfers of very large value should not be subject to the delays and uncertainties of the paper check collection system. We strongly encourage depository institutions and their customers to use secure electronic payment mechanisms with immediate or same-day finality for large-value transactions, such as those that are \$1 million or more in value.

We recognize that in limited circumstances there may be compelling reasons for issuing large dollar checks. These checks merit special handling and should be presented directly to the institution on which they are drawn, rather than through the paper check collection system. In this regard, this Bank will continue to honor properly payable checks, including checks of \$100 million or more, drawn on accounts at this Bank which we will continue to accept at our sixth floor window at our Head Office at 33 Liberty Street, New York, New York. We will not, however, accept checks of \$100 million or more drawn on accounts at this Bank through the paper check collection system.

This initiative is one of a number of measures the Reserve Banks are implementing to reduce risk in the payments system. In pursuing this important goal, we are appreciative of the ongoing cooperation and participation of the financial industry.

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If you have any questions regarding this matter, please direct them to any of the individuals listed below.

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