Float (money supply)

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In economics, **float** is duplicate money present in the banking system during the time between a deposit being made in the recipient's account and the money being deducted from the sender's account. It makes up the smallest part of the money supply.

Float is also associated to the amount of currency available to trade. Countries can manipulate the worth of their currency by restricting or expanding the amount of 'float' available to trade.

Float is most obvious in the time delay between a cheque being written and the funds to cover that cheque being deducted from the payer's account. Once the recipient of a cheque (the payee) deposits it in their account, their bank immediately credits (increases) the payee's account, assuming that the payer's bank will ultimately send the funds to cover the cheque. Until the payer's bank actually sends the funds, both the payer and the payee have the "same" money in both of their accounts. Once the payee's bank notifies the payer's bank (usually by presenting the cheques), the "duplicate" funds will be removed from the payer's account and the cheques will be considered to have "cleared" the bank.

Float causes marginal changes in the money supply. Before electronic cheque clearing, bad weather or communication problems often caused float to significantly increase, as the clearing of cheques was delayed.

Another aspect of float time is its use to defraud, commonly known as cheque kiting. Electronic cheques and particularly the Check Clearing for the 21st Century Act in the United States (or Check 21 as it is more commonly called) are designed to target this kind of fraud.

In cheque clearing, banks refer to bank float and customer float. Bank float is the time it takes to clear the item from the time it was deposited to the time the funds were credited to the depositing bank. Customer float is defined as the span from the time of the deposit to the time the funds are released for use by the depositor. The difference between the bank float and the customer float is called negative float. Negative float is used by the bank as the overnight investable funds.