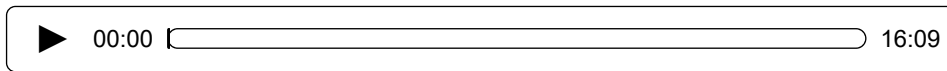


**Paper Delivery: A Conversation about the Atlanta Fed's Cash Operations**



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**Charles Davidson:** Welcome to another Economy Matters podcast. I'm Charles Davidson, staff writer with [Economy Matters](#), the Atlanta Fed's digital magazine, and today I'll be talking with Amy Goodman. Amy is a vice president based in New Orleans, and she is head of the Atlanta Fed's cash operations throughout the six states of the Sixth District. Amy, thanks for being with us today.

**Amy Goodman:** Thank you. I'm glad to be here.



Photo: David Fine

**Davidson:** All right. Well, Amy, first off—let's set the groundwork here. Can you briefly just explain what the Atlanta Fed's role is in handling cash and currency for financial institutions?

**Goodman:** Well, sure. Similar to all other Federal Reserve Bank cash operations, what we do is we place new currency into circulation. We provide new and fit currency to depository institutions [DIs], and we receive excess and unfit currency back from DIs for credit. We process all currency on high-speed equipment, and we denominate the currency. We check the fitness levels, we look for defects—those are things like holes, tape, graffiti, and the like. We authenticate the currency for genuineness, and finally, we destroy unfit notes and prepare the fit currency that's left for further distribution. We also act on behalf of the U.S. Mint, in serving as a distribution network for U.S. coin.

Our district covers the Southeast portion of the United States, and we've got operations in Atlanta, Miami, Jacksonville, and New Orleans. In addition, our Miami office serves both domestic and international institutions for a large number of countries around the world—most predominantly in Latin America.

**Davidson:** So, Amy, we find counterfeits, I guess—a few, here and there?

**Goodman:** Oh, yes, a few—we certainly do. Actually, most counterfeits are detected prior to deposits being made at the Fed, but we have very sophisticated equipment that could cull out both the photocopied ones that manage to get to us, and very sophisticated ones.

**Davidson:** Right, okay. And then the Secret Service—it's their job to investigate where those came from and try to remedy things, right?

**Goodman:** That is correct.

**Davidson:** *All right. Well, Amy, I think it's pretty clear why this kind of work matters, why it's important. But maybe you can flesh out a little bit why should folks care about this. Why is it important?*

**Goodman:** Well, we help to fulfill the cash mission of the United States, which is to maintain confidence in U.S. currency and to meet the needs of the marketplace. We do this by supplying currency and coin to meet domestic and international demand, both on a daily basis and in times of stress, by maintaining the quality and integrity of the currency in circulation, and also ensuring that all in our financial community have ready access to cash.

**Davidson:** *Speaking about access to cash—we hear a lot these days about the rise of electronic payments. Most of us use debit cards and pay for things online—and even about alternative currencies like Bitcoin. But if I'm not mistaken, I think Fed research shows that, so far, there's been no huge decline in cash usage—people still like having money in their wallet. But can you talk a little bit about, in general, how is cash holding up, and what does the future look like?*

**Goodman:** Absolutely. Well, you know, to paraphrase Mark Twain's old saying, reports of cash's demise have been greatly exaggerated. Contrary to media reports that you see every now and then, demand for U.S. currency continues to grow year over year, and it's being used both as a payment instrument and as a store of value, meaning people hold cash even if they don't spend it. The average value of consumer cash holdings has also increased. Currency in circulation right now stands at about \$1.6 trillion, which is about 38 billion notes circulating out there around the world.

The number of cash transactions has remained steady, and cash remains the most frequently used payment instrument. It's dominant for small-value transactions, and it's used by all age groups. Its role in crisis situations is, so far, just irreplaceable. Also, U.S. currency is the world's reserve currency, and it's held as a store of value across the globe as a hedge against local currencies' destabilization or devaluation.

While we see some increased usage in, say, debit cards or mobile payments—generally, those increases are taking market share away from other types of cards or nonpaper payment options. We closely monitor trends in the payments landscape, and we feel that some decline in cash usage may occur eventually as other instruments mature. But I think it's safe to say that a lot of cash will continue to be around for a very, very long time.

**Davidson:** *Right. And you mentioned overseas, folks using U.S. currency as a store of value. Is it not correct that actually the majority of currency, U.S. currency in circulation, is held outside the U.S. borders?*

**Goodman:** That's true, Charles. About two thirds of the currency in circulation is held overseas.

**Davidson:** *Right, okay. You also mentioned crisis situations, and unfortunately we've had quite a bit of experience with that last year during hurricane season—it was a particularly busy one—so can you talk a little bit about how hurricanes and other crises like that affect folks' demand for cash?*

**Goodman:** Well, cash becomes king during any type of contingency situation, because it can be used even when power outages occur or electronic systems fail. It's ubiquitous, it's readily accepted, anonymous, works well in emergencies, and it could be used by all ages. Because of this, demand for cash soars in the lead-up to a crisis and in its aftermath. For example, with hurricanes Harvey and Irma, peak Federal Reserve Bank payment volume was nearly five times greater than normal, as compared to the prior 30-day average leading up to those events. When the crises abated, the money flowed back to the Federal Reserve Banks, creating extremely heavy receipts to be taken back in and processed. So these events definitely have a dramatic impact on cash.

**Davidson:** *Right. So how does the Fed plan for emergencies like this?*

**Goodman:** Well, we plan all the time. We have a very comprehensive set of contingency plans that address scenarios that could range from just a few days, to actually several years. We practice executing those plans with tabletop exercises, and with training and also industry collaboration. We know that no two crises are alike, so we stress flexibility and nimbleness in our responses rather than sort of a rote execution from a book. We also know that we're not the only link in the supply distribution chain, so we work closely with the armored carriers that run the transportation networks—and of course our depository institutions—to ensure that they also have plans and are prepared to respond.

Our staff understand the critical nature of their roles in meeting currency needs in times of stress, and they're prepared to work long hours leading up to an emergency, and also to re-enter the operation as a first-tier responder as soon as possible following a disaster. We facilitate that by providing our Tier 1 staff, as they're called, with hotel rooms in our designated evacuation area, and other support for themselves and their families so that they're positioned to get to work immediately meeting the demands of the financial community. Staff safety is paramount to us, so we seek ways of ensuring that both their safety, and our ability to meet our mission, can be assured.

**Davidson:** *This year, as we briefly touched on there, we had Hurricane Irma, which affected Florida pretty substantially. And then of course, in Puerto Rico, Hurricane Maria was really devastating, and they of course continue to struggle to recover from that. Now, as I understand it, Amy, our cash operation stepped in to supply the financial institutions in Puerto Rico, which typically would be supplied out of the New York Fed. Can you talk a little bit about how we responded in Puerto Rico, as well as in the wake of Irma—and maybe how, especially, the situation in Puerto Rico was maybe a little bit different from other past crises?*

**Goodman:** Absolutely. Hurricane Irma was unusual in its tremendous size and the potential strength that it had upon landfall, and also the fact that it came on the heels of the devastation from Hurricane Harvey in Texas. So that had all of our residents in Florida just extremely nervous, and when people get nervous, they want cash. This created extremely high demand for cash throughout the state of Florida, and our staff responded beautifully. They worked very long hours and at personal sacrifice to ensure that the needs of all depository institutions were met. And as you know, that situation did turn out to be a little bit better than was predicted, so Florida is well on the road to putting that episode behind them.

But Maria, however, was a very unique and devastating event. It totally disabled all power, all water, and all network connectivity to the island of Puerto Rico—and that instantly created a 100 percent cash economy for the victims. In a matter of hours, not a single one of the island's 3.4 million residents could use a debit card or a credit card, or make any online payments whatsoever. So a large amount of currency needed to be infused into the area very quickly.

Normally, the New York Fed, as you mentioned, supplies the island's currency needs, but because Maria also damaged the Puerto Rico airports and disabled all their systems, no commercial flights could land for days following the hurricane. Even after some partial functionality was restored, planes coming all the way from New York couldn't make it to Puerto Rico during daylight hours, which was the only time the airport could open. So we activated our international business continuity plan between the New York and Miami Fed offices, and Miami became the servicer to Puerto Rico for a critical few weeks.



We initially began with specially chartered flights on September 26 and 27. And in the ensuing two weeks after limited commercial flights resumed, we shipped out over \$670 million in currency to Puerto Rico, making payments sometimes multiple times in a day on very short notice in order to meet the critical demand there. And of course we had to replenish the supplies we shipped out and continue to support our normal large operation at the same time, which made for some very long days for some very busy and dedicated people. However, we were very proud and very happy to be able to play a bit of a role in the island's recovery efforts.

**Davidson:** *Now, Amy, as I understand it, cash shipments are typically made on commercial airliners. Is that right?*

**Goodman:** That is correct.

**Davidson:** *Is the money just down in the luggage bin, with your bags? Or is there a special place on the planes that they have set aside for currency?*

**Goodman:** Well, each commercial airline has its own rules. But generally, yes, the money is carried below the belly of the plane, and there are special security measures in place to ensure that the money is loaded properly, secured, and received properly. The Federal Reserve Bank actually releases the money into the custody of armored carriers, so that is an effort that's undertaken by the private sector.

**Davidson:** *So in the case of Puerto Rico we shipped, as you mentioned, quite a lot of currency there. Once it hits the ground again, it's in the custody of the armored carriers or the financial institutions on the ground there, right? And with their infrastructure and such just so battered by the storm, I understand they found it challenging, to say the least, to get it out where it needed to go once it was on the ground on the island. Do you mind talking just a little bit about that?*

**Goodman:** Sure. People may have heard media reports in the initial aftermath of the storm saying that there was no money and money wasn't available. In fact, the money was there—it was initially a logistics problem for the armored carriers to have to solve because the roads were impassable, and many of the armored carriers' personnel and operations and facilities were also disrupted or damaged. There was unfortunately vandalism and the like occurring, as is typical after these events, so they faced a very tough situation for the first couple of days in getting themselves back to business and organized. But once some of those challenges were overcome, the money began to flow very smoothly.

**Davidson:** *Yes. Amy, as we've discussed, in our district we are sort of hurricane central, I guess, in the United States. And most people, of course, think of Katrina just because it was so damaging. It's hard to believe it's been 12...well, 13 years now, almost. But in any case, does that experience—do we draw on that experience? How does that come into play when we're faced with similar situations now?*

**Goodman:** Well, Katrina was really a [defining event for us](#). It really caused the Fed, and its industry partners, to bring contingency planning and preparation into the forefront of our operational priorities. I mean, of course we've always had contingency plans. But Katrina broke the mold in the amount of damage it caused and the amount of time required for recovery, so we had to quickly develop totally new ways of infusing cash into the disaster-stricken areas, as our normal transportation facilities and routes weren't operational at all.

Even the New Orleans Federal Reserve Bank itself was inaccessible for nearly a month. The facility was fine, but due to impassable roads, lack of power and the like—and the fact that about two thirds of the New Orleans staff were significantly affected on a personal level—it took a few weeks for the Fed to be able to provide limited service from that facility.

So we had to find innovative ways of taking care of our staff while ensuring that our mission of making currency readily available in times of stress was met. And I'm proud to say we were able to do all of that, and while I hope we never face a situation like that again I do believe the Fed is stronger for having experienced it. We learned some very valuable lessons, and we have more tools in our toolbox for responding to an event than ever before.

**Davidson:** *Amy, it seems in recent years we've—I don't know if we've had more hurricanes, but it seems that these storms have been growing in intensity and doing more damage. Does that change anything for our cash operations, the contingency planning, and so forth?*

**Goodman:** Well, we're a high-performing entity that believes in continuous improvement. So with every incident, we study what went right and what we could do to further strengthen our response the next time around—because we know that there certainly will be a next time around.

**Davidson:** *Right. Thanks so much, Amy, for your time. It was very interesting.*

**Goodman:** Thank you.

**Davidson:** *: And thank you for listening. And also please visit, of course, [frbatlanta.org](http://frbatlanta.org) and Economy Matters for the latest on Atlanta Fed research and other work, including a story about our efforts to supply cash to depository institutions in Puerto Rico. And finally, next month tune in as Amy Hennessy, our director of outreach and economic education, will discuss [financial literacy and economic education](#), as April is financial literacy month. Thank you very much.*

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