



FEDERAL RESERVE BANK
OF DALLAS

TONY J. SALVAGGIO
FIRST VICE PRESIDENT

October 23, 1991

DALLAS, TEXAS 75222

Notice 91-80

TO: The Chief Operating Officer of
each financial institution in the
Eleventh Federal Reserve District

SUBJECT

Revised Operating Circular 5
(Currency, Coin, and Food Coupons)

DETAILS

The Federal Reserve Bank of Dallas has revised Operating Circular 5 (Bulletin 5)--Currency, Coin, and Food Coupons--in its entirety. Revisions to the Operating Circular are primarily due to changes in procedures for handling registered mail cash shipments and the decision by this District to discontinue contracting for wrapped coin.

In accordance with Federal Reserve System guidelines, shipments of currency, coin, or both by registered mail should be made only to financial institutions that cannot obtain armored carrier service. Some areas in the zones serviced by the Federal Reserve Bank Branches at El Paso and San Antonio do not have armored carrier service and must receive cash shipments by mail. The Dallas Office and the Houston Branch no longer provide cash shipments by registered mail.

This Bank recently completed a review of its role in offering wrapped services to financial institutions serviced by this District. As a result of the review, this District discontinued contracting for wrapped coin effective September 1, 1991.

ENCLOSURE

Enclosed is revised Operating Circular 5. Please file it in your Operating Circulars (Bulletins) binder and discard the old version.

MORE INFORMATION

If you have any questions or would like additional information, please contact Charles Worley, (214) 698-4275, at the Dallas Office;

Dieter Stanchos, (915) 521-8265, at the El Paso Branch; Onezia Donaldson, (713) 652-1521, at the Houston Branch; or David Sowell, (512) 978-1300, at the San Antonio Branch.

For additional copies of this Bank's notice or the Operating Circular, please contact the Public Affairs Department at (214) 651-6289.

Sincerely,

A handwritten signature in cursive script that reads "Tony J. Saluzzo". The signature is written in dark ink and is positioned below the word "Sincerely,".

Operating Circular

F e d e r a l R e s e r v e B a n k o f D a l l a s

5

**Currency, Coin, and
Food Coupons**

Scope

Operating Circular 5 sets forth general terms and conditions with respect to the currency, coin, and food coupon services provided by this Bank and the procedures that must be followed by depository institutions in their currency, coin, and food coupon transactions with us.

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DEFINITIONS AND REFERENCES

Reference to Operating Circular 1 (Bulletin 1)

1. Several terms used in this Operating Circular are defined in Operating Circular 1 (Bulletin 1).

Federal Reserve Act Authority

2. Federal Reserve notes are issued in accordance with Section 16 of the Federal Reserve Act.

U.S. Department of the Treasury Authority

3. Regulations governing the exchange of coin and paper currency of the United States are set forth in Treasury Department Circular No. 55.

GENERAL

Agreement to the Terms of This Operating Circular

4. This Operating Circular sets forth minimum standards and procedures that should be followed by this Bank (including its Branches) and its client institutions during currency, coin, and food coupon transactions. Any depository institution shipping or causing the shipment of currency, coin, or food coupons to, from, or for the account of this Bank shall, by such action, be deemed to have agreed to the terms and conditions set forth in this Operating Circular. It is assumed that, in most cases, such standards will be acceptable to all parties. However, if circumstances arise that make implementation of these procedures impracticable, this Bank will review, upon written request, the adoption of alternative arrangements.

Unnecessary Shipments to and from This Bank

5. Because of the high cost of maintaining cash services, the cooperation of depository institutions is requested to avoid unnecessary shipments. It is suggested that accumulations of currency or coin be obtained from other depository institutions in the community if they are available. Depository institutions should anticipate their requirements and refrain from shipping to this Bank currency and coin fit for further circulation if money of the same denomination is likely to be needed in the near future. The interchange of currency and coin by local depository institutions and the exercise of care in anticipating requirements will reduce shipments to and from this Bank. This Bank will assist depository institutions in such coin and currency arrangements.

Receipt and Distribution of Currency and Coin

6. All U.S. currency and coin will be received for credit, redemption, exchange, or replacement, subject to the conditions stated herein and applicable federal laws and regulations. This Bank will supply all available current denominations of currency and coin in accordance with the rules of this Bank and regulations of the Treasury Department. The amount of new currency and coin shipped by this Bank will be governed by the amount of fit currency and circulated coin on hand.

Transportation Policy

7. This Bank does not provide armored carrier service for deposits and withdrawals of currency and coin. All depository institutions in the Eleventh Federal Reserve District are required to make their own arrangements for armored carrier service for the shipment of currency and coin. This Bank will schedule regular delivery dates for the shipment of coin and currency to depository institutions in the Eleventh District. Depository institutions are required to arrange their own armored carrier service to conform to this Bank's scheduling requirements. Depository institutions must notify this Bank, by official correspondence, of their authorized carrier.

Moneybags

8. This Bank does not furnish moneybags to depository institutions. Bags bearing the name of the Federal Reserve Bank, the U.S. Mint, or another institution may be used for money shipments to this Bank. Surplus empty bags of this Bank and U.S. Mint bags should be returned to this Bank by armored carrier or fourth-class mail. The sender will be reimbursed for the expense.

Packaging Material

9. All currency and coin packaging materials must be uniform and conform to existing American Bankers Association (ABA) color standards and Federal Reserve packaging requirements. Information regarding such standards is available from this Bank.

Access Policy

10. The Federal Reserve Board has clarified the Federal Reserve System's policy with regard to access to Federal Reserve cash services. The Reserve Bank should offer to make payments to and receive deposits from all offices of depository

institutions on an equal and impartial basis, without charge, in accordance with the approved Uniform Cash Service Standards for Federal Reserve Banks and consistent with the Bank's capabilities to provide such services through maximum utilization of available physical facilities. The frequency of access will normally be once per week for each authorized depository institution or office. Less or more frequent access will be determined by volumes or by cost justifications but must be provided on an impartial basis to all similarly situated depository institutions.

Currency Verification Policy

11. This Bank utilizes high-speed currency processing equipment to piece-count verify all currency receipts. Denominations of \$1 and \$2 are processed in 1,000-note units. Should a discrepancy be detected within a 1,000-note unit, all 10 straps will be returned to the depository institution because individual strap identity is not available. Denominations of \$5 and larger are processed in 100-note units, and each strap containing a discrepancy will be returned to the depository institution. Financial institutions are permitted to deposit unstrapped currency in 1,000-piece bundles, provided a Reserve Bank's Letter of Acknowledgement agreement has been signed by the appropriate official at the depositing institution and is on file with this Bank.

SHIPMENTS FROM THIS BANK

Ordering Currency and Coin

12. Depository institutions served by the Eleventh District Federal Reserve Bank are required to submit cash orders either electronically through the RESPONSE network or through the Voice-RESPONSE system operated by this Bank. The Voice-RESPONSE system requires a local switching station capable of carrying a touch-tone telephone signal. The Federal Reserve Bank Cash Department may be contacted for further information regarding the Voice-RESPONSE system.

Orders for currency, coin, or both should be submitted by telephone or through the RESPONSE network two business days before the delivery date. When an order is received, the message is recorded. The individual submitting the order must give his or her name, the name of the depository institution, the depository institution's ABA number, and the denominations and amounts of currency and coin needed. The recorded message provides this Bank with the

authority to charge the depository institution's account. A depository institution ordering currency and coin that does not wish to have its account charged or credited for currency and coin transactions must request its correspondent depository institution to forward a letter to this Bank authorizing this Bank to charge or credit the correspondent depository institution's account for currency and coin transactions, including adjustments. This Bank will provide a form for this purpose upon request.

Standard Units

Currency

13. Currency is strapped in standard 100-piece packages per denomination. Orders for currency must comply with one of the following guidelines:

- A. An institution (a corporate entity comprising the head office plus all branch offices) ordering currency in amounts exceeding an aggregate of \$50,000 per week may order only the standard units or multiples thereof, as follows:

Denomination	Amount
Ones	\$ 1,000
Twos	\$ 2,000
Fives	\$ 5,000
Tens	\$ 10,000
Twenties	\$ 20,000
Fifties	\$ 5,000
Hundreds	\$ 10,000

- B. An institution ordering currency weekly or less frequently in amounts not exceeding an aggregate of \$50,000 per week may order currency in the following standard units or multiples thereof:

Denomination	Amount
Ones	\$ 1,000
Twos	\$ 200
Fives	\$ 500
Tens	\$ 1,000
Twenties	\$ 2,000
Fifties	\$ 5,000
Hundreds	\$ 10,000

- C. An office (an individual branch or the main office of an institution) ordering currency no more often than once each month may order less than the basic

standard units, regardless of the aggregate order of the institution as a whole. This Bank will establish its own minimum order size for each denomination, based on regional needs.

Coin

14. Coin is sacked in standard-size bags by denomination. Orders for coin must comply with the following standard units or multiples thereof:

Denomination	Amount
Cents	\$ 50
Nickels	\$ 200
Dimes	\$ 1,000
Quarters	\$ 1,000
Halves	\$ 1,000
Dollars—Eisenhower	\$ 1,000
Dollars—Susan B. Anthony	\$ 2,000

Closing Hours and Transportation Schedule

15. This Bank is closed on Saturdays, Sundays, and the official bank holidays set forth in Supplement A to Operating Circular 1 (Bulletin 1). In anticipating their cash requirements, depository institutions are asked to keep these nonbanking days in mind, as well as the schedules for armored carriers at all offices and for registered mail delivery to the El Paso and San Antonio offices. Orders for currency and coin must be received at this Bank no later than 2:00 p.m. two business days before the delivery date.

Method of Shipment

16. Shipments of currency, coin, or both from this Bank to depository institutions will be made by armored carrier, in accordance with the transportation policy stated in paragraph 7 of this Operating Circular, or by fourth-class insured mail or by registered mail from the El Paso office or San Antonio office, whichever method is appropriate under the circumstances. The actual cost of postage and insurance to ship cash from this Bank, plus a handling fee, will be charged to the receiving financial institution.

Advice of Money Shipment

17. A mail advice covering each shipment made by registered or insured mail will be sent to the depository institution. If the shipment is not received promptly, the Reserve Bank office making the shipment should be notified immediately by

telephone or telegraph.

18. In addition, a daily statement will be sent to each depository institution, listing money shipments, as well as all other transactions with this Bank. This statement should be reconciled by the depository institution on a daily basis to ensure that all shipments have been received and that its account has been charged correctly.

Postal Limitations

19. The U.S. Postal Service has imposed certain limitations and restrictions on the shipment of money to certain towns. Depository institutions affected by these limitations and restrictions have been apprised, and their cooperation in this matter is solicited when they place orders with this Bank. Depository institutions are also requested, as a practical measure, to place orders for currency and coin so that the orders can be dispatched for arrival and delivery on a business day. Postal authorities have ruled it unwise to permit the dispatch of money that would be held over at the receiving post office when the office is closed.

Verification of Shipments

20. All currency received from this Bank should be verified as follows:

- A. Within three business days of receipt, by those depository institutions served directly for their own use more than once a week.
- B. Within five business days of receipt, by those depository institutions served directly for their own use once a week or less frequently.

All coin received from this Bank should be verified within five business days of receipt.

21. The money shipment should be verified by two or more responsible employees in the presence and view of one another. Currency should be verified by piece count, whereas coin may be verified by piece count or weight. Until verified, the currency and coin should be held under dual control. If a discrepancy is found upon verification, this Bank should be informed as soon as possible. If the exception relates to currency, a letter explaining the discrepancy, the package strap, the plastic wrapping, and a copy of the shipping advice should be sent to this Bank.

22. The procedure for reporting discrepancies in new currency strapped or packaged by the Bureau of Engraving and Printing is as follows:

- A. The reporting depository institution submits to this Bank a written explanation, signed by an official of the reporting institution, describing the procedure used to verify the shipment in which the discrepancy was found.
- B. With the written report, the reporting institution sends to this Bank the wrapping, label, and package strap pertaining to the claim; the identification data for the missing note(s), including the denomination, series, serial number(s), and suffix letter(s); the date the shipment was received; and the date it was verified. (Claims for an entire 100-note package discrepancy in a brick of new currency will not be honored unless the entire brick is returned, intact, to this Bank.)
- C. This Bank will forward the information to the appropriate division of the Treasury Department and will make settlement once the Treasury response is received.
- D. Settlement will not be made for a difference alleged by an individual (customer) or commercial entity doing business with a financial institution.

23. If an exception relates to coin, the attached tag(s) should be returned to this Bank. If an exception is found in a bag of Mint coin, the empty Mint bag should be returned to this Bank.

24. When disbursement of currency or coin is made without verification, this Bank will assume no liability. These guidelines all assume that the recipient depository institution (including its branches) verifies the deposit. Claims by client depository institutions other than the recipient depository institution or its branches will not be honored.

Entries to Depository Institution Accounts

25. This Bank will charge the amount of currency and coin shipment orders to the account, on the books of this Bank, that is maintained or used by an ordering depository institution on the anticipated delivery date as determined by this Bank. Should a shipment of cash from this Bank not be received, the shipment charge will not be adjusted.

For shipments debited after shipment by this Bank, the Bank reserves the right to adjust the time of debiting, when such adjustment is deemed necessary, and will endeavor to give notice of such adjustment.

26. The foregoing provisions do not alter the risk-of-loss provisions in this Operating Circular.

SHIPMENTS TO THIS BANK

Control of Shipments

27. All shipments will be prepared and verified by two or more responsible employees of the shipping depository institution. The sealed package should remain under the control of the same two employees until delivered to and received by the armored carrier or until deposited and registered at the post office.

Preparation of Currency Shipments

28. All currency in each shipment must be straightened, sorted, and packaged by denomination, face and top up, and must be enclosed in standard ABA color-coded paper currency straps, each strap containing 100 notes. The name and location of the sending depository institution, date of verification, amount, and identification of the employees counting the package must appear on each strap. Each standard package of 100 notes should be enclosed in a single paper currency strap. As stated in paragraph 11 of this Operating Circular, financial institutions are permitted to deposit unstrapped currency in 1,000-piece bundles per denomination, provided this Bank's Letter of Acknowledgement agreement has been signed by an official of the depositing financial institution and is on file with this Bank.

29. Currency shipments to this Bank must be bound in standard 100-piece packages per denomination. Shipments of currency must comply with one of the following guidelines:

- A. An institution (a corporate entity comprising the head office plus all branch offices) depositing currency in amounts exceeding an aggregate of \$50,000 per week may deposit only the standard units or multiples thereof, as follows:

Denomination	Number of Straps	Amount
Ones	10	\$ 1,000
Twos	10	\$ 2,000
Fives	10	\$ 5,000
Tens	10	\$ 10,000
Twenties	10	\$ 20,000
Fifties	1-10	\$ 5,000-50,000
Hundreds	1-10	\$ 10,000-100,000

B. An institution depositing currency weekly or less frequently in amounts not exceeding an aggregate of \$50,000 per week may deposit currency in the following standard units or multiples thereof:

Denomination	Number of Straps	Amount
Ones	10	\$ 1,000
Twos	1	\$ 200
Fives	1	\$ 500
Tens	1	\$ 1,000
Twenties	1	\$ 2,000
Fifties	1	\$ 5,000
Hundreds	1	\$ 10,000

C. An office (an individual branch or the main office of an institution) depositing currency no more often than once each month may deposit less than the basic standard units, regardless of the aggregate deposit of the institution as a whole. This Bank will establish its own minimum deposit size for each denomination, based on regional volumes.

30. Currency that cannot be bundled as described in the preceding tables because of insufficient quantities of notes must be retained until enough currency of the appropriate denomination has been accumulated to complete standard strap and/or bundle units. Currency denominations cannot be mixed within a strap or bundle. Unusual circumstances should be referred to this Bank in writing for authorization and allowance.

31. Under no circumstances should rubber bands, pins, or clips be substituted for paper straps. Each unit must be securely tied to avoid collapse while in transit. When shipments are made by mail, the weight of all units allowed in one bag and under one registry is determined by postal regulations. Shipping costs can be reduced by placing several

units in each bag; however, the bag should not exceed the weight allowance.

32. On the date of shipment, if the currency is sent by registered mail to the El Paso or San Antonio office, a notice must be mailed, under separate cover, to the Cash Department of that office, giving the date, amount, and description of the shipment. All other copies of the advice, excluding the shipping depository institution's copy, must be enclosed with the shipment. If the currency is sent by armored carrier, the original copy of the notice must be handed to the armored carrier representative. With the exception of the shipping depository institution's copy and the copy provided the carrier, all other advice copies should be enclosed with the shipment. This Bank will furnish a supply of forms for this purpose upon request.

33. Torn notes should be carefully mended on the back with transparent cellophane tape in such a manner as to preserve the original design and visual identification of the face of the notes. Pins, clips, and other metallic objects, if not removed, could cause injury to the handlers and damage to the machinery used in processing currency. Failure to comply with the foregoing impedes the handling process and may delay final verification.

34. Depository institutions are encouraged to consider the use of innovative means to ship currency to this Bank—boxes, trays, trunks, etc.; however, the use of such means must be approved by this Bank before implementation. The contents of all shipments must be enclosed in cloth, canvas, or plastic bags. Plastic bags should be of high quality, with a minimum thickness of 0.005 mil, and, preferably, should be fractional-melt and low-density polyethylene. To reduce the risk of loss, this Bank strongly encourages depository institutions to place currency bundles in bags, shrink-wrap or cold-seal, before placing them in the final shipping bag. Should the depository institution elect not to use shrink-wrap or cold-seal internal preparation, this Bank strongly encourages the depository institution to secure the contents of the shipment in one bag and place this sealed bag in a second sealed bag before forwarding the shipment to this Bank. All bags must be well secured and sealed in a manner acceptable to this Bank and the post office or armored carrier at the place of mailing or dispatch. The seal on the bag should bear the identity of the shipping depository institution.

35. When the shipment is received at this Bank, should there be any evidence of a torn, damaged bag or a broken, altered, loose, or improper seal or any sign of tampering, the depositing institution will be contacted immediately for further handling instructions. This Bank reserves the right to refuse to accept a shipment that is improperly prepared.

36. Only unfit and excess fit currency should be shipped to this Bank. Depository institutions will not be allowed to ship fit currency to this Bank and then order the same denomination of currency within five business days. Deposits should be presorted by strap into fit currency and unfit currency.

Method of Shipping Currency

37. Currency of all denominations that is shipped by depository institutions should be forwarded by armored carrier or by registered or insured mail when armored carrier service is not available. Depository institutions must make their own transportation arrangements. Shipments by registered or insured mail should be made only when armored carrier arrangements cannot be made. This Bank will charge a handling fee for all shipments received by registered mail.

Preparation of Coin Shipments

38. Coin must be shipped to this Bank loose in heavy canvas bags, each bag containing coin of only one denomination. A standard ABA color-coded tag should be affixed to each bag, showing the name of the shipping depository institution and the coin denomination. In addition, the bags of coin must be securely sealed, and the seal should bear the identity of the shipping depository institution. Coin shipped to this Bank must be sacked as follows:

Denomination	Amount
Cents	\$ 50
Nickels	\$ 200
Dimes	\$ 1,000
Quarters	\$ 1,000
Halves	\$ 1,000
Dollars—Eisenhower	\$ 1,000
Dollars—Susan B. Anthony	\$ 2,000

39. This Bank will return all bags of coin, at the sender's expense, that do not comply with the above requirements and may, also at the sender's expense, return bags weighing out of tolerance. On the date of shipment, if the coin is sent by

registered or insured mail, a notice must be mailed to the Cash Department of the appropriate Reserve Bank office, giving the date, amount, and description of the shipment. If the coin is sent by armored carrier, this notice must be handed to the armored carrier representative. This Bank will furnish a supply of forms for this purpose upon request.

Method of Shipping Coin

40. Coin of all denominations that is shipped by depository institutions should be forwarded by armored carrier if this service is available. If a depository institution served by the El Paso or San Antonio office is not on an armored carrier route, shipments of coin should be made by registered or insured mail in accordance with existing postal regulations. This Bank will charge a handling fee for all shipments received by registered mail.

Entries to Depository Institution Accounts

41. In general, this Bank will credit the account, on its books, that is maintained or used by a depository institution on the day a shipment of currency, coin, or both is received. However, to a depository institution electing to utilize the Bank's alternative credit procedures, credit will be given on the day currency and coin are shipped to this Bank if notification is received in approved form before 2:00 p.m. that day. If notification is received later, this Bank will give credit on the next banking day. If notification is not given, this Bank will give credit on the day the deposit is received. In most cases, when notification is given, credit benefits only depository institutions exempt from reserve requirements or whose vault cash exceeds their reserve requirements. Conditional credit is given for currency shipments that are subject to subsequent verification.

42. If a depository institution arranges or contracts for transportation of a shipment to this Bank, including a shipment by mail, and the shipment is not received on the anticipated date of delivery as determined by this Bank, the credit will be reversed.

43. For shipments credited before receipt by this Bank, this Bank reserves the right to adjust the time of crediting, when deemed necessary, and will endeavor to give notice of such adjustment.

44. The foregoing provisions on credit do not alter the risk-of-loss provisions in this Operating Circular.

MISCELLANEOUS CURRENCY AND COIN

Counterfeit or Altered

45. In accordance with Treasury Department regulations, all counterfeit or altered currency and coin must be delivered to an agent of the U.S. Secret Service. Accordingly, all counterfeit currency and coin received by this Bank will be delivered to a Secret Service agent. The agent's receipt, fully describing the counterfeit currency or coin, will be mailed to the depositor.

Foreign

46. Foreign currency or coin will not be accepted for credit and, if received, will be returned to the shipping depository institution.

Gold Coin and Gold Certificates

47. Gold coins having a recognized special value to collectors of rare or unusual coins, including all gold coins made before April 5, 1933, have been exempted from any surrender requirements and may be retained by their owners or exchanged for other currency or coin. Gold certificates were withdrawn from circulation and surrendered to the U.S. Treasury under the provisions of the Gold Reserve Act approved January 30, 1934. Today, gold certificates are not redeemable in gold, but they are redeemable at face value in Federal Reserve notes.

Mutilated Currency

48. A mutilated bill will be received at its face amount if clearly more than one-half of the original bill remains. Fragments that are not clearly more than one-half of the bill should be sent directly to the U.S. Treasury Department, Bureau of Engraving and Printing, OCRDS, BEPA Room 344, P.O. Box 37048, Washington, D.C. 20013, in accordance with Treasury Department Circular No. 55, copies of which will be furnished upon request. Such fragments will be exchanged at face value only if the Commissioner, Bureau of Government Financial Operations, Department of the Treasury, is satisfied that the missing portions have been totally destroyed. The Commissioner's judgment is based on such evidence of total destruction as is deemed necessary and is final.

Uncurrent Coin

49. Uncurrent coins, defined in Treasury Department Circular No. 55 as whole U.S. coins that are merely worn or reduced in weight by natural abrasion, yet are readily and clearly recognizable as

to genuineness and denomination, and that are machine-countable, are accepted for face value at this Bank. For the redemption of coins other than current coins or machine-countable uncurrent coins, refer to Treasury Circular No. 55. Copies of this circular are available from this Bank upon request.

RISK OF LOSS

Shipments from or to Depository Institutions by Armored Carrier

50. Except as specifically provided in paragraphs 54 and 55A below, the risk of loss for mysterious disappearance of currency or coin from deposits with this Bank by armored carrier is assumed as follows:

- A. When this Bank receives for deposit a bag or other container that is damaged, bears a broken, altered, loose, or improper seal, or otherwise shows signs of tampering, if currency or coin has disappeared mysteriously from that bag or container, the sending depository institution assumes the risk of loss for that mysterious disappearance and shall resolve the matter solely with the armored carrier or its agents. To preserve the sending depository institution's claim against the armored carrier, this Bank will note the condition of the bag or other container for special processing.
- B. When this Bank receives a deposit from which currency or coin has disappeared mysteriously and all other bags or containers in that deposit have been received in a well-secured condition, bearing proper seals, the sending depository institution assumes the risk of loss for that mysterious disappearance and shall resolve the matter solely with the armored carrier or its agents unless the Bank receives satisfactory evidence that the mysterious disappearance occurred after the Bank received the deposit. In that case, this Bank assumes the risk of loss.

51. Except as specifically provided in paragraphs 54 and 55B below, the risk of loss for mysterious disappearance of currency or coin from shipments to depository institutions from this Bank by armored carrier is assumed as follows:

- C. When a depository institution receives a shipment containing a bag or other container that is damaged, bears a broken, altered, loose, or improper seal, or otherwise shows signs of tampering, if currency or coin has disappeared mysteriously from that bag or container, the receiving depository institution assumes the risk of loss for that mysterious disappearance and shall resolve the matter solely with the armored carrier or its agents. The depository institution should note that, to preserve its right of action against the armored carrier, the depository institution should establish management procedures providing for notice to the armored carrier's management that would enable the parties to arrange for appropriate handling of any bag or other container that shows visible signs of tampering. Also, the depository institution shall notify this Bank as soon as possible upon discovery of a mysterious disappearance of currency or coin as described in this subparagraph C.
- D. When a depository institution receives a shipment containing a bag or other container from which currency or coin has disappeared mysteriously and all other bags or containers in that shipment have been received in a well-secured condition, bearing proper seals, the receiving depository institution assumes the risk of loss for that mysterious disappearance and shall resolve the matter solely with the armored carrier or its agents. The depository institution shall notify this Bank as soon as possible upon discovery of any mysterious disappearance of currency or coin, regardless of whether the mysterious disappearance would cause a loss of the type for which this Bank assumes the risk. In a case as described in this subparagraph D, this Bank assumes no risk of loss unless this Bank receives satisfactory evidence that the mysterious disappearance occurred before the shipment was tendered to the armored carrier.

52. If a mysterious disappearance of currency or coin or other loss is litigated in a court of competent jurisdiction and if the court finds that the loss shall be apportioned otherwise than in accordance with subparagraphs A through D above, then the risk of loss shall be assumed in accordance with

and in the same proportions as those stated in the court's opinion. In case of any such reapportionment of the risk of loss, the parties shall reimburse each other to the extent necessary to reflect the reapportionment. This Bank's decision about the persuasiveness of evidence submitted to this Bank under this paragraph shall bind all parties in the absence of or until findings about apportionment of loss are issued by a court of competent jurisdiction.

Shipments from or to Depository Institutions by Registered Mail

53. For shipments from or to a depository institution by registered mail, the following guidelines apply:

- A. When a depository institution ships currency or coin to the El Paso or San Antonio office by registered mail, the institution shall insure the shipment for full face value. Proceeds of the insurance should be payable to the sender. The applicable Reserve Bank office assumes no risk of loss for shipments of currency or coin to the Reserve Bank office by registered mail.
- B. Except as specifically provided in paragraph 54 below, when the Bank ships currency or coin to a depository institution by registered mail, the Bank assumes all risks of loss for the shipment until the shipment is delivered to the office of the receiving depository institution to which it is addressed or, if an undelivered shipment is reforwarded, until the shipment is either delivered to the correct address or returned to this Bank.

Exceptions

54. This Bank assumes no risk of loss in any of the following circumstances, and any loss arising under such circumstances is assumed by the depository institution shipping, ordering, or causing such shipments:

- A. Any loss in excess of \$10 million on all shipments to this Bank by any one office of a depository institution on any one day.
- B. Any loss caused by or resulting from
- (1) hostile or warlike action in time of peace or war, including action in

- hindering, combating, or defending against an actual, impending, or expected attack
- (a) by any government or sovereign power (*de jure* or *de facto*) or by an authority maintaining or using military, naval, or air forces; or
 - (b) by military, naval, or air forces; or
 - (c) by an agent of any such government, power, authority, or forces;
- (2) any weapon of war employing atomic fission or radioactive force, whether in time of peace or in time of war;
 - (3) insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating, or defending against such an occurrence, or confiscation by order of any government or public authority;
 - (4) nuclear reaction or radioactive contamination, all whether controlled or uncontrolled and whether such loss be direct or indirect, be proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by risks assumed by this Bank.
- C. Any loss caused by any dishonest, fraudulent, or criminal act of an employee, agent, or contracted armored carrier service of any depository institution shipping, ordering, causing, or receiving the shipment.
 - D. Any loss recoverable from any insurance, surety, or indemnity company pursuant to purchased insurance, surety, or indemnity (including bankers' blanket bond), whether primary or excess, carried by or maintained by any institution other than this Bank.
 - E. Any loss incident to a shipment to this Bank by ordinary mail.
 - F. Any loss on any shipment by any depository institution not made in conformity with the provisions of this Operating Circular.
 - G. Any loss incident to a shipment by this Bank, or for the Bank's account at the Bank's request, by registered mail if the addressee depository institution takes delivery of the shipment at any place other than the office of the depository institution to which the shipment is addressed, unless the shipment is in the charge of a responsible person, including an armored carrier representative, while in transit between the place at which delivery is taken and any other place.
 - H. Any loss on any shipment during any transportation not contracted for by this Bank.

Differences

55. For differences found in cash shipments, the following guidelines apply:

- A. This Bank will not be responsible for the amount by which a shipment of cash received by this Bank is less than the amount stated by the shipping depository institution when the depository institution has not followed the preparation and shipment procedures in the section of this Operating Circular titled "Shipments to This Bank."
- B. This Bank will not be responsible for the amount by which a shipment of cash received by a depository institution is less than the amount stated by this Bank when the depository institution has not followed the verification procedures in the section of this Operating Circular titled "Shipments from This Bank."

Payment of Losses and Subrogation of Rights of Recovery by Depository Institutions

56. The amount of any loss, the risk of which is assumed by this Bank under the terms of this Operating Circular, will be paid promptly by this Bank upon receiving from the depository institution sustaining the loss, in a form satisfactory to this Bank, a written proof of loss, receipt, and any other necessary documents, including but not limited to an assignment of its rights, title, and interest in the lost property. The depository institution receiving any such payment shall take all necessary measures in behalf, and at the risk and expense, of this Bank for the recovery, reissue, or replacement of such property, including the

institution of legal proceedings in its own name, if deemed necessary by this Bank.

FOOD COUPONS

General

57. This Bank will handle food coupons as cash items under an agreement between the U.S. Department of Agriculture and the Reserve Banks, as fiscal agents of the United States. For matters that agreement does not cover, Regulation J, this Operating Circular, and this Bank's time schedules apply. This Bank receives food coupons only from (a) depository institutions that maintain accounts with this Bank 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 this Bank but that have made arrangements to send food coupons to this Bank for crediting to the accounts of depository institutions maintaining accounts with this Bank. Other institutions should forward food coupons through ordinary collection channels.

58. Depository institutions sending food coupons to this Bank should follow the instructions of the U.S. Department of Agriculture for handling coupons (Title 7 of the *Code of Federal Regulations*, Part 278.5) and this Operating Circular. This Bank will furnish additional information about the collection of food coupons upon request.

Preparation of Shipments

59. Depository institutions should send redeemed food coupons to the office of this Bank that maintains the account to which the proceeds are to be credited. The procedure in preparing food coupons for shipment to this Bank is as follows:

- A. All food coupons must be detached from booklet covers.
- B. Any food coupon accepted for redemption must show on its back either (1) the AUTHORIZATION NUMBER or (2) the name of the authorized retail food store, meal service, or wholesale food concern. Each food coupon must be canceled by the first depository institution that receives it by being indelibly marked "PAID" or "CANCELED" and having the

depository institution's name or institutional identifier on the face of the coupon. No food coupon should be endorsed by a depository institution.

- C. Food coupons must be sorted by denomination, face and top up, and enclosed in a paper strap. Under no circumstances will rubber bands, pins, or clips be accepted as substitutes for paper straps. Each strap should contain only food coupons; that is, it should contain no foreign material, such as paper, adding machine tapes, etc.
- D. The name and location of the shipping depository institution, the dollar amount of the food coupons, the date, and the identification of the employee who counted the food coupons must be plainly marked on each strap.
- E. Food coupons must be separately sorted into standard straps of 100 coupons of the same denomination. However, a maximum of one nonstandard strap (fewer than 100 coupons), one per denomination, can be deposited. The total number and dollar amount of each denomination of food coupons must be shown on the Food Coupon Deposit Document (FCDD), Form FNS-521.

After sorting and strapping as directed above, depository institutions should assemble straps by denomination in bundles, 10 straps to a bundle. Bundles must be secured tightly and compactly. Denominations may not be mixed within a bundle. A maximum of one nonstandard bundle (fewer than 10 straps), one per denomination, can be deposited.

- F. When food coupons are submitted for credit, an FCDD (Form FNS-521), properly prepared according to the instructions, must accompany the coupons. A mailing label (available from this Bank) must be affixed to the outside of the envelope or container used for shipping food coupons to this Bank, along with the name and address of the shipping depository institution. Do not include food coupons with any other matter sent to this Bank. Food coupons must be shipped in tamper-evident, sealed packages or containers strong enough to ensure receipt by this Bank in a secure condition.

- G. The total amount of Redemption Certificates (RCs), Form 278B, included in each deposit must equal the total food coupon amount declared on the FCDD. The depository institution must verify the dollar amount of the food coupons being redeemed by recording its count on each RC and submitting the completed RC with its deposit. Such verification should be performed at the time of the food concern's deposit. The name of the depository institution employee performing the verification and the date of the transaction must be marked on the RC. Personal identification stamps may be used but must appear on the reverse side of the RC only. All RCs on hand at the time food coupon shipments are prepared are to be machine-listed, with a copy of the listing attached to the front of the bundle, and forwarded with the food coupons to this Bank. The listing order should correspond to the order of the documents. When an institution submits more than 500 RCs in a deposit, the deposit may be broken into smaller bundles of 200 to 300 RCs, with a listing for each bundle and a grand total. All pins, paper clips, rubber bands, extra adding machine listings, and other foreign objects must be removed from the RCs before they are shipped to this Bank.

All food coupon RCs must be MICR-encoded before deposit at this Bank. The encoding must be done in accordance with standard check encoding specifications. Steps have been taken to minimize the amount of encoding required on the part of depository institutions, but depository institutions should plan to encode, at a minimum, the redeemed dollar amount on all RCs. In some cases, they may also need to encode the ABA number of the Food and Nutrition Service (000001009) and the retailer identification number.

- H. Failure to comply with these procedures may result in corrective measures up to and including refusal or return of deposits.

This Bank reserves the right to return any deposit that it determines to be unaccept-

able for processing. Any such return will be at the depository institution's risk and expense.

- I. Food coupons should be forwarded as a separate deposit, should be handled as valuables, and should be directed to the attention of the Bank's Cash Department, Food Coupons Section. No provision is made by this Bank for reimbursing depository institutions for the cost of shipping food coupons.

Depository institutions should send food coupons by the means ordinarily used for cash items—by carrier or by mail.

- J. In accordance with the regulations of the U.S. Department of Agriculture [7 C.F.R. 278.5(a)], a portion of a food coupon consisting of less than three-fifths of a whole coupon shall not be accepted for redemption.

Entries to Accounts

60. Subject to subsequent verification, conditional credit is given for properly prepared, redeemed food coupons, provided the deposit is received at this Bank office by 2:00 p.m. Credit for food coupons will be made to the account of the shipping depository institution or to the account of the designated correspondent depository institution. Agreement forms will be provided by this Bank, upon request, to depository institutions that wish to designate a correspondent through which credit will be received.

Liability

61. Neither this Bank nor the Department of Agriculture is liable for food coupons lost in transit to this Bank. Shipping depository institutions may wish to insure food coupon shipments and retain records to assist in substantiating insurance claims for food coupons lost in transit.

RIGHT TO AMEND

62. This Bank reserves the right to withdraw or amend any of the provisions of this Operating Circular and its appendixes, if any, without notice, at any time.