



FEDERAL RESERVE BANK
OF DALLAS

HELEN E. HOLCOMB
FIRST VICE PRESIDENT AND
CHIEF OPERATING OFFICER

December 31, 1998

DALLAS, TEXAS
75265-5906

“Year 2000 Readiness Disclosure”

Notice 98-125

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

SUBJECT

Year 2000 Contingency Plan for Cash Services

DETAILS

The financial industry has dedicated significant resources over the past few years to ensure that the automation systems, including the nation's payment systems, will make a smooth transition to the Year 2000 (Y2K). While financial institutions are working hard to avoid operational/system disruptions during the millennium change, they also need to be prepared for a variety of contingencies, including potential increases in currency demand from customers. The purpose of this letter is to notify you of provisions the Federal Reserve has made for an adequate currency inventory as well as to inform you of issues that your organization should address in the near term to ensure preparedness. For more information about overall contingency planning for the Year 2000, please refer to the questions and answers issued by the Federal Financial Institutions Examination Council on December 11, 1998.

Although it is difficult at this stage to predict public reaction to real or perceived Y2K problems, it is reasonable to assume that many individuals may hold extra cash during the century rollover. While it is unlikely that consumers will hoard cash to purchase higher priced durable goods, they may focus on cash availability for more immediate needs such as gas and groceries. To meet such demand, the Federal Reserve has increased its fiscal year 1999 print order from the Bureau of Engraving and Printing over the 1998 level. The increase is precautionary and, together with other contingency measures being put in place, will provide an adequate level of inventory in Federal Reserve Bank vaults to meet currency demand during the century rollover.

Depository institutions should also make adequate plans to meet additional cash demand if it arises. You may wish to consider some of the following issues as you develop your cash contingency plans:

- Have you analyzed your customer base to estimate the demand for extra cash inventory you may have to carry to meet the Y2K demand? Depending on your customer profiles (individuals, retailers, other businesses), this demand may vary.

For additional copies, bankers and others are encouraged to use one of the following toll-free numbers in contacting the Federal Reserve Bank of Dallas: Dallas Office (800) 333-4460; El Paso Branch *Intrastate* (800) 592-1631, *Interstate* (800) 351-1012; Houston Branch *Intrastate* (800) 392-4162, *Interstate* (800) 221-0363; San Antonio Branch *Intrastate* (800) 292-5810.

- Have you made plans to obtain extra currency well in advance so that possible increases in customer demand can be met?
- Have you reviewed your vault capacity, insurance limits, and bond requirements to ensure that you can handle additional cash holdings and appropriate distribution/shipping requirements?
- Have you prepared a plan to fill ATMs more frequently if they are used heavily to withdraw cash in late December 1999 and early January 2000? Have you verified that ATMs are Y2K compliant?
- If you depend on a correspondent bank (or other entity) for your cash needs, have you discussed with your cash service provider what its Y2K plans are and how it will satisfy your Y2K needs?
- Have you spoken with your armored carrier to discuss its contingency plans for Y2K?
- What constraints (such as transportation, staff, or other factors) may exist late next year due to typical seasonal activity levels (for example, availability of armored carrier vehicles on short notice, limitation on dollar values that individual vehicles can/will transport)? What plans do you have for working around these potential obstacles?

The above list is not exhaustive; other issues may be important to your situation. With the Year 2000 fast approaching, the Federal Reserve strongly encourages your organization to take an active role in developing an appropriate and comprehensive cash contingency plan addressing the above issues. In this, as in other areas of Y2K preparations, risk mitigation and contingency planning will help ensure a smooth transition to the Year 2000.

The bank regulators monitoring the financial industry's readiness for Y2K will be interested in reviewing your institution's cash contingency plan as part of their supervision/examination process. If you depend on the Federal Reserve for meeting your cash needs, please feel free to discuss your contingency plans with us.

MORE INFORMATION

For further information on cash contingency plans, please contact Bill Morse, (214) 922-6802, at the Dallas Office; Dieter Stanchos, (915) 521-8265, at the El Paso Office; Marilyn Snider, (713) 652-1521, at the Houston Office; Mario Garcia, (210) 978-1300 at the San Antonio Office. For additional copies of this Bank's notice, contact the Public Affairs Department at (214) 922-5254.

Sincerely,

