

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 9908
August 16, 1985]

CURRENCY AND COIN

Revision of Operating Circular No. 3, Effective September 3, 1985

*To All Depository Institutions, Branches and Agencies
of Foreign Banks, and Others Concerned, in the Second Federal Reserve District:*

Enclosed is a copy of this Bank's Operating Circular No. 3, revised effective September 3, 1985, which describes and clarifies policies and procedures for using our currency and coin processing services. The circular also incorporates the new "Uniform Cash Service Standards for Federal Reserve Banks," which was recently adopted by the Board of Governors of the Federal Reserve System and is a product of a Systemwide effort to establish uniform levels of Reserve Bank cash services to depository institutions. Under these standards, our cash services are available to all offices of depository institutions that follow specific packaging requirements and avoid or curtail cross-shipment practices. In addition, the new standards, by minimizing the unnecessary movement of currency and coin between this Bank and depository institutions, will result in our being able to provide you with more efficient and cost-effective cash services.

The Board of Governors has requested that the revised standards be fully implemented in all Federal Reserve districts no later than August 1987. Over the next two years, we will work closely with you in helping you to adapt to the new standards.

Listed below are the major changes that have been made in Operating Circular No. 3:

(a) **Access policy** —

- Clarification of the Federal Reserve System's uniform access policy regarding the number of depository institutions' offices served and frequency of service (paragraphs 2 and 3).
- Restrictions on cross shipping of deposits and withdrawals (formerly referred to as "overlapping") (paragraph 4).

(b) **Packaging standards.** Packaging standards for depository institutions have been revised on the basis of the frequency and the aggregate amount of cash deposited or ordered by an institution (paragraphs 9 and 30).

(c) **Other changes** —

- Revisions of the time required to verify currency and coin orders (paragraph 34).
- Inclusion of Federal Reserve Bank early credit and late debit procedures (paragraphs 8 and 28).
- Updated listing of Federal Reserve Bank forms currently in use (paragraph 42).

If you have any questions about our cash services or the provisions of the revised operating circular, please contact your Account Manager at this Bank or one of the following individuals:

Head Office

Charles E. Rockey, Manager, Currency Services Department (Tel. No. 212-791-7959).

Robert G. Kraus, Chief, Currency Services Division (Tel. No. 212-791-7907).

Buffalo Branch

Gary S. Weintraub, Cashier (Tel. No. 716-849-5020).

Donald J. Weber, Chief, Cash Division (Tel. No. 716-849-5026).

E. GERALD CORRIGAN,
President.

FEDERAL RESERVE BANK OF NEW YORK

[Operating Circular No. 3
Revised effective September 3, 1985]

CURRENCY AND COIN

*To All Depository Institutions in the Second
Federal Reserve District, Foreign Banks
Having Branches or Agencies in the Second
Federal Reserve District, and Others Concerned:*

This circular sets forth the general terms and conditions regarding the currency and coin services provided by this Bank. Any depository institution that directly or indirectly makes a shipment of currency or coin to, or orders a shipment of currency or coin from, any office of this Bank is deemed to agree to the provisions of this circular. Unless otherwise indicated, all references to this Bank apply equally to the Buffalo Branch. For the purposes of this circular, references to the term "depository institution" include all institutions that order currency or coin from or deposit currency or coin with this Bank. Depository institutions are requested to transact business directly with the office (either the Head Office in New York City or the Buffalo Branch) from which they normally receive Federal Reserve services. Depository institutions in the Head Office territory that currently receive currency or coin from or deposit currency or coin with the Buffalo Branch should continue to transact business with the Buffalo Branch unless otherwise notified, even if they receive other Federal Reserve services from the Head Office. Depository institutions in Puerto Rico and the Virgin Islands should continue to follow procedures required by the Puerto Rico Cash Depot.

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RECEIPT AND DISTRIBUTION OF CURRENCY AND COIN BY THE FEDERAL RESERVE BANK OF NEW YORK

General statement of policy

1. The Federal Reserve Bank of New York (the "Bank") receives and distributes, equitably and impartially, supplies of new and previously circulated, reusable United States currency and coin to accommodate the needs of the general public for a medium of exchange.

- (a) The Bank distributes previously circulated, reusable currency or coin of a quality that conforms to the currency or coin quality standards of the Federal Reserve System ("fit currency or coin").
- (b) The Bank fills orders for currency with either fit or new currency. Orders for coin are filled with circulated or new coin. The Bank normally pays out reusable currency and coin of any given denomination before new currency and coin are paid out. To achieve an even calendar distribution of supplies of new currency, the Bank periodically may pay out new currency while fit currency is on hand.
- (c) The Bank accepts deposits of fit currency and coin when a depository institution accumulates a surplus that cannot be stored or disposed of reasonably by direct exchanges with other depository institutions. A depository institution may not deposit excess fit currency with the Bank unless its unfit currency already has been deposited.
- (d) The Bank accepts the return of United States currency and coin considered unfit for further circulation. The Bank accepts mutila-

ted currency but does not accept currency fragments or mutilated coin (*see* paragraphs 16 and 25 below).

ACCESS TO THIS BANK'S CASH SERVICES

Service to offices of depository institutions

2. Subject to the provisions of paragraph 5 below, the Bank distributes and accepts returns of currency and coin by making payment to and accepting deposits from depository institutions. The Bank offers to make payments to and receive deposits from all offices of depository institutions on an equal and impartial basis, without charge, to the extent that is consistent with the Bank's capacity to provide such service through maximum use of available, secure space.

Frequency

3. Normal service for the account of each authorized office of a depository institution is one payment or deposit per week. Depository institutions whose offices do not have sufficient volume of currency and coin transactions to justify weekly service may receive less frequent service. Service more frequently than once per week may be requested by depository institutions whose offices have sufficient volume to justify the more frequent service.

UNNECESSARY SHIPMENTS OF FIT CURRENCY

Cross shipping

4. In view of the Bank's costs of handling currency and coin, cross shipping of deposits and withdrawals at the office level is prohibited. Cross shipping should be minimized or eliminated, where practicable, at the depository institution level. The term "cross shipping" refers to the deposit of excess fit currency or coin and the reorder of the same denomination within five business days during which the Bank is open for the receipt or withdrawal of currency or coin. Depository institutions should exchange fit currency and coin among themselves whenever they may do so feasibly. The Bank reserves the right to fill currency or coin orders of a depository institution that makes unnecessary deposits and withdrawals with deposits of like denominations received from that same depository institution. To encourage the development of currency and coin exchanges, the Bank analyzes deposit and withdrawal patterns and discusses those patterns with depository institutions. The Bank will attempt to provide other services necessary to arrange and implement cost-effective inter- or intra-depository institution exchanges of currency and coin.

METHOD OF SHIPMENT

Armored carrier service

5. As of January 1, 1985, the Bank does not provide armored carrier service for deposits and withdrawals of currency and coin. The Bank's Cash Processing Function is prepared to provide depository institutions with advice and assistance in obtaining armored carrier service. The Bank reserves the right to approve the scheduling of the arrival and departure at the Bank's offices for armored carrier service arranged by depository institutions. Depository institutions bear their own costs for armored carrier service.

Registered mail

6. (a) The Bank does not use registered mail for shipments of money to or from depository institutions, except for remote offices that have no access to armored carrier service. Offices of depository institutions outside the cities of New York and Buffalo that do not have access to armored carrier service may ship currency to the Bank by registered mail. Requests for registered mail shipments from the Bank to depository institutions should be forwarded to either the Head Office or the Buffalo Branch, which will arrange the registered mail service. Registered mail users will be charged for the registered mail fees and the administrative costs attributed to each shipment.

(b) Packaged and bundled currency in all denominations may be included in the same bag that is sent by registered mail. Form MON. 82 (for the Head Office) or form B MON. 12A (for the Buffalo Branch) must be completed and attached to each bag. Also, a tag bearing the name and address of the sending depository institution should be attached to each bag, and the necessary postage should be affixed securely to the back of the tag (not to the bag). No writing indicating the nature or value of the contents should appear on the bag or on the tag. Depository institutions should not pay for a return post office registry card for shipments to the Bank because the second copy of each deposit form will be returned to the sending depository institution to acknowledge receipt of the deposit. However, depository institutions sending currency to the Bank by registered mail shall send notice of each shipment to the Bank under separate cover.

Insured fourth-class mail: coin

7. Depository institutions that do not ship coin to the Bank by armored carrier may ship coin to the Bank and receive coin from the Bank by insured fourth-class mail. Form MON. 99 (for the Head Office) or form B MON. 12 (for the Buffalo Branch) must be completed and forwarded to the Bank for shipments to the Bank. Also, a tag bearing the name and address of the sending

depository institution shall be attached to each bag, and the necessary postage should be affixed securely to the back of the tag (not to the bag). The value of coin in each bag shipped by insured fourth-class mail shall not exceed \$500, except in the following cases: a bag of Susan B. Anthony dollar coins shall not exceed \$2,000; a bag of nickels shall not exceed \$200; and a bag of pennies shall not exceed \$50. Depository institutions should not pay for a return post office registry card for shipments to the Bank because the second copy of the deposit form will be returned to the sending depository institution to acknowledge receipt of the deposit.

INCOMING SHIPMENTS TO THIS BANK

Credit for deposits of currency and coin

8. Subject to verification of amount and the other provisions of this circular, the Bank credits the deposit account on its books maintained or used by a sending depository institution on the date of receipt of a deposit in the amount of the currency and coin received by the Bank. The Bank endeavors to send an advice of credit to the depository institution the same day. If a depository institution applies to use the Bank's early credit procedures, and if such application is approved, the Bank credits the depository institution's account on the day the depository institution sends currency and coin to the Bank if the Bank receives notice of the incoming deposit, in the format approved by the Bank, before 1:00 p.m. of the date of sending the deposit. The Bank sends the depositor an advice of credit following actual receipt of the deposit. If notification of a deposit is received late, the Bank gives credit on its next business day. If no notice of an incoming deposit is given, the Bank gives credit on the day it receives the deposit. If an incoming deposit for which a depository institution gave the appropriate notice to the Bank, including a deposit by mail, is not picked up sufficiently early to enable the Bank to receive it by the expected date of receipt, the sending depository institution shall notify the Bank that the deposit was not picked up when expected. Then the Bank may reverse the credit for the sending depository institution, in the Bank's sole discretion. The foregoing provisions on credits for deposits of currency and coin do not alter the risk-of-loss provisions in paragraphs 35-41 of this circular. The Bank further reserves the right not to permit the withdrawal or other use of a deposit until the Bank has verified the amount of deposit and the right to adjust the time of crediting of deposits when an adjustment is necessary. The Bank endeavors to give appropriate notice of an adjustment to the sending depository institution. Depository institutions must comply with the procedures specified in this paragraph 8, including the provision of accurate and timely information to the Bank, in order to remain eligible to participate in the Bank's early credit/late debit program.

Preparation of currency for deposit

Standard units for fit and unfit currency

9. The Bank accepts deposits of fit currency that exceed a depository institution's need for vault cash and unfit currency. Such deposits shall be packaged separately and clearly labeled as fit or unfit. Such deposits shall be prepared in standard units conducive to efficient handling and verification. The term "a standard unit" ordinarily refers, in the case of currency, to a bundle containing 1,000 notes of the same denomination in ten packages of 100 notes, each package counted by the depositing depository institution and arranged face and top up. Standard units for deposits of currency are as follows:

- (a) A depository institution* that deposits currency in amounts exceeding an aggregate of \$50,000 per week may deposit only in the following basic standard units:

- Full bundles (1,000 note units without package straps) for the \$1 denomination.
- Full bundles (1,000 notes of the same denomination in ten equal packages) for the \$2, \$5, \$10, and \$20 denominations.
- Full packages (100 notes) for the \$50 and \$100 denominations.

<u>Denomination</u>	<u>Full bundle</u>	<u>No. of packages to a bundle</u>	<u>\$ amount of bundle</u>
Ones	1,000 note unit	N.A.	\$ 1,000
Twos	1,000 notes	10	2,000
Fives	"	10	5,000
Tens	"	10	10,000
Twenties	"	10	20,000
Fifties	100-1,000 notes	1-10	5,000- 50,000
Hundreds	"	1-10	10,000-100,000

- (b) A depository institution that deposits currency weekly or less frequently in amounts not exceeding an aggregate of \$50,000 per week may deposit in the following units:

- Full bundles (1,000 note units without package straps) for the \$1 denomination.
- Full packages (100 notes) for the \$2, \$5, \$10, \$20, \$50, and \$100 denominations.

* Unless expressly used otherwise in this circular, the term "depository institution" includes both the institutions's head office and all branch offices.

<u>Denomination</u>	<u>Full bundle</u>	<u>No. of packages to a bundle</u>	<u>\$ amount of bundle</u>
Ones	1,000 note unit	N.A.	\$ 1,000
Twos	1,000 notes	1-10	200- 2,000
Fives	"	1-10	500- 5,000
Tens	"	1-10	1,000- 10,000
Twenties	"	1-10	2,000- 20,000
Fifties	100-1,000 notes	1-10	5,000- 50,000
Hundreds	"	1-10	10,000-100,000

- (c) An office** that deposits currency no more frequently than once per month may deposit less than the standard units, regardless of the frequency or amounts of the aggregate deposits of the depository institution as a whole. Offices in this category should contact the Bank to determine the minimum deposit allowed for such offices.

Packaging of fit and unfit currency

10. Each package of 100 notes shall be bound with a *single*, uniform, paper strap that complies with American Bankers Association color standards.*** In addition, each package strap shall indicate the name or initials of the person who prepared the package, the name of the sending depository institution, the name and address of the office of the depository institution at which the deposit was prepared, and the date the package strap was prepared. Under no circumstances shall pins, clips, tape, or straps of another depository institution or customer be used in securing packages or bundles. Each bundle shall be secured with heavy-duty rubber bands, string-tied by machine, or sealed in a plastic bundle bag. When the sending depository institution prepares less than full bundles of \$50 and \$100 notes, each package of 100 notes should be sealed in a plastic package bag. The Bank does not accept deposits for bulk processing containing less than full bundles for any currency denomination smaller than \$50 notes. *For deposits at the Head Office only*, a completed "front card" (form MON. 426) shall be placed in front of the first package of each bundle. The front card shall indicate clearly the date it was prepared, the dollar amount contained in the bundle, the name and address of the depositing office, and the denomination contained in each bundle. The Bank will provide a supply of front cards to head offices or designated warehouses of depository institutions upon request.

** Unless expressly used otherwise in this circular, the term "office" includes either the head office or any branch office of a depository institution.

*** If a depository institution participates in the Bank's 1M currency processing program, then it may prepare packages of any denomination, except \$50 and \$100 denominations, in 1,000-note units.

Compliance with procedures

11. The large volume of currency handled by this Bank makes it imperative that the preparation procedures for currency deposits, as described in paragraphs 9 and 10 above, be observed strictly. The Bank retains the option of deferring credit or returning deposits that are not submitted in accordance with the instructions in the Bank's circulars and letters.

Deposits of currency

12. Currency shall be deposited in strong, undamaged, tear-resistant bags or other containers approved by the Bank. With the prior explicit approval of the Bank, other containers acceptable to the Bank may be used for deposits of currency. Each bag shall be well-secured with a crimped lead seal, tightly and securely fastened to the bag with ties trimmed close to the seal, bearing the unique identifying mark of the depositor, such as an abbreviation of name, initials, logo, or other clear and unique mark. Depository institutions may use a sealing method other than a lead seal, provided that the method used is as secure as a lead seal and a unique identifying mark of the depositor is incorporated into the seal. Procedures for sealing containers other than bags shall be discussed with the Bank prior to shipment. Currency bags shipped by registered mail shall be tagged as indicated in paragraph 7. Each deposit shipped by armored carrier shall have a manila envelope tag, ENV. 161, securely affixed to the outside of the first bag in the shipment. Also, each bag shall have a completed bag tag, MON. 395. A supply of envelopes and bag tags will be furnished on request. *These tag requirements do not apply to deposits made at the Buffalo Branch.* Each shipment or deposit of currency shall be accompanied by a completed copy of the Bank's Currency/Coin Deposit form (MON. 394 for the Head Office, B MON. 12A for the Buffalo Branch) showing the full address of the depositing office and the total number of bags comprising the deposit. If additional information or instructions are placed on the deposit form, such as instructions to credit an account other than the sending depository institution's account, then the sending depository institution shall affix sufficient first-class postage to the back of the sealed envelope tag containing the deposit form and cancel the postage with ink. The postage is necessary for compliance with the United States postal statutes, which prohibit the shipment of "letters" outside the mails without the payment of postage. *See* 18 U.S.C. Section 1693 and 39 U.S.C. Section 601.

Allocation of deposit differences

13. Under normal operating circumstances, this Bank will assume all differences found in deposits that are not verified within 30 of the Bank's business days after actual receipt of the deposits at the Head Office or the Buffalo Branch. Furthermore, the Bank will give appropriate prior notice (a

circular/letter similar to the notices currently sent regarding delays in check presentments) to all sending depository institutions when the Bank intends to deviate from the guidelines set forth in this paragraph.

Currency no longer issued

14. Currency no longer issued, such as gold certificates, Federal Reserve Bank notes, national bank notes, and large-size notes, requires special handling. Depository institutions shall segregate such currency from other currency and may arrange it in packages of no more than 100 notes without regard to denomination. Such packages shall be bundled separately and marked "Miscellaneous."

Mutilated currency

15. Mutilated currency includes notes that are torn (with clearly more than one-half of the original note remaining), patched, or perforated. Torn currency shall be carefully mended on the back, *not on the face*, with transparent tape that preserves, as nearly as possible, the original design and size of the note. Pins, clips, and other metallic substances shall be removed because they may cause injury to currency handlers or damage the processing machinery.

Currency fragments

16. In accordance with 31 C.F.R. Part 100, fragments of currency that do not constitute clearly more than one-half of the original whole note, as well as currency in such poor condition that its value is questionable or special care is required in its handling, shall be sent directly to:

Department of the Treasury
Bureau of Government Financial Operations
Room 132
Treasury Annex No. 1, DCS/BEPA
Washington, D.C. 20226.

Currency in poor condition includes dyed, burned, or water-damaged currency. Fragments of currency will be exchanged at face value only if the Treasury Department is satisfied that the missing portions have been totally destroyed. The Treasury's determination of these matters is final and is based on the evidence of damage or complete destruction that the Treasury deems satisfactory.

Counterfeit currency

17. Notes that a depository institution knows or suspects are counterfeit shall be sent directly to the United States Secret Service, as provided in paragraph 45 below. Under no circumstances shall known or suspected counterfeit notes be included in a depository institution's fit or unfit currency deposits with

this Bank. The Bank will issue a receipt for each note determined or suspected to be counterfeit that is detected during the Bank's verification process. The Bank will credit the depositor's account for each note suspected to be counterfeit that later is determined to be genuine.

Canadian currency

18. Canadian currency may be shipped to this Bank by depository institutions, with the exception of depository institutions in the cities of New York, Buffalo, and Newark. In those cities, exchanges of Canadian currency may be made locally. Each deposit of Canadian currency shall be deposited in a separate bag and shall be accompanied by a separate deposit ticket and deposit form (MON. 161 for the Head Office; B MON. 12A for the Buffalo Branch). The tags affixed to the outside of the currency bags shall identify the contents as containing only Canadian currency and indicate the amount. The Canadian currency that the Bank receives will be sold and converted into United States dollars. The Bank will credit the proceeds to the depositor's account and forward advice of credit to the depositor upon completion of the sale. Although the Bank offers this foreign exchange conversion service without commission, it is the Bank's view that depository institutions generally should use local services, or should organize local services, for the exchange of Canadian currency.

Other foreign currencies

19. No currency of a foreign country, other than Canada, shall be sent to this Bank.

Preparation of coin for deposit

20. Sending depository institutions shall verify coin deposits by weight or by piece count prior to shipping coin to this Bank. The coin shall be bagged in bulk form without wrappers of any kind. Bags of coin also shall be segregated by denomination in the following standard units:

<i>If shipped by insured 4th-class mail</i>		<i>If shipped by armored carrier</i>	
Cents	\$ 50	Cents	\$ 50
Nickels	200	Nickels	200
Dimes	500	Dimes	1,000
Quarters	500	Quarters	1,000
Halves	500	Halves	1,000
Dollars —		Dollars —	
Eisenhower	500	Eisenhower	1,000
Anthony	2,000	Anthony	2,000

Bags, seals, and tags for coin deposits

21. Coin shall be deposited in strong, undamaged, tear-resistant bags. With the prior, explicit approval of the Bank, other containers acceptable to the Bank may be used for deposits of coin. Each bag shall be well-secured by heavy-duty stitching or a crimped lead seal, tightly and securely fastened to the bag with ties trimmed close to the seal, bearing the unique identifying mark of the depositor, such as an abbreviation of name, initials, logo, or other clear and unique mark. Denominations of coin shall not be mixed in the same bag. The name and address of the sending depository institution shall be plainly marked on a tag affixed to each bag.

Deposit forms

22. Each deposit of coin shall be accompanied by a completed copy of the required coin deposit form (MON. 394 for the Head Office; B MON. 12 for the Buffalo Branch) showing the full address of the depositing office, the total amount of the deposit by denomination, the total number of bags contained in the deposit, and the amount contained in each bag.

Verification by depositors

23. All coin deposits shall be properly verified prior to delivery to the Bank. The Bank may, in its sole discretion, defer credit or return deposits if shipments are not submitted in accordance with the instructions in the Bank's circulars and letters.

Allocation of deposit differences

24. Under normal operating circumstances, this Bank will assume all differences found in coin deposits that the Bank does not verify within 10 of the Bank's business days after actual receipt of the deposits at the Head Office or the Buffalo Branch. Furthermore, the Bank will give appropriate prior notice (a circular/letter similar to the notices currently sent regarding delays in check presentments) to all sending depository institutions when the Bank intends to deviate from the guidelines set forth in this paragraph.

Mutilated coins

25. Coins are considered mutilated when they are punched, clipped, plugged, fused together, bent or twisted out of shape, or so defaced as to be not readily and clearly identifiable as to genuineness or denomination. Mutilated coins shall not be sent to the Bank or to the Department of Treasury. Such coins shall be sent, at the sender's risk and expense, directly to:

United States Mint
P.O. Box 400 (Fifth and Arch Streets)
Philadelphia, PA 19105.

Canadian coins

26. All depository institutions should exchange Canadian coin locally, if possible. Local exchanges are available for Canadian coin in the cities of New York, Buffalo, and Newark. Depository institutions that cannot use such local exchanges may send Canadian coin to the Bank by either armored carrier service or insured fourth-class mail. Canadian coin shall be sent to the Bank in a separate bag. Each deposit of Canadian coin shall be accompanied by a separate deposit form (MON. 394 for the Head Office; B MON. 12 for the Buffalo Branch). The plain tag affixed to the outside of the coin bag shall identify the contents as "of Canadian origin." Canadian coin that the Bank receives will be sold and converted into United States dollars. The Bank will credit the proceeds to the depositor's account and forward advice of credit to the depositor upon completion of the sale.

Other foreign coins

27. No coin of a foreign country, other than Canada, shall be sent to this Bank.

OUTGOING SHIPMENTS FROM THIS BANK

Currency and coin

28. The Bank fills orders for currency with either fit or new currency, and the Bank fills orders for coin with circulated or new coin. The Bank exercises its sole discretion in deciding whether to include new currency or coin in an outgoing shipment. The Bank charges the amount of currency and coin shipment orders to the deposit account on the Bank's books that is maintained or used by the ordering depository institution on the same day the shipment is tendered to the depository institution or its representative. If a depository institution applies to use the Bank's late debit procedures, and if such application is approved, the Bank debits the depository institution's account on the Bank's business day following the withdrawal of currency or coin. If the depository institution's receipt of the shipment is delayed, even though the reasons for the delay are beyond the depository institution's control, the Bank will not adjust the time or amount of the debit to the depository institution's account. The Bank reserves the right to accelerate or otherwise to adjust the time or amount of the debit in exceptional circumstances and in the Bank's sole discretion, when the Bank deems the adjustment necessary to protect the Bank's interests. The Bank endeavors to give appropriate notice of any such adjustment to the receiving depository institution. The foregoing provisions on debits for shipments of currency and coin do not alter the risk-of-loss provisions in para-

graphs 35-41 of this operating circular. The account of a depository institution in New York City will be charged the same day that it or its representative receives outgoing shipments of currency and coin unless the Bank receives written notice, signed by the receiving depository institution and its representative, if any, that the currency or coin is not contracted for same-day delivery. If a New York City depository institution receives shipments of currency or coin the same day as the withdrawal from the Bank, then the Bank reserves the right to adjust the time or amount of the debit to the depository institution's account, notwithstanding contrary notice under the preceding sentence. The depository institution shall notify the Bank of each occurrence upon learning that the actual delivery date for an outgoing shipment differs from the expected delivery date shown on the Bank's records.

Requests for currency and coin

29. (a) Requests for currency and coin withdrawals shall be made at least two of the Bank's business days prior to the requested date of withdrawal, or three days prior to the expected day of receipt for depository institutions participating in the late-debit program. A list of public holidays observed by the Bank will be furnished upon request.

(b) Requests for currency and coin from depository institutions in the Head Office territory may be made by telephone (Tel. No. 212-791-5061). Depository institutions located in New York City that deliver requests for currency and coin by hand, and other institutions that desire to do so, may hand-deliver form MON. 393 in accordance with the schedule in subparagraph (a) above.

(c) Requests for currency and coin from depository institutions in the Buffalo Branch territory may be made by telephone (Tel. No. 716-849-5024 and 849-5041).

(d) Urgent or emergency requests for currency and coin may be made to the Head Office (Tel. No. 212-791-1568), or to the Buffalo Branch (Tel. No. 716-849-5024 or 849-5041).

(e) Depository institutions should note that currency or coin order forms that are not properly completed might be returned unprocessed. Also, late orders might not be processed in time for delivery on the requested date.

(f) The Bank reserves the right to require a depository institution requesting a withdrawal of currency or coin to confirm any telephone request by a letter over an authorized signature. Depository institutions that experience little fluctuation in currency needs may obtain currency in predetermined amounts and denominations at designated intervals by submitting a Standing Currency Order Authorization form (MON. 327) to the Bank. Offices of de-

pository institutions using the Standing Currency Order Authorization may cancel or change such orders by telephone if they notify the Bank of the cancellation or change on or before the third business day of the Bank prior to the expected delivery date.

(g) Depository institutions may transmit requests for currency and coin to the Bank and may receive early credit for deposits through the Federal Reserve Communications System (FRCS-80), a computer communications network, which requires the depository institution to use a dial-oriented terminal ("D.O.T."). Information on D.O.T. access to the Bank's currency and coin services may be obtained by calling the Bank Services Office at the Head Office (Tel. No. 212-791-6071), or the Cash Division at the Buffalo Branch (Tel. No. 716-849-5024 or 849-5041).

(h) Offices that satisfy specific volume requirements and loading dock specifications and that have adequate vault space may arrange to receive shipments of coin directly from the United States Mint. Any depository institution that is interested in such direct shipments of coin should contact the Bank's Head Office (Tel. No. 212-791-5111).

(i) All telephone requests for currency or coin, whether emergency or otherwise, may be recorded automatically by the Bank on magnetic recording devices.

Currency shipments

30. Orders of *fit* currency will be filled with the same standard units as for currency deposits, as described in paragraph 9 above. Orders of *new* currency will be filled in multiples of the following standard amounts:

<u>Denomination</u>	<u>Amount</u>
Ones	\$ 4,000
Twos	2,000
Fives	20,000
Tens	40,000
Twenties	20,000
Fifties	5,000
Hundreds	10,000

The Bank may make exceptions to the normal requirements for orders of new currency to permit small or infrequent orders that satisfy seasonal demands for new currency. When filling an order, inventory levels of currency on hand may require the Bank to substitute, either entirely or in part, new currency for *fit* currency, or vice versa.

Coin shipments

31. The Bank will ship coin orders in bags containing the following amounts:

<u>Denomination</u>	<u>Method of shipment</u>	
	<u>Insured fourth-class mail</u>	
	<u>Head Office</u>	<u>Buffalo Branch</u>
Susan B. Anthony Dollars	\$2,000 in each bag	\$2,000 in each bag
Eisenhower Dollars	500 "	1,000 "
Half-Dollars	" "	" "
Quarters	" "	" "
Dimes	" "	" "
Nickels	200 "	200 "
Cents	50 "	50 "

<u>Denomination</u>	<u>Armored carrier</u>	
Susan B. Anthony Dollars	\$2,000 in each bag	
Eisenhower Dollars	1,000	"
Half-Dollars	"	"
Quarters	"	"
Dimes	"	"
Nickels	200	"
Cents	50	"

Notice of currency and coin shipments

32. The Bank may send a "Notice of Shipment" form separately by mail to withdrawing depository institutions for withdrawals of currency or coin by armored carrier. If any shipment is not received promptly, the depository institution shall notify the Bank by telephone as soon as possible in order that the shipment may be traced promptly. If the late delivery or nondelivery is not corrected within one business day after the expected date of delivery, the depository institution shall notify an officer of the Bank's Cash Processing Function in writing that the shipment arrived late or did not arrive. Such written notice shall be sent to the Bank within five business days after the expected date of delivery of the delayed or missing shipment.

Currency and coin bags to be examined

33. Before signing any receipt tendered by a representative of an armored carrier service or the United States Postal Service, an authorized representative of the receiving depository institution shall examine carefully each bag or other container of currency or coin. If, upon examination, the bag or other container is found to be torn or broken, or if it appears that the seal has been tampered with, then the Bank shall be notified immediately. The Bank will inform the

receiving depository institution of the steps to be taken, which may include immediate verification of the contents of that bag or container under the control of two or more responsible employees of the receiving depository institution. The condition of the bag or container and seal shall be noted on the appropriate receipt. If a mysterious disappearance of currency or coin occurs, the Bank shall be notified immediately, and the amount of the mysterious disappearance also shall be noted on the receipt.

Verification of currency and coin; claims

34. (a) All currency and coin received from the Bank shall be verified by two or more responsible employees of the receiving depository institution in the presence of each other. Until verified, the currency and coin shall be held under dual control. If an exception is discovered upon verification, then the Bank shall be informed of the exception immediately by letter (and by telephone if over \$100) signed by an officer of the depository institution. If an excess or deficient amount of currency, or a counterfeit note, is found, then the package strap, front card, and plastic wrapping of the bundle in question shall be returned to the Bank. If an excess or deficient amount of coin is discovered, then the receiving depository institution's tag and the Bank's bag, tag, and seal shall be returned to the Bank.

(b) Currency withdrawals shall be verified by piece count, as follows:

- Within three business days of receipt for offices receiving shipments directly, for their own use, more frequently than once per week.
- Within five business days of receipt for offices receiving shipments directly, for their own use, once per week or less frequently.
- Special verification arrangements may be made if offices receive shipments for distribution to their branches.

(c) Coin orders shall be verified by the receiving depository institution or its offices by weight and/or piece count within five business days of receipt.

(d) Claims by any person, other than receiving institutions or their branches, will not be honored by the Bank.

RISK OF LOSS

Shipments from or to depository institutions by armored carrier

35. Except as specifically provided in paragraphs 37 and 38 below, the risk of loss for mysterious disappearances of currency or coin from deposits with this Bank by armored carrier is assumed as follows:

- (a) When the Bank receives for deposit a bag or other container that is damaged, bears a broken, altered, loose, or improper seal, or otherwise bears signs of tampering, and 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. In order to preserve the sending depository institution's claim against the armored carrier, the Bank will note the condition of the bag or other container for special processing.
- (b) When the Bank receives a deposit from which currency or coin has disappeared mysteriously and all bags or other 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 which case the Bank assumes the risk of loss.

Except as specifically provided in paragraphs 37 through 40 below, the risk of loss for mysterious disappearances of currency or coin from shipments to depository institutions from the 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 bears signs of tampering, and 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, in order 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 bears visible signs of tampering. Also, the depository institution shall notify the Bank as soon as possible upon discovery of a mysterious disappearance of currency or coin 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 bags or other 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. The depository institution shall notify the 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 the Bank assumes the risk. In a case described in this subparagraph (d), the Bank assumes no risk of loss unless the Bank receives satisfactory evidence that the mysterious disappearance occurred before the shipment was tendered to the armored carrier.

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. The Bank's decision as to the persuasiveness of evidence submitted to the Bank under this paragraph shall bind all parties, in the absence of or until findings as to apportionment of loss are issued by a court of competent jurisdiction.

Shipments from or to depository institutions by registered mail

36. (a) When a depository institution ships currency or coin to this Bank by registered mail,* the institution shall insure the shipment for full face value. Proceeds of the insurance should be payable to the sender. The Bank assumes no risk of loss for shipments of currency or coin to the Bank by registered mail.

(b) Except as specifically provided in paragraphs 37 and 38 below, when the Bank ships currency or coin to depository institutions 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.

Certain risks not assumed by this Bank

37. The 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:

* For the purpose of apportioning risk of loss (paragraphs 35-41), the term "registered mail" includes insured, fourth-class mail with respect to shipments of coin under paragraph 7 above.

- (a) Any loss resulting from hostile or warlike action by any military, naval, air forces, or agents of domestic, foreign, or revolutionary governments, powers, or forces, whether or not war has been formally declared, and including defending against an actual or expected attack; or any loss caused by any weapon of war employing atomic fission or radioactive force whether in time of peace or war.
- (b) Any loss resulting from any dishonest, fraudulent, or criminal act of an employee of any depository institution (not this Bank), shipping, causing, ordering, or receiving the shipment.
- (c) Any loss to the extent 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 person other than this Bank.
- (d) Any loss incident to a shipment to this Bank by ordinary mail.
- (e) Any loss incident to a shipment to this Bank by armored carrier or registered mail, if the shipment is not made in conformity with the provisions of this operating circular or other explicit, written instructions from the Bank.
- (f) Any loss incident to a shipment to this Bank by registered mail in excess of the amount stated in the notice of shipment referred to in paragraph 38(a) below.
- (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, while in transit from the place at which delivery is taken to any other place.

Conditions regarding shipments to this Bank

38. This Bank assumes no risk of loss in respect of any shipment by a depository institution to the Bank by registered mail, unless the sender complies with the following terms and conditions:

- (a) Concurrently with any shipment by registered mail, but under separate cover, the sender shall mail a notice of the shipment to the Bank on the appropriate form supplied by the Bank for use in accordance with the provisions of paragraph 6(b) or 7 of this circular.
- (b) The contents of such shipment shall be prepared and verified by two or more responsible employees of the sender and enclosed in a strong, undamaged, tear-resistant bag or other container approved by the Bank, well-secured with a crimped seal that is acceptable to

the Bank, or to the post office at the place of mailing, as provided in paragraphs 12 and 21 of this circular. Armored carriers should be instructed not to accept any shipment that is not secured in accordance with the provisions of paragraphs 12 and 21.

- (c) With respect to any shipment by registered mail, the sealed package shall be in charge of a responsible person, including an armored carrier, until deposited and registered at the post office.
- (d) The sender shall preserve carefully each post office registry receipt, or any other receipt with respect to every shipment by registered mail or armored carrier, in order that the receipt may be available as evidence in the event of mysterious disappearance or other loss and, if a loss is claimed, the receipt shall be turned over to the Bank upon request.

Conditions regarding receipt of shipments from the Bank

39. The Bank assumes no risk of loss in respect of any shipment from the Bank to a depository institution by registered mail, unless the receiving depository institution complies with the following terms and conditions:

- (a) The contents of each shipment shall be counted and verified by two or more responsible employees of the receiving depository institution, and those employees shall remain within sight of each other at all times during counting and verification.
- (b) When a depository institution receives a shipment containing a bag or other container that is not well-secured, is damaged, bears a broken, altered, loose, or improper seal, or otherwise bears signs of tampering, the receiving depository institution shall make a notation briefly describing the condition of that bag, other container, or seal on any receipt that it may give for that shipment.
- (c) When a depository institution discovers any shortage or other loss incident to any shipment, it shall: (i) in the case of shortages of \$100 or more, or other loss, immediately notify this Bank by telephone and confirm that notice in writing within three (3) business days of discovery of the shortage or loss; and (ii) in the case of shortages of less than \$100, notify this Bank in writing within three (3) business days. The date the writing is sent shall be determined by the postmark.
- (d) The receiving depository institution shall preserve accurate and complete records of all shipments received, including records made during counting and verification, and shall make all such records available to this Bank, on request, in connection with any shortage or other loss.
- (e) The receiving depository institution shall preserve and make available to this Bank, on request, all evidence of tampering or other evi-

dence related to the condition of any bag, other container, or seal in connection with any shortage or other loss discovered in any shipment. The receiving depository institution shall render all reasonable assistance to this Bank in establishing the circumstances of any shortage or other loss.

**Shipments from or to depository institutions
by other means of transportation**

40. (a) Shipments to this Bank by means of transportation other than armored carrier, as to which risk of loss is apportioned in accordance with paragraph 35 above, or other than registered mail, as to which risk of loss is apportioned in accordance with paragraph 36 above, are at the risk of the sending depository institution. If the Bank selects a means of transportation other than armored carrier or registered mail for any outgoing shipment of currency or coin from the Bank, or from any other place for the Bank's account at the Bank's request, to a depository institution in the Second Federal Reserve District, the Bank assumes all risk of loss incident to that shipment, except as provided in subparagraphs (a), (b), and (c) of paragraph 37 and as provided in paragraph 39, until the shipment is delivered to the office of the receiving depository institution to which the shipment is addressed or, if an undelivered shipment is reforwarded, until the shipment is delivered to the correct address or returned to the Bank. If a receiving depository institution selects a means of transportation other than armored carrier or registered mail for any outgoing shipment of currency or coin from the Bank, or from any other place for the Bank's account at the Bank's request, the receiving depository institution assumes all risk of loss incident to that shipment.

(b) The Bank reserves the right to refuse to receive or send any shipment of currency or coin by means of a vehicle or person that, in the Bank's sole judgment, does not constitute a commercial armored truck. The Bank, in exercising this right of refusal, takes account of potential risks to the public safety and welfare arising from shipments of other than nominal amounts of currency or coin in unacceptable vehicles. As of July 1, 1985, the term "commercial armored truck" is defined as follows:

- A commercial armored truck is a vehicle that is fully armored with bullet-proof glass or Lexan capable of resisting small arms fire.
- The vehicle must have a separate compartment for cargo or a box that is inaccessible from the driver's compartment.
- The vehicle must be sturdy enough to carry the loads of currency or coin specified by the Bank.
- Armored trucks must be acceptable to the Bank; however, the Bank's approval will not be withheld unreasonably.

(c) The Bank further reserves the right to refuse to send any shipment of currency or coin by means of a vehicle or person that the Bank either knows or has reason to know lacks liability insurance that is sufficient to cover all val-

uable items in the vehicle or on the person of the carrier at the time the carrier would be prepared to leave the Bank's premises.

41. The Bank will pay promptly the amount of any loss the risks of which are assumed by it under paragraphs 35 and 40 above if, after investigation, the Bank is satisfied that the loss occurred while the shipment was in the possession of the United States Postal Service, or any other carrier provided by the Bank under paragraph 40 above. In addition, the depository institution sustaining the loss shall provide to the Bank, in a form satisfactory to the Bank, written proof of loss, receipt, and any other necessary documents, including, but not limited to, an assignment of the depository institution's right, title, and interest in the lost property. Any depository institution receiving a payment from the Bank shall take all measures deemed necessary by the Bank, in the Bank's behalf and at the Bank's risk and expense, for the recovery, reissue, or replacement of the property in respect of which the loss was incurred, including the commencement of legal proceedings in the institution's own name.

GENERAL

Forms in use

42. The following forms are referred to in this circular:

<u>Name of form</u>	<u>Form number</u>	
	<u>Head Office</u>	<u>Buffalo Branch</u>
Standing Currency Order Authorization	MON. 327	MON. 327
Currency and coin order	MON. 393	B MON. 11
Currency and coin deposit	MON. 394	B MON. 12; B MON. 12A
Front card	MON. 426	B MON. 60 for ones; B MON. 61 for fives; B MON. 62 for tens; B MON. 63 for twenties
Manila envelope tag	ENV. 161.6	Not applicable
Bag tag	MON. 395	"
Registered mail	MON. 82	"
Depository institution's advice of currency or coin order	MON. 137.1	B. TAB 1

Supplies of these forms may be ordered by mail or telephone from the Head Office (Tel. No. 212-791-6562) or the Buffalo Branch (Tel. No. 716-849-5024 or 849-5041). The Bank reserves the right to change forms and form numbers in its sole discretion.

Request for weekend or holiday shipments

43. The United States Postal Service has informed the Bank that many post offices in the Second Federal Reserve District have inadequate means for the safekeeping overnight of registered-mail shipments containing valuables. In order to reduce the chance of loss of currency or coin by theft from post offices that hold currency or coin shipments overnight, or over a Saturday (if delivery will not be accepted on that day), a Sunday, or a public holiday, the Postal Service suggests that depository institutions should (1) anticipate currency and coin needs sufficiently in advance to assure the arrival of shipments at appropriate destinations in time for delivery on a regular business day, (2) arrange to pick up shipments of currency or coin immediately upon arrival at the local post office, even if such arrival occurs after business hours but before the depository institutions' vaults are closed, and (3) time their requests for currency and coin so that shipments are not made on a Friday (if delivery will not be accepted on Saturday) or on the day preceding a public holiday, except in cases of urgent need.

Counterfeit, altered, or raised currency or coin

44. The regulations of the Treasury Department, Part 403 of Title 31 of the Code of Federal Regulations, provide as follows:

403.1 Delivery of counterfeit obligations and other securities and coins authorized. Authority is hereby given to all banks and banking institutions of any nature whatsoever organized under general or special Federal or State statutes, to all U.S. Post Offices, and to all disbursing officers of the United States and their agents, to take possession of and deliver to the Treasury Department through the Secret Service all counterfeit obligations and other securities and coins of the United States or of any foreign government which shall be presented at their places of business. (18 U.S.C. § 492).

See also, paragraph 17 above.

45. The following information is provided at the request of the United States Secret Service:

All counterfeit, altered, or raised currency received by depository institutions from any source should be properly branded in ink or by rubber stamp. All such currency and all counterfeit or altered coin received by depository institutions from any source should be forwarded to the nearest office of the United States Secret Service. The Secret Service has offices at the following locations:

- United States Customs House, Room 623, Six World Trade Center, New York, New York 10048;

- Federal Building, Room 1208, 121 West Huron Street, Buffalo, York 14202;
- Main Post Office Building, P.O. Box 1087, Syracuse, New York 13201; and
- 60 Evergreen Place, East Orange, New Jersey 17108.

A receipt will, upon request, be issued to the depositing depository institution for any currency or coin that is found to be counterfeit, raised, or altered. If inspection of such currency or coin is desired for reclamation purposes, request should be made directly to the Secret Service office to which the currency or coin was forwarded. Information that may aid the Secret Service with respect to any counterfeit, altered, or raised currency, or any counterfeit or altered coin, should be sent to the nearest office of the Secret Service.

Agreement to this circular

46. Any depository institution shipping or causing the shipment of currency or coin to this Bank or for the Bank's account, and any depository institution requesting the shipment of currency or coin by the Bank, is deemed, by such action, to have agreed to the terms and conditions set forth in this operating circular.

Revision of this circular

47. The Bank reserves the right to amend this operating circular at any time, but the Bank will endeavor to give 14 calendar days' prior written notice of any amendment. Any amendment applies only to shipments of currency or coin to or from the Bank that occur on or after the effective date of the amendment.

Governing law

48. This operating circular and any other agreements regarding shipments of currency or coin to or from the Bank are to be construed in accordance with, and governed by, the Federal law of the United States, and the law of the State of New York to the extent that the State law is not inconsistent with Federal law.

Effect of this circular on previous circulars

49. This circular supersedes our Operating Circular No. 3, revised July 13, 1979, and its three supplements.

E. GERALD CORRIGAN,
President.