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THE CASH MANAGER

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News and Views
on Cash Services
for the
Eighth Federal Reserve District

'Tis the Season for Novelty Notes



Once again this holiday season, retail stores are selling novelty currency such as Santa Claus notes — \$1 bills with a portrait of Santa Claus placed over that of George Washington.

The notes have gained in popularity since they debuted several years ago.

The Santa portrait has a sticky backing that can be peeled off, leaving the dollar bill intact. Because the portrait can be easily removed, the currency is not considered “defaced” or “of no value.”

To raise money for charity, the notes usually sell for more than \$1; however, banks can redeem them at face value only.

If customers question the value of the notes, however, tellers may want to suggest that they remove the stickers themselves. This should clarify the note’s actual worth.

Because of the sensitivity of our high-speed currency sorters, we ask all banks to remove any remaining stickers before sending the notes to the Fed.

U.S. Currency Benefits From Technology Advances

You may have noticed slight changes recently in the face of the \$1 note.

That’s because earlier this year, the Bureau of Engraving and Printing began using a new web-fed currency press, which created some minor modifications in the note’s appearance.

The most significant changes to the notes are: the elimination of the plate loca-

tion (or check number) on the face of the note and the relocation of the plate number on the back of the note to the upper-right quadrant from the lower-left quadrant.

The high-tech printing equipment allows both sides of the note to be printed in a single pass through the press.

This procedure generates more than twice the amount of printed sheets per hour —

roughly 20,000 — than the previously used sheet-fed presses.

Currently, the web-fed press is printing only \$1 notes. Other denominations may also be printed on the new equipment in the future.

Testing 1,2,3... How the Fed Maintains High Quality of Cash Control

When it comes to counting and sorting currency, chances are that few Fed customers realize just how thorough and extensive our

quality-testing procedures are.

Every morning before currency processing begins, each of our high-speed currency counting and sorting (CVCS) machines is given a battery of tests to ensure that only fit currency is channeled back into circulation (unfit currency is destroyed).

These daily equipment tests confirm that the CVCS' detectors and sensors are functioning properly and able to recognize: counterfeit notes, notes that are heavily soiled or otherwise defective, notes with dog-eared corners, notes that are in straps of the wrong denomination and notes that come through face down (known as greenbacks).

"The large number of tests we perform on our equipment ensures that the currency we distribute to our customers is of the highest calibre," says Bob Simpson, assistant manager in the Cash Department.

Daily tests are supplemented by a number of weekly, monthly, semiannual and annual equipment tests that make sure mechanical parts of the sorting machines are functioning properly and that an uninterrupted electrical power supply is operating.

In addition to keeping our machines running smoothly, we make sure our high-speed processing teams are top-notch, too.

Once a month, supervisors test each processing team seven different ways, including: inserting an extra note into a strap, removing a note from a

strap, inserting a counterfeit note into a strap, inserting a note of the wrong denomination into a strap, inserting an extra strap into a bundle and removing a strap from a bundle. Members of the processing team are unaware of the dates on which testing occurs.

Currency processors must find the planted straps, which have been sprayed with special ink that can be viewed only under a black light. Processors are counseled if they fail to detect two of the same types of errors.

"In the past nine years that I've been in Cash management," Simpson says, "not one processor has been counseled for failing these tests. I know that representatives from other banks who tour our department are always impressed by our employee testing procedures."

Simpson adds that the average Cash Department employee has been on staff for five years or better.

Rise and Shine!

It's Testing Time in the Cash Department

Each morning at 6:45, Cash Department management begins a series of tests on our two high-speed currency counting and sorting machines. The tests can take up to an hour to complete, but they're the only way we know that our CVCS machines aren't missing, miscounting or misprocessing a note.

Soil Calibration test- Machines must detect notes that are heavily soiled.

Defective Note test- Machines must detect notes that have dog-ears, holes, ripped corners, or tape on them.

Double Note test- Machines must recognize two notes that come through overlapping.

Short Document test- Machines must recognize partial notes.

Counterfeit test- Machines must detect bills that have been tampered with.

Denomination test- Machines must detect notes that are in straps of the wrong denominations.

Camera test- Management manually blocks the camera that reads each note. A note is then fed through to make sure an error message is generated.

Shredded Currency test- Management inspects the shredding equipment to ensure it is functioning properly. Shredded currency is inspected to make sure it is of the right dimensions.

All notes that have been rejected by the CVCS machines are manually inspected by a cash reconciler, who tries to determine why they were not processed. Dog-eared bills and greenbacks can be straightened out and put through the machine again. Damaged and soiled bills, however, must be shredded. Bills that are believed to be counterfeit are inspected to determine their genuineness. If false bills are found, they are sent to the Secret Service.

Federal Reserve Notes

Fed Can't Fill Christmas Stockings

During the holiday season, the Eighth District Federal Reserve offices receive many requests for rare and commemorative coins. Reserve Banks, however, deal only with coins that are available for normal daily use, namely, the penny through the Susan B. Anthony dollar coin.

If your customers approach you with requests for gold coins or other commemoratives, please direct them to large commercial banks, coin deal-

ers or brokerage companies. Please also note that large-size silver dollars can be found only at coin dealers.

Electronic Cash Ordering On The Way

By early 1993, Eighth District depository institutions will have access to a faster, more efficient method of ordering their cash. A cash-ordering service is now being incorporated onto both Fedline®, the Fed's personal computer-based software, and EDITH®, the

Eighth District Interactive Telephone Helpline. Cash employees and bank programmers are currently working on fine-tuning and testing the system and expect it to be up and running soon.

A Reminder About Out-of-Tolerance Bags

From time to time, the Eighth District surveys the weight of coin bags by denomination to establish weight tolerances. Establishing standardized weight tolerances speeds up the

verification of coin since deposits can be quickly verified by simply weighing the bag rather than piece-verifying each coin.

Accurate piece verification should ensure that your coin bags will fall within the weight tolerances.

Are You a Currency Expert? Read These Facts and Find Out!

Just how much do you know about those notes that you work with every day? The following is a list of little-known, yet compelling, facts about the U.S. currency.

- The life span of \$1 bills is just 18 months because of how often they are handled. By contrast, \$100 bills last a whopping 8 1/2 years.

- Forty-five percent of all notes printed are \$1 bills. Only 3 percent of all notes printed are \$100 bills.

- During 1991, the Eighth Federal Reserve District processed 268,269,400 \$1 notes on currency machines and returned slightly more than 50 percent into circulation.

- U.S. currency is printed on cloth-like paper that is 75 percent cotton and 25 percent linen with red and blue fibers embedded.

- The cost of printing all U.S. bills is the same for each denomination: 2.6 cents per note.

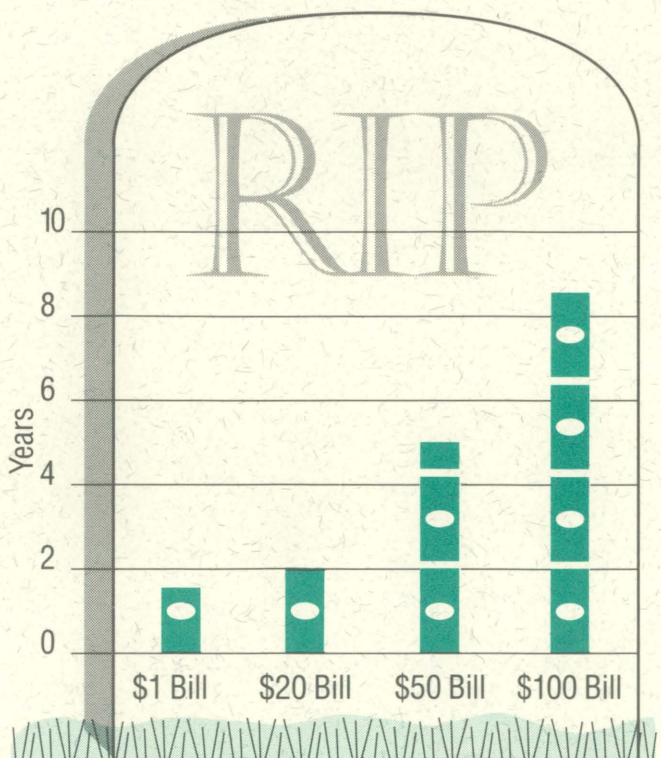
- Ninety-five percent of

newly printed bills replace worn-out currency. The other 5 percent is printed to increase the total number of bills in circulation.

- The highest denomina-

tion of currency being printed today is the \$100 bill. The Bureau of Engraving and Printing stopped printing \$500, \$1000, \$5,000 and \$10,000 bills in 1945.

Average Life Span Of U.S. Currency



Operating Letter No. 10 Revised

OPERATING
LETTER

No. 10

*This "operational highlights" column addresses the policies reported in the Fed's operating letters and is a regular feature of **The Cash***

***Manager.** In this issue, we discuss the recent revisions that have been made to Operating Letter No. 10. We invite our readers to suggest future topics.*

Earlier this month, a revised version of Operating Letter No. 10 was mailed to all cash customers within the Eighth District.

An important part of the revised letter outlines operating procedures for submitting "dye-packed" currency uncovered in bank robberies and "contaminated" currency tainted through contact with liquid, sewage, disease or human corpses.

In the past, banks sent such contaminated money directly to the Treasury for reimbursement. Early in 1992, however, Federal Reserve offices began receiving and disposing of these types of deposits. A com-

plete review and application of these revisions will reduce the number of individuals who must handle such contaminants.

The revised Operating Letter also details changes to the preparation of currency and coin deposits destined for the Fed and the receipt and piece-verification of currency and coin ordered from the Fed. This part of the Operating Letter instructs customers to handle their Fed shipments under dual custody at all times.

In addition to content changes, the format of the Operating Letter also has been revised. The new version incorporates a more detailed indexing system,

making the Letter easier to read.

If you have any questions about these revisions or the Operating Letter in general, please contact your local Fed cash department.



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