

Maintaining Confidence in U.S. Currency Video Transcript

One of the core functions of the Federal Reserve System is supplying financial institutions with access to currency and coin to meet public demand. The Federal Reserve System is overseen by the Board of Governors, which, among other things, is the banknote issuing authority for the System and provides oversight to the Federal Reserve Banks and the Cash Product Office.

Providing cash services is a responsibility of the Federal Reserve Banks, and the mission of the Federal Reserve Cash Services is to supply currency and coin to meet both domestic and international demand, maintain the quality and integrity of currency and coin in circulation, and ensure that your local financial institutions have ready access to the currency the public needs.

The Cash Product Office, or CPO for short, is part of the Federal Reserve Cash Services, with the mission of maintaining confidence in U.S. currency. This confidence is maintained through well-controlled operations that meet the needs of the marketplace on a daily basis and in times of stress. The Board of Governors delegates authority to the CPO to establish policy and business direction for currency and coin in the United States.

The CPO is headquartered in the Federal Reserve Bank of San Francisco, but it has national oversight for all Reserve Bank Cash Services functions.

The CPO provides three key things:

- it provides policy, operational, and financial guidance and support to the Reserve Bank cash offices;
- it provides tools, such as banknote processing equipment, information systems, and data repositories to the Reserve Bank cash offices to help them meet cash demand efficiently while maintaining quality and integrity; and
- it works with the Board of Governors and the Reserve Bank cash functions to set the strategic direction for Federal Reserve Cash Services.

But what does all this mean?

When your local bank has more currency in its vault than it needs to meet normal demand, they send it to the Federal Reserve for deposit. Each of our cash processing operations receives millions of currency notes a day from a variety of financial institutions.

The systems and policies that we have in place make the sorting, repackaging, and accounting for these notes faster and more efficient.

Our processing systems are also able to identify notes that might not be genuine U.S. currency, and those notes are separated and sent to the U.S. Secret Service for further evaluation. By working with the Secret Service, we stay ahead of potential counterfeiting threats that could erode confidence in our nation's currency.

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On the flip side, when your local bank needs more currency to meet its customers' needs, then they order currency from the Federal Reserve, knowing that the currency they receive will be genuine and fit for circulation.

We also monitor trends in payment and cash handling practices to narrow the range of uncertainty about future demand, and we continue to make incremental changes to our operating model through technology and process solutions that help streamline operations and improve efficiencies.

For more information about the Cash lifecycle, the Federal Reserve's roles in cash management, and trends in cash usage, visit the Cash section on www.frbsf.org/.