

## **NONCONFIDENTIAL // EXTERNAL**

Cash Advisory Council and U.S. Coin Task Force:

**The following communication has just been distributed to all Federal Reserve Cash Services customers via email and through the FedCash Services via the FedLine Web access solution (FedLine Home):**

### **FedCash® Services – Changes to coin distribution effective July 19, 2021**

The Federal Reserve continues efforts to manage the distribution of the Federal Reserve's coin inventory and new coin produced by the U.S. Mint in a fair and equitable manner.

#### **Modifications to coin allocation approach**

The coin allocation methodology in use throughout 2020 and in the first four phases of 2021 has been an effective tool in managing the Federal Reserve's limited coin inventories with the available automation in the FedCash Services via FedLine Web access solution (FedLine Cash). As our operational, analytical, and automation processes have matured, we are refining and improving the existing methodology to a more effective and more equitable approach that uses recent individual endpoint order data to calculate the weekly coin order limits that are unique to each endpoint.

#### **The Current Approach**

The coin allocation methodology in use today was first put in place in June 2020 in response to escalating coin circulation challenges that surfaced as a direct result of the pandemic. This methodology places all endpoints into Small, Medium, Large, Extra-large, and Extra-extra-large endpoint groups based on their historical ordering patterns. When coin allocation first went into effect, FedLine Cash, a Federal Reserve web-based application which financial institutions (FI) use to place orders for coin, did not offer a quick solution to communicate weekly coin limits. However, we needed coin allocation to be put in place quickly to be able to distribute the diminishing coin inventories as equitably as possible.

#### **Refining and Improving the Current Approach – Effective July 19, 2021**

In 2020, the Federal Reserve paid out close to 50 billion coins into circulation. With better understanding of recent ordering patterns, we have refined and improved the current allocation methodology to ensure more equity and accuracy across all financial institution endpoints. In addition, earlier this year, we implemented a new release of the FedLine Cash application that displays the weekly coin limits for each endpoint on the Place Order screen within the application, allowing for improved FI visibility into their order limits. By leveraging improved technology to provide more equity and precision, we now have the automation capability in place to pay out coin more proportionately to each endpoint's ordering history.

Effective July 19, 2021, the Federal Reserve Banks will be updating the approach to calculate the weekly coin allocation limits:

- This refined approach will continue to be based on three factors: 1) recent order volume by coin denomination and endpoint; 2) current U.S. Mint coin production levels; and 3) current levels of deposits into the Reserve Banks.

- Each coin ordering endpoint is assigned a *unique* order limit by denomination, based on its average weekly ordering activity in 2021 prior to the May 3 allocation implementation.<sup>[1]</sup> Using a more recent data set allows us to pay out coin more in accordance to each institution's historical needs. Current endpoint groups (S, M, L, XL, XXL) will be eliminated and replaced with order limits unique to each individual endpoint.
- Coin order limits continue to be unique by coin denomination and are based on available inventory.
- New endpoints that started ordering coin after the May 3, 2021 allocation implementation are assigned the minimum order limit of one bag per week.
- The new limits will start being applied to orders placed on Friday, July 16, 2021 for pick-up on Monday, July 19, 2021.
- All endpoints will be able to view their unique limits by denomination within the FedLine Cash application when placing coin orders.
- As has been the case with the allocation methodology to date, the limits establish the maximum allocation for your orders per week. However, if Federal Reserve coin inventory is depleted or low in a particular location, we may be unable to fill your order temporarily, or we may fill your order with less coin than the limits referenced above.
- FIs can request a review of their endpoint allocation limits if significant changes in customer-base or planned vault location changes occur, or if newly created endpoints will require more than the minimum allocation.

#### **What FIs can do to improve the situation**

We ask all customers to order only what they need for all coin denominations to meet near-term demand. In addition, we strongly encourage you to assess your inventories at the branch and vault level and deposit excess coin to the Federal Reserve as soon as possible or offer excess to exchange with other FI's. We also strongly encourage you to utilize the [toolkits](#) and recommended best practices provided by the U.S. Coin Task Force for increasing coin circulation and decreasing barriers for coin redemption in the supply chain, while maximizing equitable access to coin and emphasizing financial inclusion.

We appreciate all of our customers and supply chain partners doing their part to [#getcoinmoving](#).

#### **Background on coin allocation**

After a relatively stable first quarter of 2021, coin orders from FIs began to increase again in March, with the most dramatic increase seen in the first two weeks of April. In addition, coin deposits to the Reserve Banks have been on a slow decline since January. What initially appeared to be the normal seasonal increase in coin orders typical in the Spring has developed into a sustained trend that significantly exceeds typical seasonal patterns. The U.S. Mint continues to produce new coins at increased production levels; however, increased demand from FIs is outpacing U.S. Mint production capabilities and resupply available from low rates of deposits, resulting in the Federal Reserve's coin inventory being reduced to below normal levels. Please refer to the [April 28](#) announcement for more information and background on coin allocation.

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<sup>[1]</sup> The Reserve Banks will continue to honor the adjusted assignments from 2020 and 2021.

The Federal Reserve's priority remains to distribute as much coin as fairly and equitably as possible into the economy while maintaining a working inventory for as long as this coin circulation situation persists. We are committed to reviewing coin allocation levels frequently or when inventory levels warrant a change. We will continue to monitor U.S. Mint production, coin deposits and orders, and Federal Reserve inventories in our review and adjust allocation limits based on FI deposits and the U.S. Mint's ability to produce new coin.

### **Service and Support**

If you have questions, please contact your local FedCash Services [customer support representative or your Federal Reserve account executive](#). For a complete list of customer support contacts for your institution, please visit the [Contact](#) page.