



April 27, 2006

REVISED OPERATING CIRCULAR 2

To the Chief Operations Officer of Each Depository Institution in the Eighth Federal Reserve District:

The Federal Reserve Banks have amended Operating Circular 2, Cash Services, primarily to implement the Federal Reserve Currency Recirculation Policy (which is available through the Federal Reserve Financial Services Web site at www.frbervices.org) (the "Policy").

The Policy consists of two components:

- (1) A custodial inventory program which permits eligible depository institutions to transfer a percentage of the \$10 and \$20 notes in their vaults to the books of the Federal Reserve Bank.
- (2) A recirculation fee which will be charged to depository institutions that deposit fit \$10 or \$20 notes at a Reserve Bank and order the same denomination, above a *de minimis* amount, during the same business week. The Reserve Banks expect to begin accepting requests to participate in the custodial inventory program in May 2006, with program operations beginning in July 2006. The assessment of recirculation fees is expected to begin in July 2007.

Changes to Operating Circular 2 to implement the Policy include the following:

- Revised language in Section 3.3 (Cross-Shipping) of Operating Circular 2 to implement the Policy and to provide for the assessment of recirculation fees beginning in July 2007.
- A new Appendix 1 (Custodial Inventory Program), which, together with the revised Operating Circular 2, set forth the terms and conditions applicable to the custodial inventory program pursuant to which eligible depository institutions can hold currency in \$10 or \$20 denominations in its vaults on behalf of the Reserve Bank.

Other changes have been made to Operating Circular 2 as well, including revised definitions, an indemnification provision, updated food coupon provisions, etc. Please review the revised Operating Circular 2 to familiarize yourself with these changes.

The amendments to Operating Circular 2 are effective on May 1, 2006, and your continued use of the Reserve Bank's Cash Services on or after that date will constitute agreement to the new terms of the operating circular. Please refer to the official version of the amended operating circular at www.frbervices.org/OperatingCirculars/index.html. From this Web site you may read, download, or print Operating Circular 2. To request a paper copy of revised Operating Circular 2, contact the Customer Contact Center (CCC) at (888) 333-7010.