



Federal Reserve System

Manual of Procedures

Custodial Inventory Program

Table of Contents

TABLE OF CONTENTS	2
1.0 GENERAL STATEMENT	5
2.0 CI VAULT	6
3.0 CI VAULT CONTROL ENVIRONMENT	6
4.0 INVENTORY MANAGEMENT SYSTEM	7
4.1 SEPARATION OF DUTIES.....	8
4.2 CI TRANSACTIONS: FIRST TIME CI VAULT OPENING	9
4.3 CI TRANSACTIONS: CI VAULT OPENING	9
4.4 CI TRANSACTIONS: DEPOSITS TO AND WITHDRAWALS FROM THE CI VAULT	10
4.5 CI TRANSACTIONS: REQUIRED DAILY DATA ENTRY.....	11
4.6 CI TRANSACTIONS: MINIMUM HOLDINGS REQUIREMENT & INVENTORY CAP.....	12
4.7 CI TRANSACTIONS: CI VAULT CLOSING	15
4.8 CI TRANSACTIONS: TRANSFERS “IN FROM” AND “OUT FOR” PROCESSING.....	16
5.0 CCTV MONITORING AND RECORDING	16
6.0 MONTHLY UNANNOUNCED MANAGEMENT INVENTORY	18
7.0 NOTIFICATIONS	19
8.0 SUMMARY OF CI ACTIVITIES	20
9.0 TRAINING	21
GLOSSARY	22

EXHIBITS

EXHIBIT 1 - Custodial Inventory (CI) Vault Access Log: Used by the DI to monitor access to the CI Vault including date, time in, time out, type of transaction, dollar amount, team signatures and non-team members signatures.

EXHIBIT 1A - Custodial Inventory (CI) Vault Access Log for CIs with Sealed Inventory: Used by the DI to monitor access to the CI Vault including date, time in, time out, type of transaction, dollar amount, team signatures and non-team member signatures. If seals are applied to any portion of the CI Vault Inventory, seal numbers and amounts are also included on this log.

EXHIBIT 2 - Daily Custodial Inventory Vault Balance Report: During the closing of a CI Vault, the two CI Remote Vault Staff (CI RVS) members shall print and sign a Vault Balance report verifying that the physical balance matches the CI Vault balance in FedLine.

EXHIBIT 3 - Daily Video Surveillance Review Log: Daily, the CI Operator shall ensure that all the required CCTV cameras, VCRs, or digital recording equipment are functioning properly. This review shall be documented via the daily review log.

EXHIBIT 4 - Weekly Video Surveillance Review Log: Weekly, and at random intervals, the CI Operator shall conduct reviews of the recordings to ensure the quality of the recording, that the field of view continues to present the proper views and that all of the activities are being conducted openly. Reviews should be documented using this Exhibit.

EXHIBIT 5 - Monthly Unannounced Management Inventory: This form should be used to document the required monthly management inventory of Reserve Bank Currency. Monthly, a CI Remote Vault Manager (CI RVM), in the presence of at least two CI RVS, shall conduct a physical inventory of all Reserve Bank Currency no later than the last Business Day of each month and in a random manner. (CI Site management should not conduct the inventory on the same day of the month or during the same week each month.)

EXHIBIT 6 - Monthly Unannounced Management Inventory (with Management Designee): In exceptional situations only, a Management Designee may be used to conduct the required Monthly Unannounced Inventory of Reserve Bank Currency. In these cases, the Management Designee must certify the Monthly Unannounced Management Inventory. Note: A Management Designee is used primarily in instances where the CI RVM participated as a member of the CI RVS the last time the CI was accessed prior to the Unannounced Management Inventory.

EXHIBIT 7 - Annual Compliance Certification for Custodial Inventory Program. No longer required effective with November 16, 2015 CI MOP revision.

EXHIBIT 8 - Signature List: The CI Site must maintain an accurate, up-to-date, and uniquely identifiable signature list on file at the CI Site. The current Signature List should reflect all current users on the FedLine User List and be made available for review by the Servicing FRB upon request.

EXHIBIT 9 - Custodial Inventory Program Compliance Form: Used by the CI Site any time FedLine is unavailable, and physical CI transactions need to be made by the CI Operator during the Servicing FRB's normal operating hours. The form must be faxed or e-mailed to the Servicing FRB within 15 minutes of the transaction.

EXHIBIT 10 - Change Request to the Custodial Inventory Application Form and Agreement: Utilized by the Institution to request contact or CI Site information updates to the CI contractual agreement. Requests to change physical site location will require approval of the Servicing FRB prior to implementation.

EXHIBIT 11 - Prior On-Site DI Vault Holdings and Payments Template: A tool to help prepare the CI Site to input the required data into FedLine on the go-live date, which is used to determine the CI Vault's Minimum Holdings Requirement (MHR) and CAP.

EXHIBIT 12 - FedLine User List: Sample report that should be pulled quarterly by the CI RVM and reviewed to verify the accuracy of FedLine users.

EXHIBIT 13 - FedLine Payments Corrections: Sample report that should be printed any time CI Site management makes corrections to payments data.

EXHIBIT 14 - FedLine Holdings Corrections: Sample report that should be printed any time CI Site management makes corrections to previously entered DI Vault Holdings data.

EXHIBIT 15 - Custodial Inventory Site Video Recording System Attestation: The CI Site must complete the form at the initial CI Site Inspection to attest that the system is meeting the two frames per second recording requirement. The attestation must be signed by an individual listed on the Institution's OAL who is not a CI RVM or CI RVS and kept on file.

On March 17, 2006, the Board of Governors of the Federal Reserve System revised the policy framework governing the provision of cash services. The policy revisions are intended to reduce overuse of Federal Reserve Bank services, motivate recirculation best practices and reduce the societal cost of providing Fit currency. These revisions consist of two inter-related components: a Custodial Inventory (CI) Program and a fee that will be assessed on cross-shipped currency. Additional information about the Currency Recirculation Policy, including requirements for the Custodial Inventory Program and reports available to monitor cross-shipping activity, is located on the FRBServices.org website at <https://www.frbservices.org/resources/financial-services/cash/currency-recirculation-policy/index.html>.

On April 8, 2015, the Federal Reserve updated its policy framework to permit BANKERS' BANK participation in the CI Program, but under the additional criterion that they waive their reserve requirement exemption prior to starting a CI program.

1.0 General Statement

The Institution must adhere to this Manual of Procedures (MOP) to ensure that all of its Custodial Inventory (CI) Program operations are conducted and carried out in accordance with prescribed procedures and under specific and sufficient security control conditions providing for the integrity of all operations. An Institution shall maintain and operate the CI Site in strict accordance with these procedures, which include the following requirements, each of which is discussed in more detail in subsequent sections of this document:

- Maintaining Reserve Bank Currency in the designated secure CI Vault or Secure Area within a CI Vault;
- Conducting all CI-related activities in a controlled environment;
- Using the Servicing FRB-provided FedCash Services via FedLine Web[®] (FedLine) application and EXHIBITS 1-15 of this MOP to record all CI-related activities;
- Conducting all CI-related activities under recorded Closed Circuit Television (CCTV);
- Conducting regular management audits for compliance with these procedures;
- Maintaining all CI Vault and related records as defined in Appendix 1 (Custodial Inventory Program) of Operating Circular 2; and
- Making all CI Vault and related records available for inspection and audit by Servicing FRB personnel or other authorized entities at any and all times that such personnel present themselves and provide appropriate credentials in order to conduct announced visits or unannounced Compliance Reviews.

In the event that the Institution engages a Subcontractor to manage its CI Vault, the Servicing FRB reserves the right to communicate with the Subcontractor at the Servicing FRB's discretion.

The MOP contains a Glossary of Terms, which provides definitions of procedural terminology. All capitalized terms in this document are defined; please see the glossary for more information. All terms used and not specifically defined in this Manual of Procedures shall have the meaning set forth in Operating Circular 2, Cash Services, and Appendix 1 (Custodial Inventory Program).

2.0 CI Vault

- 2.1 Currency designated as Reserve Bank Currency may be stored only in the Servicing FRB-approved CI Vault. The CI Vault is subject to inspection and approval by the Servicing FRB. A Servicing FRB-approved CI Vault is defined to be either on the premises of an Institution or at the Subcontractor location, which the Institution designated on the Custodial Inventory Application Form and Agreement. Note that multiple Institutions can maintain a CI Vault at one Subcontractor site, as long as each CI Vault is operated independently, and the Reserve Bank Currency is segregated by Institution in separate CI Vaults. Material changes in the location, security or physical features of the CI Site may be made only with the Servicing FRB's prior written consent and inspection.
- 2.2 Access to the Secure Area must be restricted with at least two separately-controlled locking mechanisms.
- 2.3 Only Reserve Bank Currency that is reported in FedLine may be stored in the CI Vault and must be segregated from all other inventories. The currency should be physically organized in a manner to expedite a Bundle Count of the Reserve Bank Currency.
- 2.4 All Reserve Bank Currency stored in the CI Vault must first be sorted by denomination and prepared in 1,000 note Bundles. Reserve Bank Currency may consist of the following classifications: New, Fit, Processed or Unprocessed.
- 2.5 The CI Vault must be labeled so as to specifically identify "Federal Reserve Bank Inventory".

3.0 CI Vault Control Environment

- 3.1 A minimum of two CI Remote Vault Staff (CI RVS) members working under recorded CCTV must secure and maintain exclusive control of the Secure Area. No one individual shall have access to both locking devices.
- 3.2 At a minimum, CI RVS must maintain CI Vault Control at all times for CI Vault transactions, and must also maintain their combinations/keys to the CI Vault and the interior secure compartment locks. All CI Vault transactions should be Bundle Counted by at least two members of the team, working simultaneously or consecutively. Both team members should verify their counts to the appropriate records. Each team member must be positioned to observe all the actions of his/her partner.
- 3.3 Access to the CI Vault must be monitored through the written log (EXHIBIT 1 – Custodial Inventory Vault Access Log or EXHIBIT 1A – Custodial Inventory Vault Access Log for CIs with Sealed Inventory) provided as part of this MOP, which includes the following elements: date, time in, time out, type of transaction, dollar amount, team signatures, non-team member signatures. (EXHIBIT 1A additionally requires documentation of seal numbers.)
- 3.3.1 All individuals accessing the CI Vault must sign the log, including but not limited to non-team members, internal or external auditing entities, and Management Designees.

- 3.3.2 The CI Site must maintain an accurate and up-to-date Signature List (EXHIBIT 8) on file at the CI Site. The current Signature List should include signature and initial specimens for all of the current users on the FedLine User List (EXHIBIT 12). CI Executive Vault Managers (CI EVM) that do not physically access the CI Vault are not required to sign the Signature List.
- 3.3.3 A CI site may seal their CI Vault inventory (portion or all) that is not accessed daily in a separate cage or container. This provides some efficiency to the CI RVS team when conducting the daily physical inventory of the CI Vault. Seals must be uniquely numbered and tamper-evident.

Prior to the application of a seal, the CI RVS team must Bundle Count the currency in the cage/container. When the seal is applied, the CI RVS team members will record their initials, the date, and the dollar amount on the seal. The CI RVS team members must document the seal application on the Vault Access Log for CIs with Sealed Inventory (EXHIBIT 1A) with a transaction type of 'New Seal Application.' If multiple cages/containers are sealed, they should each be listed as separate transactions on the log. Any time a seal is broken, the CI Operator must perform a Bundle Count of the inventory in the cage/container to confirm the recorded total.

4.0 Inventory Management System

- 4.0.1 CI Operators must use FedLine to manage their CI Vault. Entries into FedLine will be transferred by the Servicing FRB to its accounting system, and the Institution's Federal Reserve Master Account will be credited or debited in accordance with the Reserve Bank's Daylight Overdraft Transaction Posting Rules. These entries cover:
- Opening and closing on a Business Day;
 - Deposits and withdrawals during CI Operating Hours;
 - Transfers "in from" and "out for" processing that occur after CI Operating Hours (after 4:01 pm) and before 6:59 a.m. the next Business Day (local time of the Servicing FRB);
 - Required data to calculate the Institution's CI Inventory CAP (CAP) and Minimum Holdings Requirement (i.e., payments to its customers in the Covered Denominations and including data input for ALL denominations (\$1, \$2, \$5, \$50, and \$100s);
 - Required data to assess compliance with the MHR (i.e., DI Vault Holdings by reporting Verified Balances in the Covered Denominations and including data input for \$1, \$2, \$5, \$50, and \$100 denominations and the total Unverified Balances amount); and
 - Required data to assess compliance with the monthly Unannounced Management Inventory requirement.

- 4.0.2 Accounting entries for settlement of CI Vault transactions may occur only on Business Days during CI Operating Hours and not on the weekends and/or Servicing FRB holidays.
- 4.0.3 During CI Operating Hours on a Business Day, only deposit and withdrawal transactions to and from the CI Vault are allowed. After CI Operating Hours, only transfers “in from” and “out for” processing are allowed.
- 4.0.4 All deposit, withdrawal, and transfer activity to and from the CI Vault must be reported via FedLine within 15 minutes of the physical transaction. One of the CI RVS conducting the transaction must be the individual who enters the information into FedLine.
- 4.0.5 All CI transaction entries reported via FedLine must be made in accordance with the procedures developed for that system's operation and in accordance with the Separation of Duties and responsibilities. When a CI Remote Vault Manager (CI RVM) acts as a partner to a CI RVS, the CI RVS should perform the transaction entries in FedLine, to allow a Separation of Duties for the CI RVM to perform the CI RVM CI Vault closing responsibilities outlined in Section 4.7.
- 4.0.6 The CI Operator shall maintain supporting documentation for any data input to FedLine.
- 4.0.7 The CI Operator shall also maintain supporting documentation on all CI related activities not captured in FedLine, including access to the CI Vault, and teller transactions related to “in from” and “out for” processing, as part of its record keeping and audit trail management.
- 4.0.8 On a quarterly basis, the CI RVM must print, verify, and sign the FedLine User List report (EXHIBIT 12). This report shows all employees who have access to FedLine, and must be reviewed to ensure that all access to FedLine is accurate. If changes are required, the CI RVM must ensure that an End User Authorization Contact (EUAC) immediately submits a Subscriber request via the EUAC Center in FedLine Home for each individual requiring a change in access. Once received, the CCC will send an acknowledgement email to the EUAC confirming receipt. The submitted request and/or the confirmation receipt should be retained for Compliance Reviews. Instructions to add/delete/modify FedLine access to FedCash Services[®] are located on the FRBServices.org website at <https://www.frb services.org/financial-services/cash/service-setup/index.html>.

4.1 Separation of Duties

Separation of Duties delineates responsibility for handling valuables and maintaining the records of valuables within FedLine.

- 4.1.1 FedLine delineates three levels of responsibility: (1) the CI RVS, (2) CI RVM, and (3) CI EVM. No individual shall have access in FedLine to more than one level of responsibility at any time.
 - The CI RVS is responsible for physical handling and control of the Reserve Bank Currency. They can perform deposits and withdrawals, and can input payments

and DI Vault Holdings data and transfer transactions in FedLine. They can also view reports, queries, and broadcast messages for their CI Site.

- The CI RVM can perform all functions performed by CI RVS and other functions unique to the CI RVM role to include: opening and closing the CI Vault, inputting payments and DI Vault Holdings data, making corrections, and viewing reports, queries, and broadcast messages for their CI Site. A CI RVM may be a management representative of the Subcontractor in the event a DI uses a Subcontractor to manage its CI operation.
- The CI EVM can view reports, queries, and broadcast messages for the CI Vault(s) for which they are authorized in FedLine.

- 4.1.2 The CI RVM will not be allowed to complete the Unannounced Management Inventory when he/she participated as a member of the CI RVS the last time the CI Vault was accessed prior to the Unannounced Management Inventory. In such cases, and on an exception basis only, a Management Designee can be assigned to complete the Unannounced Management Inventory. This information must be documented as an exception on the Monthly Unannounced Management Inventory (with Management Designee) (EXHIBIT 6).

4.2 CI Transactions: First Time CI Vault Opening

When first opening a new CI Vault on the go-live day, FedLine requires the input of daily DI Vault Holdings and daily payments to customers beginning with at least two full weeks prior to the go-live date through the go-live date. The Prior On-Site DI Vault Holdings and Payments Template (EXHIBIT 11) can be used to facilitate the gathering of this information. This data is required in order to determine the MHR and CAP amounts. Also, FedLine will allow a one-hour time period for keying this initial data before timing out. If FedLine times out, all previously entered data must be re-keyed.

4.3 CI Transactions: CI Vault Opening

- 4.3.1 All CI Operators must log onto FedLine each Business Day to retrieve broadcast messages and open the CI Vault. The CI Vault may be opened from any internet accessible PC. Note that the Servicing FRB may authorize an exception to the requirement to open and close a CI Vault for reasons such as other holidays the DI may observe or for contingency purposes. If the CI Site plans to observe a non-Servicing FRB recognized holiday and therefore not open for business, CI Site management must advise the Servicing FRB in advance.

- 4.3.2 Each Business Day, during CI Operating Hours, a CI RVM shall:

- Log onto FedLine and open the CI Vault application;
- Confirm that the beginning CI Vault balance displayed within FedLine is the same as the ending inventory from the previous Business Day; and

- Verify in FedLine that the employees eligible to participate on the CI RVS are listed in FedLine and update as appropriate. This step will help ensure that any changes required are made timely and occur between the required quarterly verification of the FedLine User List (EXHIBIT 12).
- 4.3.3 At the beginning of each Business Day, during CI Operating Hours, the CI RVS shall:
- Confirm that the beginning CI Vault balance displayed within FedLine is the same as the ending inventory from the previous Business Day;
- 4.3.4 At the beginning of the week, the CAP may have changed.
- If the inventory in the CI Vault now exceeds the CAP, FedLine will prompt and require a withdrawal from the CI Vault. The CI RVM is required to complete a withdrawal in FedLine to bring the CI Vault inventory at or below the new CAP limit before any additional transactions can be entered. The CI RVS must then physically remove the amount withdrawn from the CI Vault within 15 minutes of the FedLine withdrawal by the CI RVM.

4.4 CI Transactions: Deposits to and Withdrawals from the CI Vault

- 4.4.1 Deposits to and withdrawals from the CI Vault may take place only during CI Operating Hours and only after the CI Vault has been opened for the Business Day in FedLine.
- 4.4.2 Deposit and withdrawal transactions result in a credit and debit, respectively, to the Institution's Federal Reserve Master Account.
- 4.4.3 Transactions entered into FedLine will be transferred by the Servicing FRB to its accounting system, and the Federal Reserve Master Account will be credited or debited in accordance with the Reserve Bank's Daylight Overdraft Transaction Posting Rules. Reserve Bank Daylight Overdraft Transaction Posting Rules can be found at https://www.federalreserve.gov/paymentsystems/psr_data.htm.
- 4.4.4 All deposit and withdrawal transactions shall be conducted using CI Vault Control, with at least two members of the CI RVS participating in the transactions.
- 4.4.5 Deposit and withdrawal transactions must be:
- Conducted under recorded CCTV coverage;
 - In full Bundle increments.
- 4.4.6 Both CI RVS members must perform a Bundle Count prior to placement in the CI Vault or designated Secure Area.

- In the event of a difference, both team members must re-count the Reserve Bank Currency, and if the difference condition still exists, they shall notify the CI RVM immediately and before they take any further action.
- To facilitate operations, Unprocessed Currency may be included in CI Holdings and stored in the CI Vault after the Bundle Count has been completed. Within the CI Vault, Unprocessed Currency must be stored separately from Processed Currency.
- The CI RVS must make the appropriate entries in FedLine within 15 minutes of the completion of the physical movement of the Reserve Bank Currency.
- If the CI RVS makes an error when entering a deposit or withdrawal in FedLine during the course of the Business Day, the CI RVS must make a “dummy” entry to correct the transaction to make the FedLine balance match the physical balance. This is the only way to correct the error. The CI RVS does not need to contact the Servicing FRB, but the correction must be documented and retained with the daily paperwork.

4.5 CI Transactions: Required Daily Data Entry

- 4.5.1 Each Business Day, during the CI Operating Hours of the Servicing FRB, a member of the CI RVS or CI RVM must input into FedLine both the Institution’s payments to customers for all denominations and the Institution’s end of day DI Vault Holdings for all denominations for the prior Business Day. This data will be used to calculate the MHR and CAP.
- 4.5.2 The source documentation for customer payments and DI Holdings must be verifiable to the CI Operator’s supporting documentation.
- 4.5.3 The daily payments data input shall include the Institution’s total payments to its customers by denomination. Total payments include payments to merchant accounts, ATMs, branches, and correspondent banks, but exclude shipments to the Servicing FRB. If there is weekend payments activity that occurs by the Institution, the weekend payments data must be added to the next Business Day’s payments data and reported accordingly.
- 4.5.4 Any time payments data are entered incorrectly it must be corrected. Corrections can be made directly in FedLine by CI RVS (for both corrections that impact future CAP calculations as well as those that may impact prior CAP calculations for records dating back six months).
 - The CI RVM must approve all corrections keyed into FedLine, and all source documents supporting the corrections must be maintained with the daily paperwork for review by the Servicing FRB personnel during on-site Compliance Reviews. The CI RVM must print the FedLine generated Payments or Holdings Corrections Report (EXHIBIT 13 or 14).

- Please note that depending on the significance of the change, data corrections may generate retroactive Minimum Holdings Violations. Violations related to data corrections could lead to formal counseling by the Servicing FRB. The Institution should take the necessary steps to ensure Violations are not repeated.
- 4.5.5. The daily DI Vault Holdings data input shall include:
- The Institution's total Verified Balances, as well as the total for each denomination, excluding CI Holdings; and
 - The Institution's total Unverified Balances.
- 4.5.6. There may be instances when a CI Site is not open on a Business Day due to the CI Site honoring a holiday which is not a holiday the Servicing FRB observes. Another example may be due to inclement weather causing the CI Site to be closed. When the CI RVM logs in to FedLine he/she will be prompted to enter payments and DI Vault Holdings for the day(s) the CI Site was closed. The CI RVM must enter zeros for payments data for each day the CI Site was closed and had no activity. Since DI Vault Holdings would not have changed, the same DI Holdings data last reported can be reported for each day the CI Site was closed and had no activity.

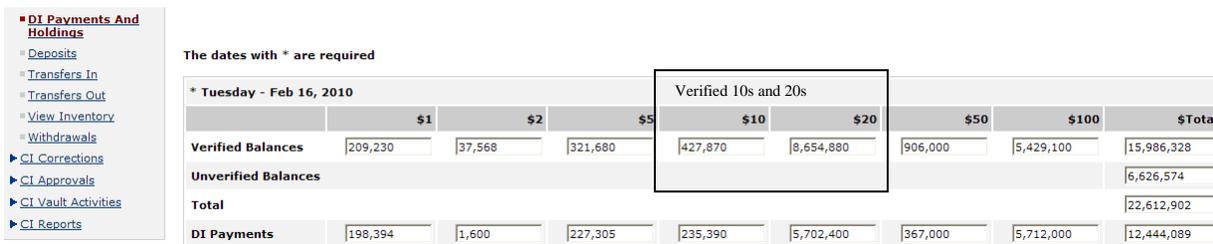
4.6 CI Transactions: Minimum Holdings Requirement & Inventory CAP

- 4.6.1 On the first Business Day of each Business Week, FedLine provides an MHR and CAP for the current Business Week for each CI Vault. These figures are based on the Institution's Average Daily Payments from a prior Business Week.
- Typically, the MHR and CAP is based on the Institution's Average Daily Payments from the Business Week two weeks prior.
 - However, data from Business Weeks exhibiting high payment activity prior to a holiday (as determined by the Servicing FRB) will not be used to determine the MHR and CAP. In these cases, the most recent available Business Week that does not include pre-holiday payment spikes will be used instead. As a result, the most recent MHR and CAP will be held over, and used two (or more) weeks in a row. In general, for holidays that fall on a Monday, the previous Business Week will be excluded from the MHR calculation; for holidays falling later in the Business Week, the Business Week of the holiday itself will be excluded. Business Weeks that will be excluded from the MHR calculation due to the impact of holiday payment activity will be available from the Federal Reserve at the beginning of each calendar year.
- 4.6.2 Compliance with the MHR will be assessed each day for the prior day, after the prior day's payments and DI Vault Holdings data have been entered into FedLine (MHR Assessment). If an Institution has DI Vault Holdings less than its MHR, the Institution will incur a Minimum Holdings Violation and receive FedLine broadcast message explaining this Violation.

- The MHR does not apply if there is a zero balance in the CI Vault.
- DI Vault Holdings that count toward meeting the MHR include:
 - All Verified Balances of \$10s and \$20s for the current day.
 - A percentage of the current day's Unverified Balances. The percentage will be calculated as the sum of verified \$10s and \$20s for a previous Business Week divided by the sum of total verified holdings for that previous Business Week. The previous Business Week will be the same week as that used to create the MHR, as discussed above.

Example: The following provides the process and supporting screen shots for the MHR assessment:

- Step 1: Calculate the Verified Balances from the current day (e.g., February 16) that count toward the MHR: $\$427,870 + \$8,654,880 = \$9,082,750$



The dates with * are required									
* Tuesday - Feb 16, 2010									
	\$1	\$2	\$5	Verified 10s and 20s		\$50	\$100	\$Total	
Verified Balances	209,230	37,568	321,680	427,870	8,654,880	906,000	5,429,100	15,986,328	
Unverified Balances								6,626,574	
Total								22,612,902	
DI Payments	198,394	1,600	227,305	235,390	5,702,400	367,000	5,712,000	12,444,089	

- Step 2: Calculate the percentage of Unverified Balances that count toward the MHR
- Step 2.1: Calculate the historical ratio (i.e., percentage) that will be applied
 - Pull a “DI Vault Holdings” report for the Business Week used to calculate Average Daily Payments (normally the Business Week two weeks prior unless that Business Week is skipped due to pre-holiday effects, e.g. February 1-5)
 - Sum verified 10s and 20s for the Business Week (A) = \$ 77,323,670
 - Sum Unverified Balances for the Business Week (B) = \$ 26,531,647
 - Sum total balances for the Business Week (C) = \$ 164,512,432
 - Calculate total Verified Balances for the Business Week D=(C-B) = \$ 137,980,785
 - The ratio $R = A/D = \$ 77,323,670 / \$ 137,980,785 = .56$

FedCash® Services: Custodial Inventory : CI Reports : DI Vault Holdings

User: [redacted]
Selected Site Type: Custodial Inventory
Selected Site: [redacted]
Site Time: February 26, 2010 1:59:27 P.M.
Servicing FRB Time: February 26, 2010 1:59:27 P.M.

DI Vault Holdings Search Criteria:
Select Site: [dropdown]
Starting Date: 2010-02-01
Ending Date: 2010-02-05

DI Vault Holdings Summary for Bank X From February 1, 2010 through February 5, 2010

Business Date	Reported	\$1	\$2	\$5	\$10	\$20	\$50	\$100	Unverified \$	Total Amount \$
February 05, 2010	February 11, 2010 12:07:06 PM	\$158,532	\$40,518	\$651,250	\$479,680	\$12,932,880	\$933,050	\$7,022,400	\$2,258,013	\$24,476,523
February 04, 2010	February 11, 2010 12:07:06 PM	\$316,575	\$40,888	\$949,940	\$726,190	\$13,753,060	\$1,010,700	\$6,059,300	\$2,757,350	\$25,614,203
February 03, 2010	February 04, 2010 09:21:57 AM	\$350,866	\$43,204	\$1,175,140	\$832,530	\$15,944,240	\$1,736,600	\$12,771,400	\$5,605,543	\$38,459,723
February 02, 2010	February 04, 2010 09:21:56 AM	\$351,625	\$43,280	\$1,188,340	\$692,890	\$17,448,660	\$1,576,700	\$10,629,900	\$9,121,857	\$41,053,252
February 01, 2010	February 10, 2010 06:04:51 PM	\$273,217	\$49,440	\$1,055,300	\$640,000	\$13,873,540	\$1,373,150	\$10,855,200	\$6,788,884	\$34,908,731

A: Sum verified 10s and 20s
B: Sum unverified
C: Sum total

Buttons: Back, Export

- Step 2.2: Identify total Unverified Balances for the current day (e.g, February 16)

DI Payments And Holdings

The dates with * are required

* Tuesday - Feb 16, 2010

	\$1	\$2	\$5	\$10	\$20	\$50	\$100	\$Total
Verified Balances	209,230	37,568	321,680	427,870	8,654,880	906,000	5,429,100	15,986,328
Unverified Balances								
Total								22,612,902
DI Payments	198,394	1,600	227,305	235,390	5,702,400	367,000	5,712,000	12,444,089
							Total Unverified	6,626,574

- Step 2.3: Multiply the historical ratio times the current day's Unverified Balances
 $0.56 \times \$6,626,574 = \$3,710,881$
- Step 3: Total DI Holdings for current day that count toward meeting the MHR:
 $\$3,710,881 + \$9,082,750 = \$12,793,631$

4.6.3 An Institution may place up to the equivalent of four days of Average Daily Payments in \$10 and \$20 in the CI Vault. This is referred to as the CAP.

- Occasionally, when the CI Vault is opened on a Monday, the amount of Reserve Bank Currency in the CI Vault will exceed the CAP. If this occurs, FedLine will require a withdrawal to be made from the CI Vault to bring the amount of Reserve Bank Currency in the CI Vault below the CAP prior to making any other deposits in to or withdrawals from the CI Vault.
- Since the withdrawal will need to be made physically within 15 minutes of the FedLine entry, it is recommended that CI RVS be present prior to opening the CI Vault.

4.7 CI Transactions: CI Vault Closing

All CI Operators must have a CI RVM close FedLine each Business Day by 4:00 p.m. local time of the Servicing FRB. This activity can be performed from any internet accessible PC. Prior to closing FedLine, the following steps must be performed:

- 4.7.1 At least two CI RVS team members shall physically verify the amount of currency in the CI Vault through a Bundle Count.

If the CI Site utilizes seals on any portion of its CI Vault inventory, the physical verification should consist of a Bundle Count of any portion of the non-sealed inventory. For sealed portions of the CI Vault inventory, the RVS team members must check the integrity of the seals to verify that the seals are intact and confirm the seal numbers by comparing it to the seal number entry listed on the previous day's Vault Balance Report (EXHIBIT 2).

NOTE: If the CI Vault was not accessed by the CI Operator on a given day (e.g., if there is no activity in the CI for the Business Day), taking a physical inventory is not necessary.

- 4.7.2 Two CI RVS members shall verify that the CI Vault balance matches the balance in FedLine.
- 4.7.3 Two CI RVS members shall print and sign the Daily Custodial Inventory Vault Balance Report (EXHIBIT 2), verifying that the physical balance matches the CI Vault balance in FedLine. For CI sites with sealed inventories, the seal numbers and totals for each sealed container/cage must be documented on Vault Balance Report in the text field.
- 4.7.4 The CI RVM or another management member of the CI Operator shall review and sign the Vault Balance Report. Management's signature confirms that the team's documentation reflecting the total CI Vault balances matches the FedLine CI balance for that day.
- 4.7.5 No later than 4:00 pm local time of the Servicing FRB, the CI RVM shall log onto FedLine to close the CI Vault application. Please contact your Servicing FRB to report any potential delays or problems encountered.
- 4.7.6 Failure to close the CI Vault by 4:00 p.m. local time of the Servicing FRB may result in a Forced Settlement of the CI Vault in FedLine by the Servicing FRB. If Forced Settlement occurs, the CI Operator must take action to ensure that the physical balance in the CI Vault matches the balance reflected in FedLine at the time of the Forced Settlement. Incidences of Forced Settlement will be monitored closely by the Servicing FRB and could lead to formal counseling by the Servicing FRB. The Institution should take the necessary steps to ensure Violations are not repeated.

4.8 CI Transactions: Transfers “In From” and “Out For” Processing

- 4.8.1 Transfers “in from” or “out for” processing only occur after CI Operating Hours, between 4:01pm to 6:59am local time of the Servicing FRB. The transfer-out-for-processing option can be used by CI Operators after CI Operating Hours during the standard Business Week (Monday through Friday), and on weekends and Servicing FRB holidays.
- 4.8.2 Transfers “in from” or “out for” processing affect the CI Vault balance, but do not affect the Institution’s Federal Reserve Master Account balance.
- 4.8.3 Transfers “out for” processing occur when Unprocessed Currency is removed from the CI Vault to be piece counted and fitness sorted. Transfers “in from” processing occur when Processed Currency is transferred back into the CI Vault.
- 4.8.4 Two CI RVS team members must perform a Dual Count. In the event of a difference, both team members should re-count the valuables, and if the difference condition still exists, they shall notify CI Site management immediately before taking any further action.
- 4.8.5 The CI RVS team members must make the appropriate entries in FedLine within 15 minutes of the completion of the physical movement of the Reserve Bank Currency.
- 4.8.6 Transfers in must match transfers out. Should transfers out exceed transfers in at 7:00 am local time of the Servicing FRB, the beginning of the Business Day, FedLine will function a withdrawal in the amount of the difference and prompt the CI RVS team member to acknowledge the transaction. No new CI transactions can take place until the transaction is accepted.

5.0 CCTV Monitoring and Recording

5.1 All CI operation activities, excluding data entry into FedLine, are to be conducted under CCTV with both live monitoring and recording, including:

- Deposits to and withdrawals from the CI Vault;
- Transfers “in from” and “out for” processing;
- Storage in CI Vault; and
- Access to CI Vault.

Note: The computers where entries are made in FedLine are not required to be covered by CCTV.

5.2 All activity must be conducted in the open and in full view of the cameras. The fields of view must be unobstructed and sufficient to permit the viewer to review both the Reserve Bank Currency and actions of the CI Operator’s staff.

5.3 The CCTV surveillance system must, at a minimum:

- Record and play back clear images;
- Capture at least two frames per second; (At the initial CI Site Inspection, the CI Site must complete the Video Recording System Attestation (EXHIBIT 15) to attest that the system is meeting the two frames per second recording requirement. The attestation must be signed by an individual listed on the Institution's OAL who is not a CI RVM or CI RVS and be kept on file.)
- Record the time and date of the recording;
- Motion activated recording is acceptable;
- Be able to record quality images in the event of a power outage; and
- Be connected (cameras, switches and recording equipment) to an Uninterrupted Power Supply (UPS) system. If a UPS system is not installed, the CI Operator must have adequate compensating Controls in place. For instance, adequate compensating Controls include: In an emergency situation, contacting the Servicing FRB and ensuring that Reserve Bank Currency is completely secured, and all access to the Reserve Bank Currency must be restricted until power is restored. In addition, the Servicing FRB may provide the CI Operator with further instructions depending on the duration of the outage.

5.4 Lighting must sufficiently illuminate the area to ensure the recording of clear images to facilitate detection and identification of personnel in valuables areas.

5.5 Access to the video surveillance system equipment must be restricted and controlled.

5.6 Daily, the CI Operator shall conduct reviews to ensure that all the required CCTV cameras, VCRs, or digital recording equipment is functioning properly. The Daily Review Log CCTV Camera, VCRs, or Digital Recording Equipment (EXHIBIT 3) must be completed, and includes the following elements:

- Date, time, equipment reviewed, comments to include findings or exceptions noted; and
- Signature of person conducting the review.

5.7 Weekly, the CI Operator shall conduct a random review to ensure the quality of the recording, that the field of view continues to present the proper views and that all of the activities are being conducted openly. The Weekly Review Log CCTV Quality of Recordings and Fields of View (EXHIBIT 4) must be completed and include the following elements:

- Date, time, equipment reviewed, comments to include findings or exceptions noted; and
- Signature of person conducting the review.

5.8 All CCTV recordings where "motion" has been detected shall be controlled and maintained for a minimum period of 45 calendar days.

5.9 All CCTV recordings and documentation of reviews are to be available for review by the Servicing FRB or those external entities acting upon authorization of the Servicing FRB.

6.0 Monthly Unannounced Management Inventory

- 6.1 A CI RVM, in the presence of at least two CI RVS members, shall conduct an Unannounced Management Inventory on at least a monthly basis, and no later than the last Business Day of each month. The dates of the Unannounced Management Inventory should be random, meaning CI Site management should not conduct the inventory on the same day of the month or during the same week each month.
- 6.2 Reasonable effort should be made by CI management to perform the Unannounced Management Inventory during a time when there is inventory in the CI Vault. However, the Unannounced Management Inventory must be performed each month, even if a CI Site has a zero balance in the CI Vault.
- 6.3 The Unannounced Management Inventory must include a full Bundle Count of the Reserve Bank Currency and a confirmation that the physical inventory in the CI Vault matches the FedLine record. The CI RVM must verify that he/she completed the inventory by completing (via FedLine) and printing a Monthly Unannounced Management Inventory (EXHIBIT 5).
- 6.3.1 If the CI site has an inventory with any cages/containers that are sealed, the RVM must confirm the seal numbers to the 'New Seal Application' entry listed on the Vault Access Log for CIs with Sealed Inventory (EXHIBIT 1A) on the date when the seals were applied. The RVM must then break the seals to count a full Bundle Count of the CI Vault inventory.
- 6.4 If not completed earlier in the month, a daily reminder is displayed in FedLine to the CI RVM starting five (5) Business Days before the end of the month. The online management inventory function includes the following requirements:
- 6.4.1 The online form shall be available only to a CI RVM.
- 6.4.2 FedLine will require the CI RVM to complete the Monthly Unannounced Management Inventory before allowing the CI RVM to open the CI Vault if the monthly inventory has expired.
- 6.4.3 The CI RVM is required to enter the inventory inspection date, Bundle Counts by denomination, dollar amounts by denomination, and total dollar amount.
- 6.4.4 The CI RVM prints the Monthly Unannounced Management Inventory (EXHIBIT 5) upon completing the process.
- 6.5 A Management Designee must certify the Monthly Unannounced Management Inventory when the CI RVM participated as a member of the CI RVS the last time the CI Vault was accessed prior to the Unannounced Management Inventory. This must only occur as a result of operational and personnel constraints, and on an exception basis. To complete the Monthly Unannounced Management Inventory with a Management Designee, the CI RVM must check the "Management Designee" checkbox on the screen in FedLine.

6.5.1 The CI RVM prints the Monthly Unannounced Management Inventory (with Management Designee) (EXHIBIT 6) upon completing the process. The form will include a signature line for the Management Designee to sign.

6.6 In no event shall the person performing the Unannounced Management Inventory have been a member of the CI RVS on the day of or the day before the Unannounced Management Inventory.

6.7 The CI RVM must retain all the printed inventory forms for Servicing FRB audit purposes and make the forms available upon request of the Servicing FRB.

7.0 Notifications

In the event of an emergency that has or could compromise Reserve Bank Currency, CI Site management must immediately notify one of the individuals listed on the contact list supplied by the servicing Reserve Bank. This includes, but is not limited to, the following situations:

7.1 FedLine is unavailable at the time the CI Vault needs to be accessed.

- The CI RVM must notify the Servicing FRB. Any and every time the CI Vault is accessed (all CI transactions) during Servicing FRB normal operating hours, the CI RVM must e-mail or fax a copy of the completed Custodial Inventory Program Compliance Form (EXHIBIT 9) to the Servicing FRB within 15 minutes of making the physical CI Vault transaction(s).

7.2 There is a power failure, regardless of whether or not the CI Vault needs to be accessed.

- With approval of the Servicing FRB, a single withdrawal of the entire CI Inventory may be performed, as long as the required Controls are followed and the situation is documented by CI Site management.

7.3 There is a video surveillance outage at the CI Site for any period of time.

- With approval of the Servicing FRB, a single withdrawal of the entire CI Inventory may be performed, as long as the required Controls are followed and the situation is documented by CI Site management.

7.4 The alarm system experiences an outage for any period of time.

7.5 If anything out of the ordinary occurs in the daily administration of the CI Site, the Servicing FRB must be notified.

In addition, notification to the Servicing FRB is required for the following non-emergency situations:

7.6 Prior to holidays that the DI observes that are not observed by the Servicing FRB which would result in the CI Vault not being opened for business (reference Sections 4.3.1 and 4.5.6).

7.7 Prior to making material changes that may affect the security of the CI Site, the CI Vault, or the CI Operator's vault.

- 7.8 If the Institution needs to change the contact or CI Site information that is stated on the CI Application Form and Agreement, the Institution must fill out and submit the Change Request to the Custodial Inventory Application Form and Agreement (EXHIBIT 10). Requests to change physical site location require approval of the Servicing FRB prior to implementation.
- 7.9 If the Institution needs to add/delete/modify key FedLine roles, such as EUAC or OAL. Instructions to update these roles are located on the FRBServices.org website at <https://www.frbervices.org/financial-services/cash/service-setup/index.html>.
- 7.10 In the event of a merger or change in ownership of the operation of the CI Vault, the CI Operator must contact the Servicing FRB for additional instructions.

8.0 Summary of CI Activities

All records, exhibits, and CI related documentation must be retained and made available for inspection and audit by the Servicing FRB personnel or other authorized entities.

Daily

- Open CI Vault & review broadcast messages (CI RVM)
- Confirm beginning balance in FedLine is the same as the ending inventory from previous Business Day (CI RVM)
- Verify in FedLine employees eligible to participate on CI RVS are listed in FedLine and update as appropriate in FedLine and EXHIBIT 8 (CI RVM)
- Ensure all required CCTV cameras, VCRs or digital recording equipment are functioning properly (EXHIBIT 3) (CI RVM)
- Access the CI Vault and perform deposits/withdrawals (as needed) (EXHIBIT 1 or EXHIBIT 1A) (CI RVS)
- Two CI RVS members print and sign Vault Balance Report (EXHIBIT 2) verifying physical balance matches CI Vault balance in FedLine (CI RVS)
- Enter prior day's payments and DI Vault Holdings by denomination (CI RVS / CI RVM)
- Review and sign the Vault Balance Report to confirm team documentation reflecting total CI Vault balance matches the FedLine CI balance for the day (CI RVM)
- Settle CI Vault in FedLine by 4:00 p.m. local time of the Servicing FRB (CI RVM)
- Perform transfers "in from"/"out for" processing (as necessary) (CI RVS)
- Document necessary corrections and contact the FRB to communicate out of the ordinary events. Update FedLine Payments and Holdings Corrections Reports (as needed) (EXHIBITS 13 & 14) (CI RVM)

Weekly

- Review new FedLine CAP calculation for CI & DI's MHR (CI RVM)
- Perform quality review on a sample of CCTV recordings and document using EXHIBIT 4 (CI RVM)

Monthly

- Perform random, Unannounced Management Inventory of Reserve Bank Currency (EXHIBIT 5 or 6) (CI RVM or Management Designee)

Quarterly

- Perform FedLine user security review by reviewing and updating the FedLine User List (EXHIBIT 12) and the Signature List (EXHIBIT 8) (CI RVM). Updates to FedLine subscriber access must be submitted by a designated EUAC via the EUAC Center in FedLine Home.

As Needed

- Emergency and non-emergency notifications required in Section 7.0.

9.0 Training

ELearning Tool - The **ELearning**¹ online training enables external customers to access training information that will assist them in successfully performing key tasks in FedLine, in association with the CI Program. To best accomplish the training goals within the current business environment, the online resource is designed to provide users who are new to the CI Program and FedLine with foundational “public” information about the program and the application - answering the question, “what is it and what does it do?”

¹ The ELearning tool for Custodial Inventories can be found by visiting “Learn About Our Services” at http://crso.kc.frb.org/CRSOLearning/training/cash/New_custodial_inventory/index.html.

Glossary

AVERAGE DAILY PAYMENTS - The total dollar amount of notes in the Covered Denominations that the Institution paid to its customers during an appropriate previous Business Week in the applicable zone or sub-zone, divided by five. FedLine will perform this calculation each Monday using payments data two weeks prior. If a Servicing FRB holiday falls within the period, the other four Business Days will constitute the period, and the total dollar amount in the Covered Denominations that the Institution paid to its customers in a zone or sub-zone during that period will be divided by four.

BANKERS' BANK - The key ways bankers' banks differ from commercial banks are: 1) Bankers' banks only conduct business with other financial institutions; 2) Bankers' banks are owned primarily by the financial institutions with which they do business; 3) Bankers' banks do not do business with the general public. Bankers' banks may only be considered for CI program participation if they waive their exemption from reserve requirements prior to starting CI activities.

BUNDLE - A unit of currency equivalent to 1,000 notes of the same denomination. Reserve Bank Currency may be strapped in 100-note units within the Bundle, but strapping is not required.

BUNDLE COUNT - A verification count of the number of Bundles that are involved in a CI transaction. A Bundle Count may be performed visually using the "height and depth" counting method without physically removing the Bundles from the cage or container, as long as the following are applied:

- All CI activities, including the Bundle Count, must be performed under CCTV coverage; and
- Individuals must clearly demonstrate the Bundle Count on CCTV recording, ensuring there are no empty spaces or voids, affecting an accurate Bundle Count.

BUNDLE STORAGE - Bundles of Reserve Bank Currency may be stored in clear plastic bags, as long as the following are applied:

- The Reserve Bank Currency Bundles must be stored in cold or heat sealed clear plastic bags by denomination. Mixed denominations cannot be stored in the same plastic bag.
- Bundles stored in plastic bags must be in whole Bundle increments.
- When performing a Bundle Count, the count may be completed through the plastic bag without opening the bag, but the Bundles must be able to be denominated through the bags.
- If trays are used, they must have a clear lid to ensure the contents of the tray are fully visible.

BUSINESS DAY - Any day that the Servicing FRB is open for conducting all or substantially all our banking functions, but excludes Saturdays, Sundays and holidays. The Federal Reserve Bank holiday schedule is posted on the FRBServices.org at <https://www.frbservices.org/about/holiday-schedules.html>.

BUSINESS WEEK - Monday through Friday.

CI EXECUTIVE VAULT MANAGER (CI EVM) - An Institution or Subcontractor employee who is a member of management who can view reports, queries, and broadcast messages for which they are authorized in FedLine.

CI OPERATOR - An Institution or its Subcontractor that is operating and maintaining the CI Vault at the CI Site in accordance with Appendix 1 (Custodial Inventory Program) of Operating Circular 2, Cash Services, including this CI Manual of Procedures.

CI OPERATING HOURS - 7:00 AM to 4:00 PM local time of the Servicing FRB on a Business Day.

CI REMOTE VAULT MANAGER (CI RVM)- An employee who is part of the DI or CI Operator's management and who can perform all functions performed by CI RVS and other functions unique to the CI RVM role to include: opening and closing the CI Vault, inputting payment and DI Vault Holdings data, making corrections, and viewing reports, queries, and broadcast messages.

CI REMOTE VAULT STAFF (CI RVS)- A team of at least two but no more than eight employees who share equal responsibility for the custody of Reserve Bank Currency and who can perform deposit, withdrawal, input payments and DI Vault Holdings data and transfer transactions in FedLine. They can also view reports, queries, and broadcast messages in FedLine.

CI SITE - The location where the CI Vault is physically located, per the address specified on the CI Application and Agreement.

CI VAULT - A separate vault or segregated Secure Area within a CI Site, designated on the Institution's CI Application Form and Agreement. The CI Vault can be a cage or a Servicing FRB approved container within a vault. If containers are used as a CI Vault, they must be stationary, and not be moved, since material changes in their location may be made only with the Servicing FRB's prior written consent and inspection. If containers are used to store currency within the CI Vault, the containers must be approved by the Servicing FRB. Examples of appropriate containers within a CI Vault include but are not limited to clear currency bags, clear or opaque large containers, and trays. If trays are used within a CI Vault, they must have a clear top or no top, and be only one Bundle deep. It would be preferable if the notes were face up in the tray, but this is not required. The CI Vault must be used exclusively for Reserve Bank Currency. In the case of Subcontractor managed CI Sites, separate CI Vaults must be maintained for different Institutions, if the inventory of multiple Institutions is located at the same Subcontractor location. The separate vault or segregated Secure Area is required to have a label affixed to it which clearly states: "Federal Reserve Bank Inventory."

CI VAULT CONTROL - CI Vault transaction Bundle Counted by at least two members of the CI RVS team sharing responsibility for Reserve Bank Currency, working simultaneously or consecutively and being positioned to observe all the actions of his/her partner. CI Vault Control requires a minimum of two CI RVS members, working under recorded CCTV, who must secure and maintain exclusive control of the Secure Area. CI Vault Control means that no one individual shall have access to both locking devices. Both team members must verify their counts to the appropriate records. At a minimum, both team members must maintain CI Vault Control at all times for CI Vault transactions, and must also maintain their combinations/keys to the CI Vault and the interior secure compartment locks.

COMPLIANCE REVIEW – Servicing FRB audit of a CI Site to ensure all CI operations are being conducted in accordance with prescribed program procedures, and under specific and sufficient security control conditions.

CONTROLS - Effective systems of internal control that protect the integrity and security of the CI Site.

COVERED DENOMINATIONS - \$10 and \$20 denomination notes.

CURRENCY CLASSIFICATIONS

New: Currency in the original BEP wrapping.

Fit: A note that is suitable for continued circulation and is sufficiently clean to allow its genuineness and denomination to be readily ascertained.

Unfit: A note that is not suitable for further circulation because of its physical condition, such as torn, dirty, limp, worn or defaced.

CURRENCY INVENTORY CLASSIFICATIONS

DI Holdings (sometimes referred to as DI Vault Holdings): Currency owned by the Institution located in their vault.

Verified Balances - Value is documented by denomination.

Unverified Balances - Value is not documented by denomination.

Reserve Bank Currency (sometimes referred to as CI Holdings, CI Inventory, or CI Balances): Currency owned by the Servicing FRB and located within a CI Vault.

Processed Currency - Currency that has been piece counted.

Unprocessed Currency - Currency that has not been piece counted.

CUSTODIAL INVENTORY or "CI" - Currency owned by the Servicing FRB but located within a CI Vault.

CUSTODIAL INVENTORY PROGRAM - The Custodial Inventory (CI) Program is a component of the Recirculation Policy, under which an Institution can hold currency inventory in Covered Denominations in their vault, but on the books of the Servicing FRB.

DUAL COUNT - A method of determining accountability whereby two CI RVS members each determine, independently, the quantity and value of the pieces/units associated with the transaction.

END USER AUTHORIZATION CONTACT (EUAC) – Individual who acts as the primary contact between the DI and the Servicing FRB on electronic access-related needs, and helps to facilitate setup and access for their organization's subscribers. An Institution's EUAC authorizes subscribers, granting specific types of access to FedLine, resets FedLine subscriber passphrases and accesses subscriber reports and other FedLine documentation.

EXCEPTION - Failure to adhere to a procedure that does not present a direct risk to the Reserve Bank Currency but may have a negative impact on transactional and reporting processes.

FEDLINE (FedCash Services via FedLine Web[®] (FedLine)) - The Federal Reserve's Web-based inventory control system used to track and record all CI transactions and to monitor the value of the Reserve Bank Currency.

SERVICING FRB - The Federal Reserve Bank which is making the CI Program available to the Institution.

FORCED SETTLEMENT - Settlement of CI Vault in FedLine by the Servicing FRB when the CI Operator is unable to settle the CI Vault themselves or the CI Operator has failed to settle the CI Vault at the end of a Business Day.

INSTITUTION (DI) - Depository Institution.

INVENTORY CAP (CAP) - The maximum amount that an Institution may deposit into the CI Vault, equal to four days of Average Daily Payments in the Covered Denominations.

MANAGEMENT DESIGNEE - An employee who is designated by CI Site management due to operational and personnel constraints, and on an exception basis only, who is not part of management to assume certain limited responsibilities. An example would be to conduct an Unannounced Management Inventory as a Management Designee. The CI Operator must always maintain documentation reflecting the use of a Management Designee. This documentation must be kept in a file and be made available for review by the Servicing FRB, or its agents, upon request, such as during a Compliance Review.

MINIMUM HOLDINGS REQUIREMENT (MHR) - The amount of the Covered Denominations that an Institution is required to hold on its own books before it can deposit currency into the CI Vault, equal to one day of Average Daily Payments in Covered Denominations.

MINIMUM HOLDINGS VIOLATION - An Institution reports CI Vault Holdings that are less than the Minimum Holdings Requirement (MHR) as described in section 4.6.

MINIMUM RECIRCULATION REQUIREMENT - The minimum number of Bundles in Covered Denominations per Business Week that an Institution must recirculate to qualify for the CI Program. An Institution must demonstrate at the time of application that each vault in which it seeks to operate or is operating as part of the CI Program has the ability to recirculate a minimum of 200 Bundles in Covered Denominations per Business Week in a Federal Reserve Bank zone or sub-zone. This minimum requirement can be met in one of the following three ways:

- (1) By cross-shipping at least 200 Bundles in Covered Denominations per Business Week at the CI Vault in the applicable zone or sub-zone;
- (2) By providing payment records for the CI Vault demonstrating payments to its customers, ATMs, and branches totaling at least 200 Bundles in Covered Denominations per Business Week in the applicable zone or sub-zone; or
- (3) By demonstrating a combination of cross-shipping activity and recirculation among its customers totaling at least 200 Bundles in Covered Denominations in the applicable zone or sub-zone.

Once the CI Site is in operation, the Institution must demonstrate that the vault actually recirculates (as opposed to having the ability to recirculate) a minimum of 200 Bundles in Covered Denominations per Business Week.

MONTHLY UNANNOUNCED MANAGEMENT INVENTORY - An automated monthly certification provided by CI RVM using FedLine to indicate that CI Site management completed the Unannounced Management Inventory audit of the CI Vault and compared the physical balance to the FedLine balance.

SECURE AREA - An exclusive area within a CI Vault, separate from other valuables. Access to the Secure Area must be restricted with at least two locking mechanisms. A minimum of two CI Remote Vault Staff team members working under recorded CCTV must secure and maintain exclusive control of the Secure Area. No one individual shall have access to both locking mechanisms. Note: To comply with system standard practices for CI Compliance Reviews, CI Sites are not expected or required to maintain PC's

under CCTV surveillance monitoring and recording, as this is not considered a component of the Secure Area.

SENIOR CASH OFFICER - An individual listed on the Institution's Official Authorization List (OAL) who is not a CI RVM or CI RVS.

SEPARATION OF DUTIES - A control concept that delineates responsibility for handling Reserve Bank Currency and maintaining the records of Reserve Bank Currency. FedLine delineates specific capabilities to each of three levels of CI Operator employees: CI RVS, CI RVM and CI EVM. No individual shall ever have responsibility at more than one level.

SITE INSPECTION - A review of the CI Site conducted by the Servicing FRB or internal audit staff to ensure the CI Site complies with all procedures for the program, as defined within the Appendix 1 (Custodial Inventory Program) to Operating Circular 2, Cash Services, and this Manual of Procedures.

SUBCONTRACTOR - A third party, such as an armored carrier, to who a DI has subcontracted managing and operating a CI Vault on behalf of the DI.

SUBSCRIBER REQUEST FORM (SRF) - Form previously used for access change requests. As of August 2015, an organization's End User Authorization Contact (EUAC) must submit a Subscriber request via the EUAC Center in FedLine Home for each individual who will be authorized to access a service via FedLine. Once received, the CCC will send an acknowledgement email to the EUAC confirming receipt.

UNANNOUNCED MANAGEMENT INVENTORY - Inventory verifications conducted by an employee with CI RVM access in the presence of at least two members of the responsible CI RVS, on an unannounced basis. A complete Bundle Count of CI Holdings is to be made with the count compared to the entries in FedLine.

VIOLATION - A failure to adhere to Controls or procedures which could result in the loss of control of valuables, continuous repeat findings/Exceptions, or failure to take immediate corrective action on a serious issue.