

**New York Cash
Customer Conference
October 2011**



U.S. Currency Demand and Issuance in Times of Uncertainty

Board of Governors
of the Federal Reserve System

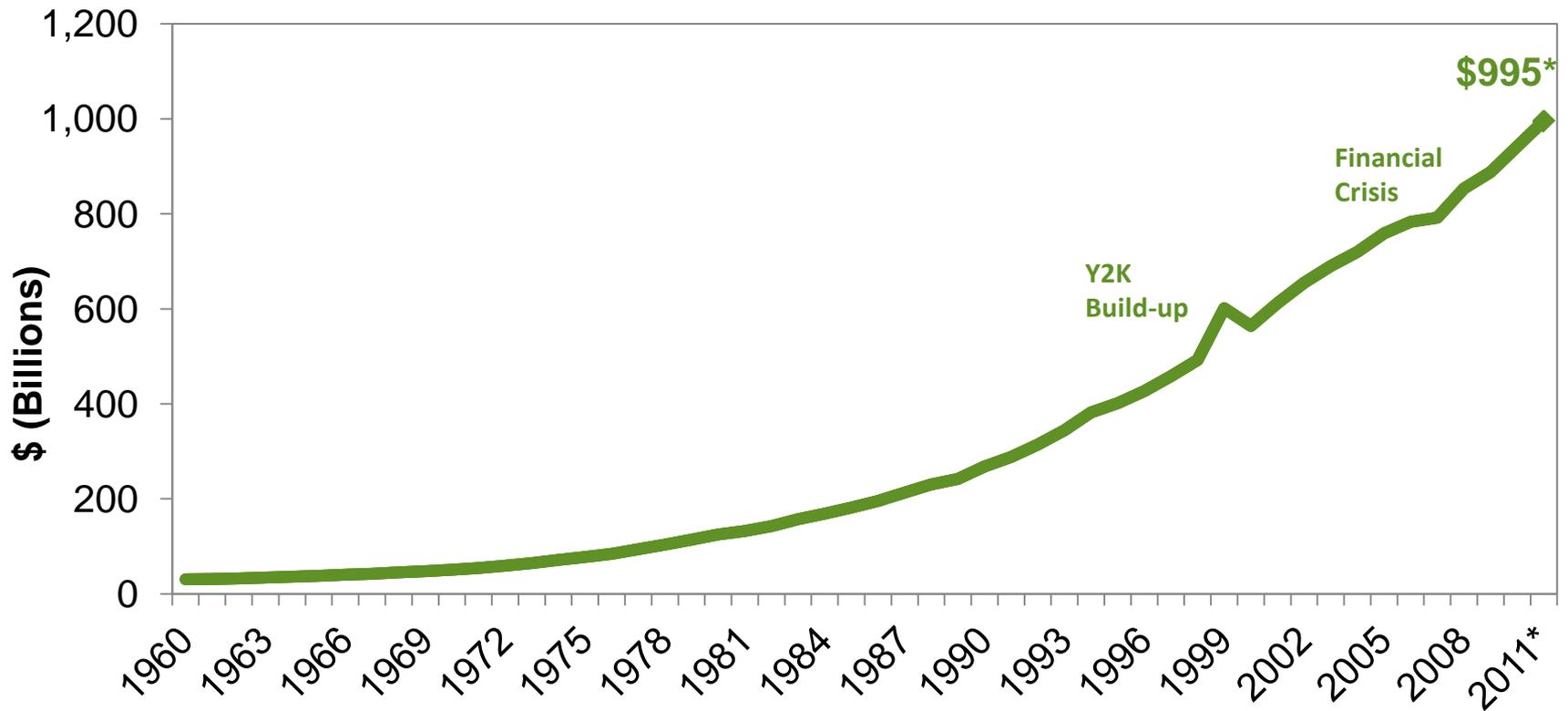


Drivers of Uncertainty

- Changes in demand
- Changes in technology and policy
- Changes in counterfeiting
- Changes in note design



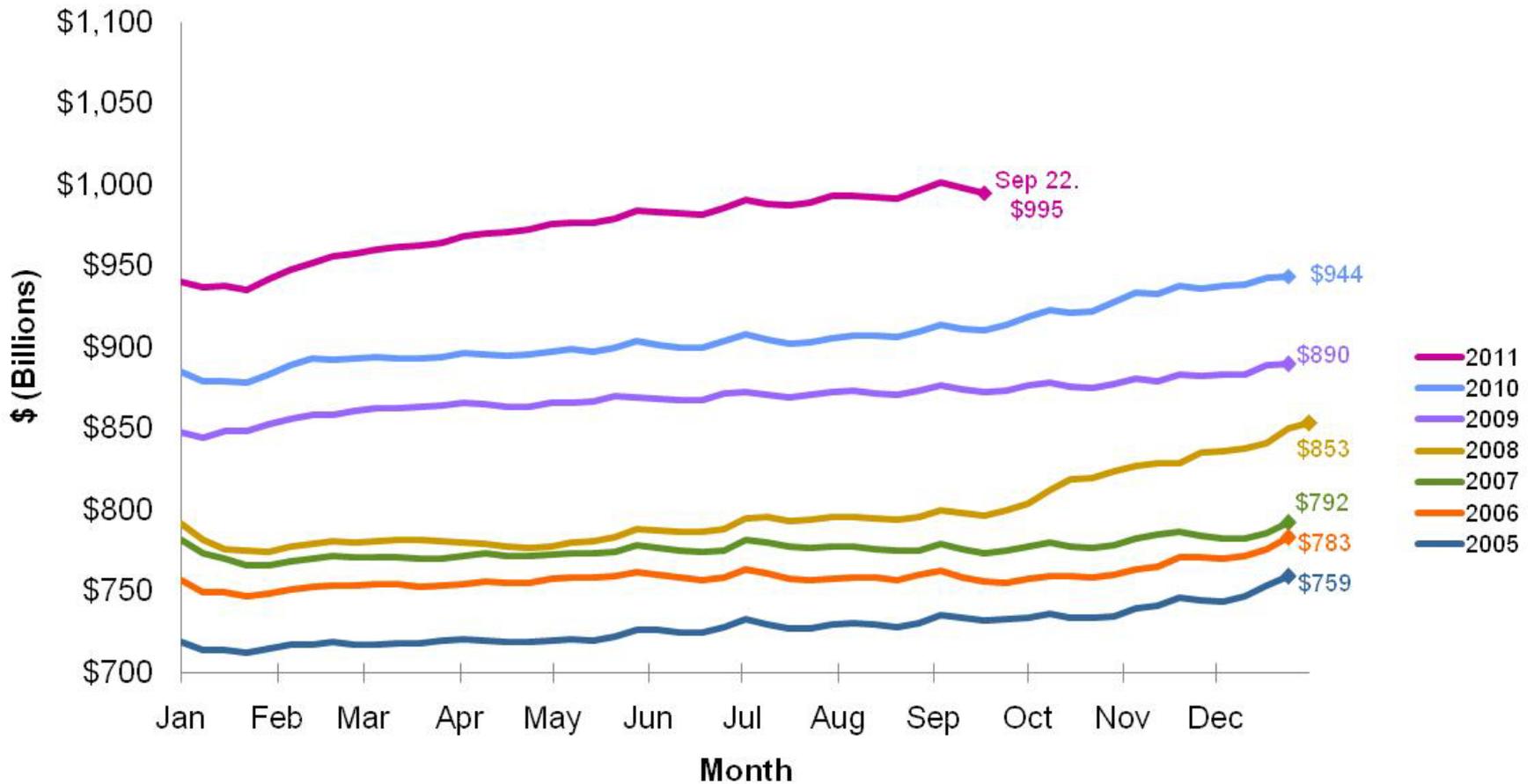
Value of Currency in Circulation: 1960-2011



*Data point for 2011 represents the Federal Reserve's liabilities for Federal Reserve notes, net, as reported on the Board of Governors weekly H.4.1 report, as of September 22, 2011.



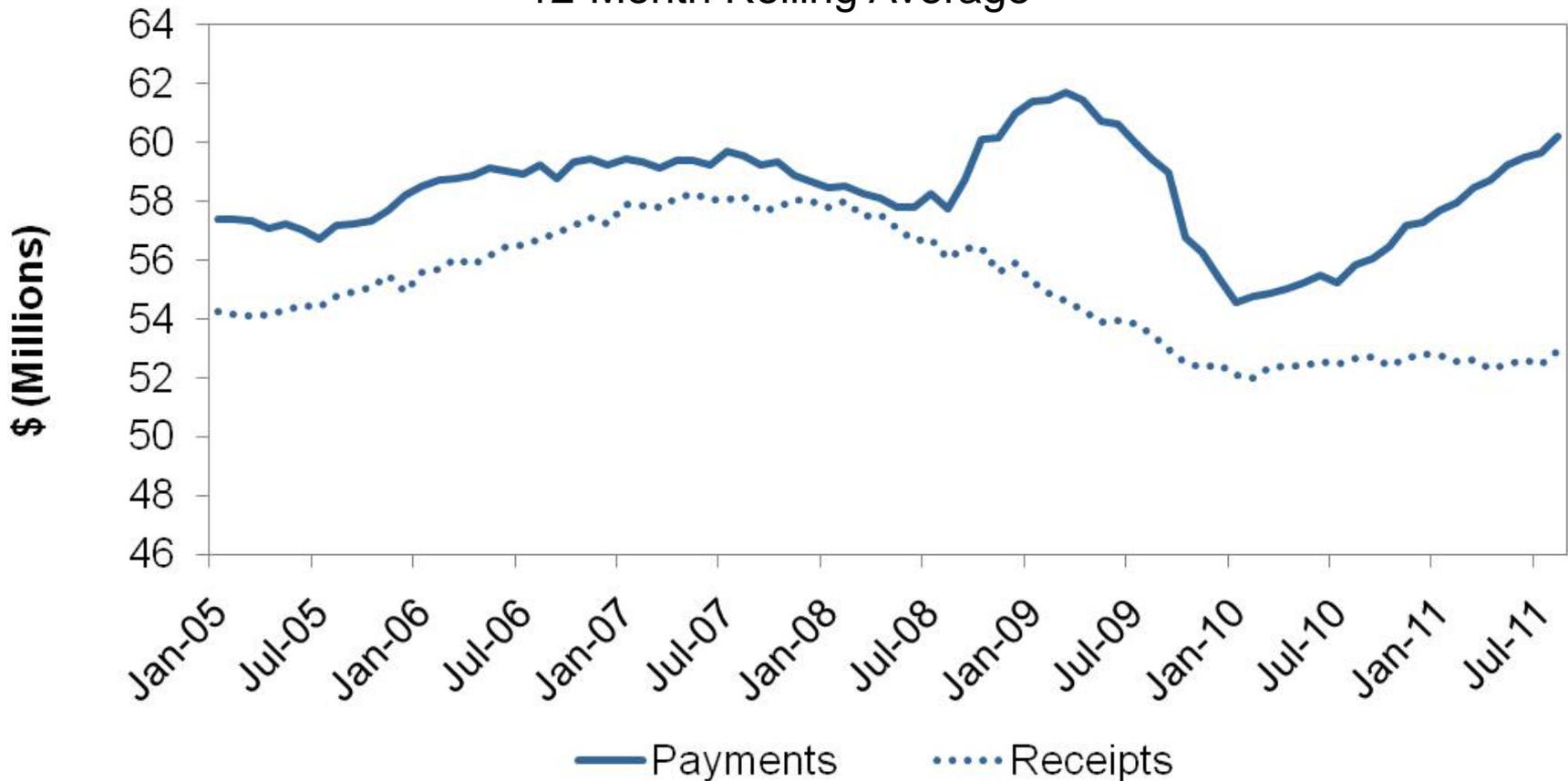
Value of Currency in Circulation: Weekly Data 2005 - 2011





Value of Total Payments and Receipts to Circulation: 2005 – 2011

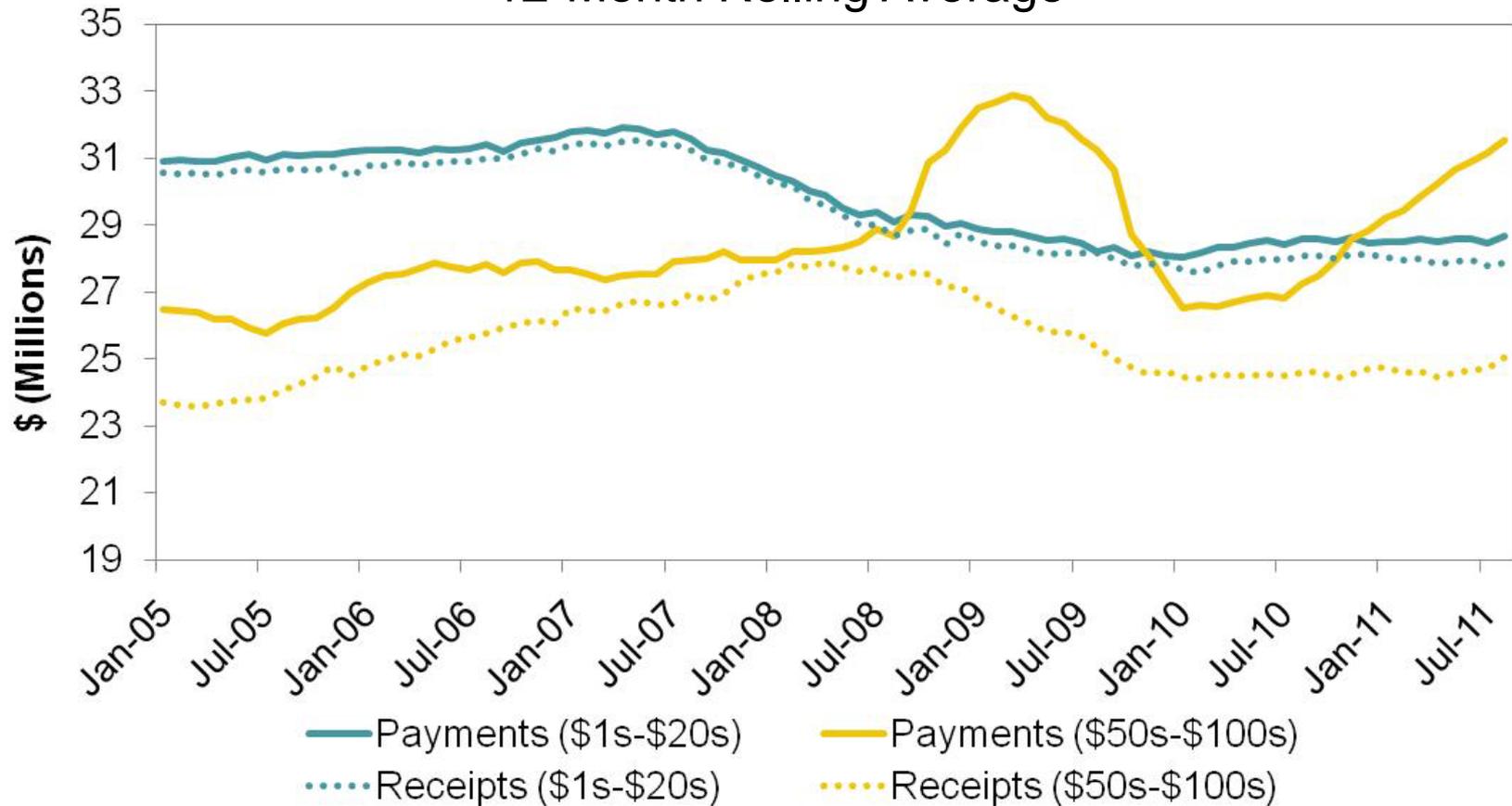
12-Month Rolling Average





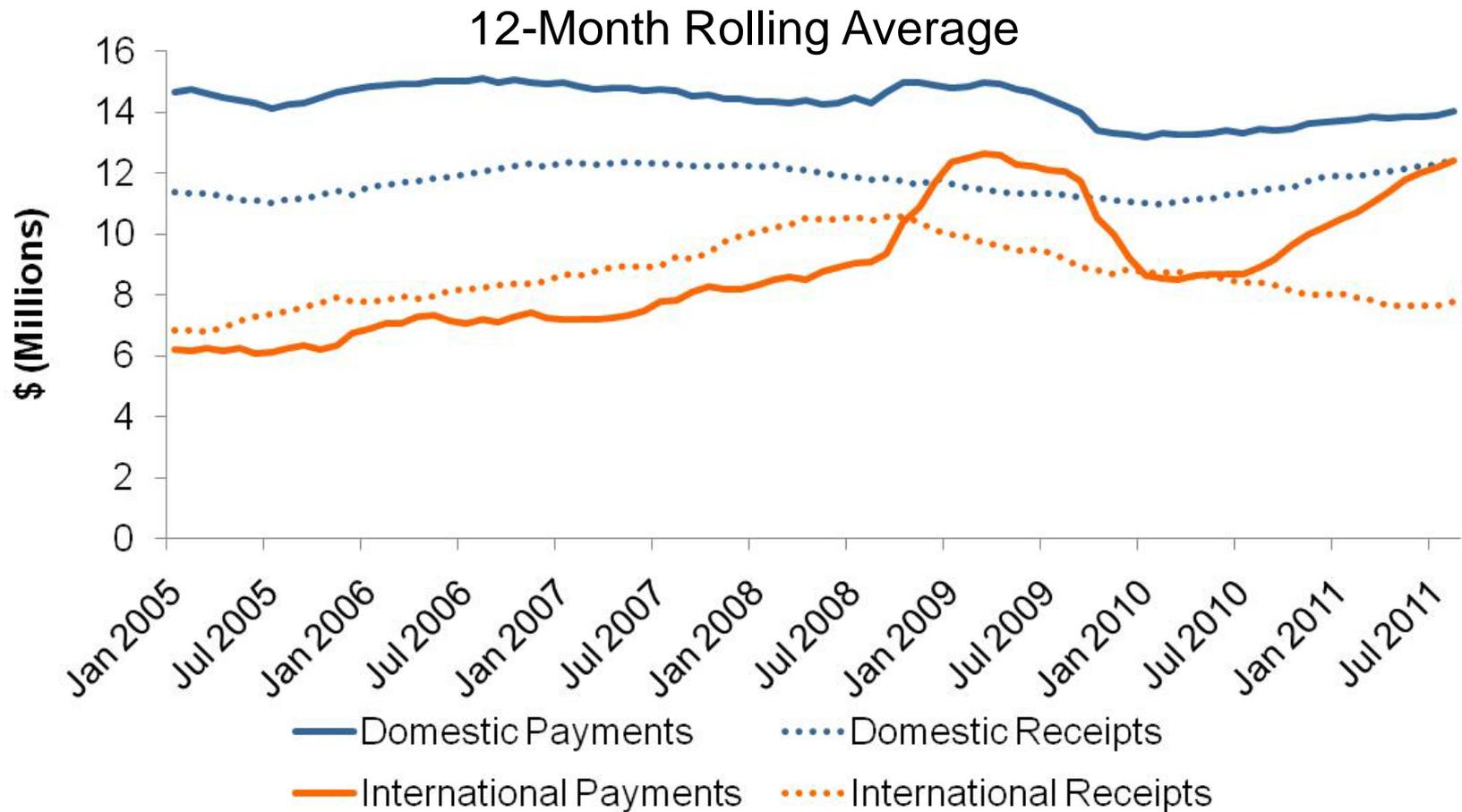
Value of Payments to and Receipts from Circulation: 2005 – 2011

12-Month Rolling Average



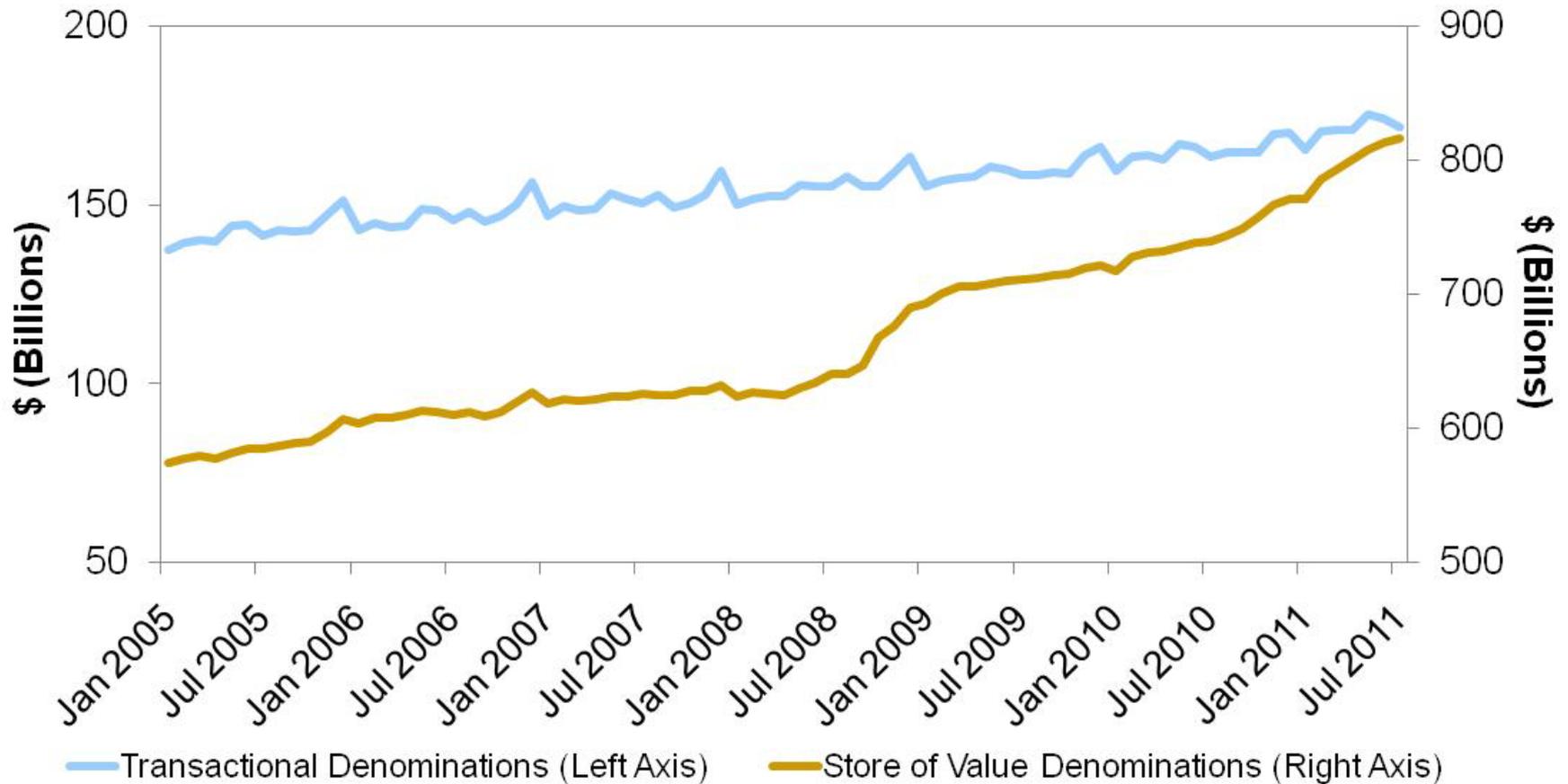


Value of \$100 Note Payments and Receipts to Circulation: 2005 – 2011





Value of Currency in Circulation: 2005 – 2011





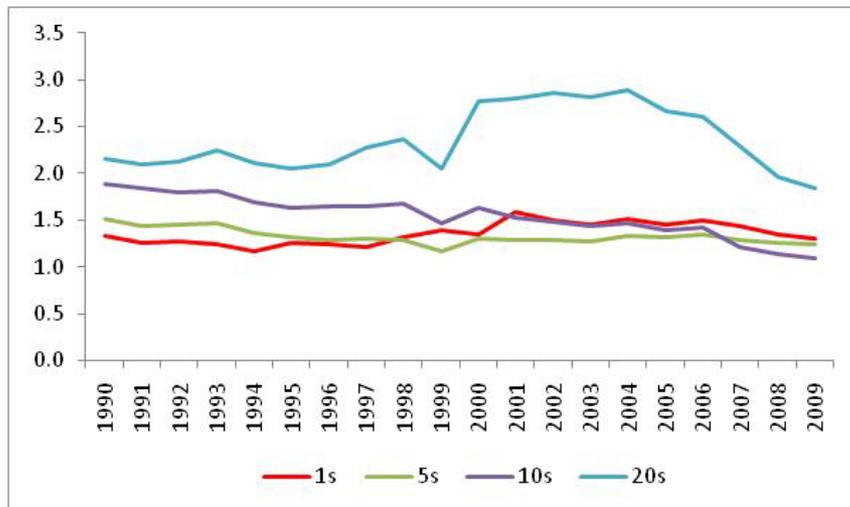
Technology and Policy Changes

- Note life increases are attributable to processing and policy changes
 - 2002 and 2003: implementation of the Optical Currency Inspection Sensor (OCIS)
 - 2006 and 2007: implementation of the recirculation policy for \$10 and \$20 notes
 - 2007 – 2009: focus on conditioning and facing \$1 notes before processing
- All of these changes directly affected either rate of return or destruction rates

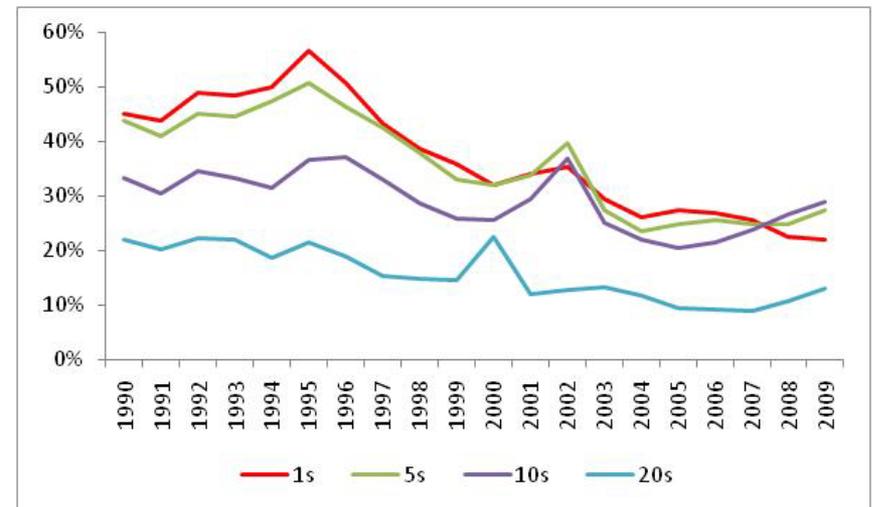


Factors That Influence Note Life

Average Rate of Return (in years)



Average Percent of Notes Destroyed



- Rate of return and destruction rate decreased.



Past, Present, and Future Note Life

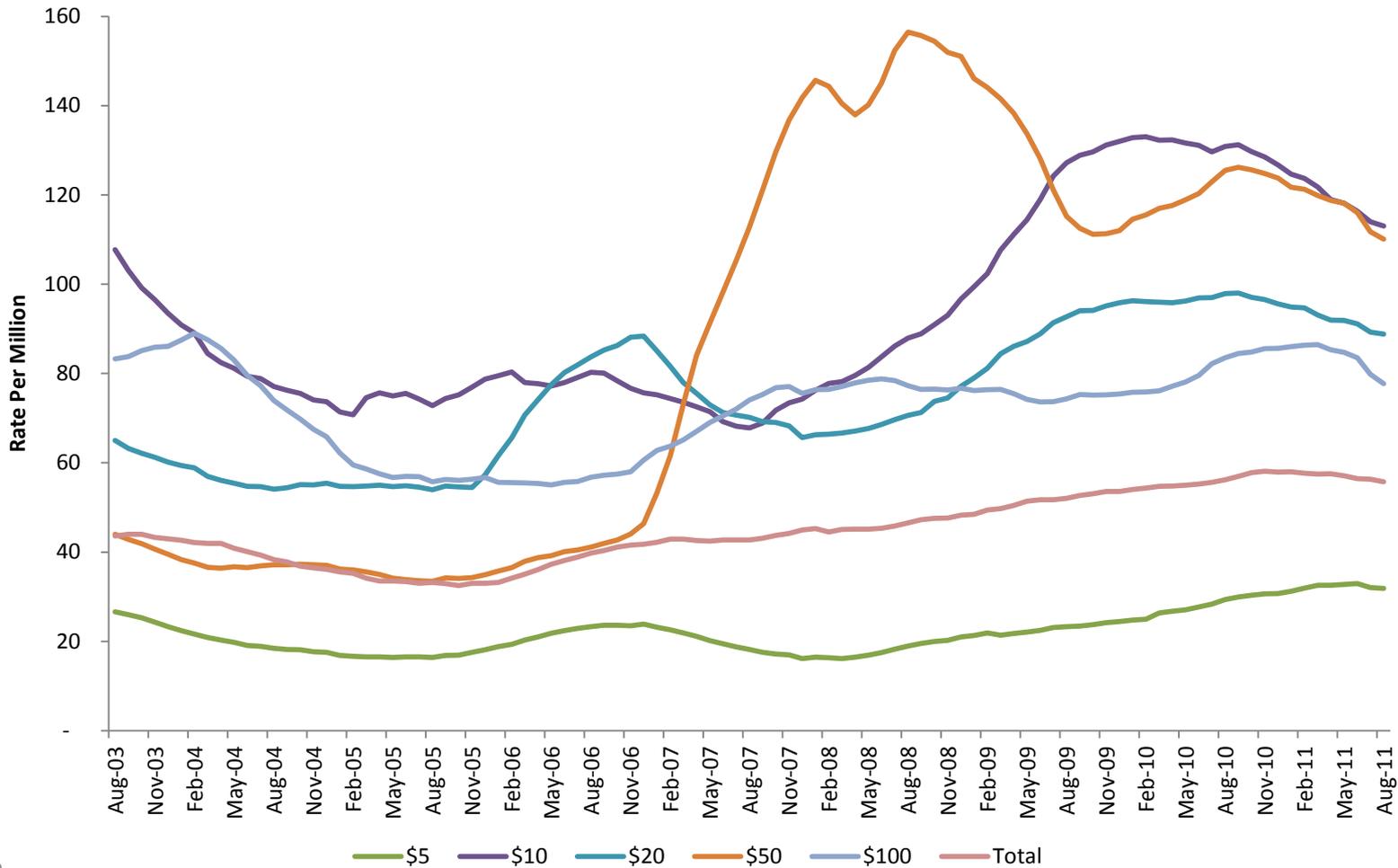
Average Note Life (years)

	1s	5s	10s	20s
1990	1.5	1.3	1.5	2.0
2009	3.5	2.9	3.2	4.2

- Note life has increased for all denominations because of processing equipment, circulation pattern, and policy changes
- Note life may continue to increase in the future
 - Note facing policy change effective April 2011 for \$1 – \$20 notes
 - Advances in technology available for sensors
- What about the \$1 note v. \$1 coin?



Rate of Counterfeits Passed: 2003 – 2011





Series-1996 Design Changes

1996				1997				1998				1999				2000			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
																			
<p><u>March</u></p> <ul style="list-style-type: none"> Board begins issuing Series-1996 \$100 note <p>• First major re-design of U.S. currency in 50 years</p>				<p><u>October</u></p> <ul style="list-style-type: none"> Board begins issuing Series-1996 \$50 note <p><u>June</u></p> <ul style="list-style-type: none"> Series-1996 \$100 note reaches 50% saturation 				<p><u>September</u></p> <ul style="list-style-type: none"> Board begins issuing Series-1996 \$20 note 								<p><u>May</u></p> <ul style="list-style-type: none"> Board begins issuing Series-1996 \$10 and \$5 notes 			



Series-2004 Design Changes

2003				2004				2006				2008				2009			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
																			
<p><u>October</u></p> <ul style="list-style-type: none"> • Board begins issuing Series-2004 \$20 note • Introduction of colored background 				<p><u>September</u></p> <ul style="list-style-type: none"> • Board begins issuing Series-2004 \$50 note 				<p><u>March</u></p> <ul style="list-style-type: none"> • Board begins issuing Series-2004 \$10 note 				<p><u>March</u></p> <ul style="list-style-type: none"> • Board begins issuing Series-2004 \$5 notes 							



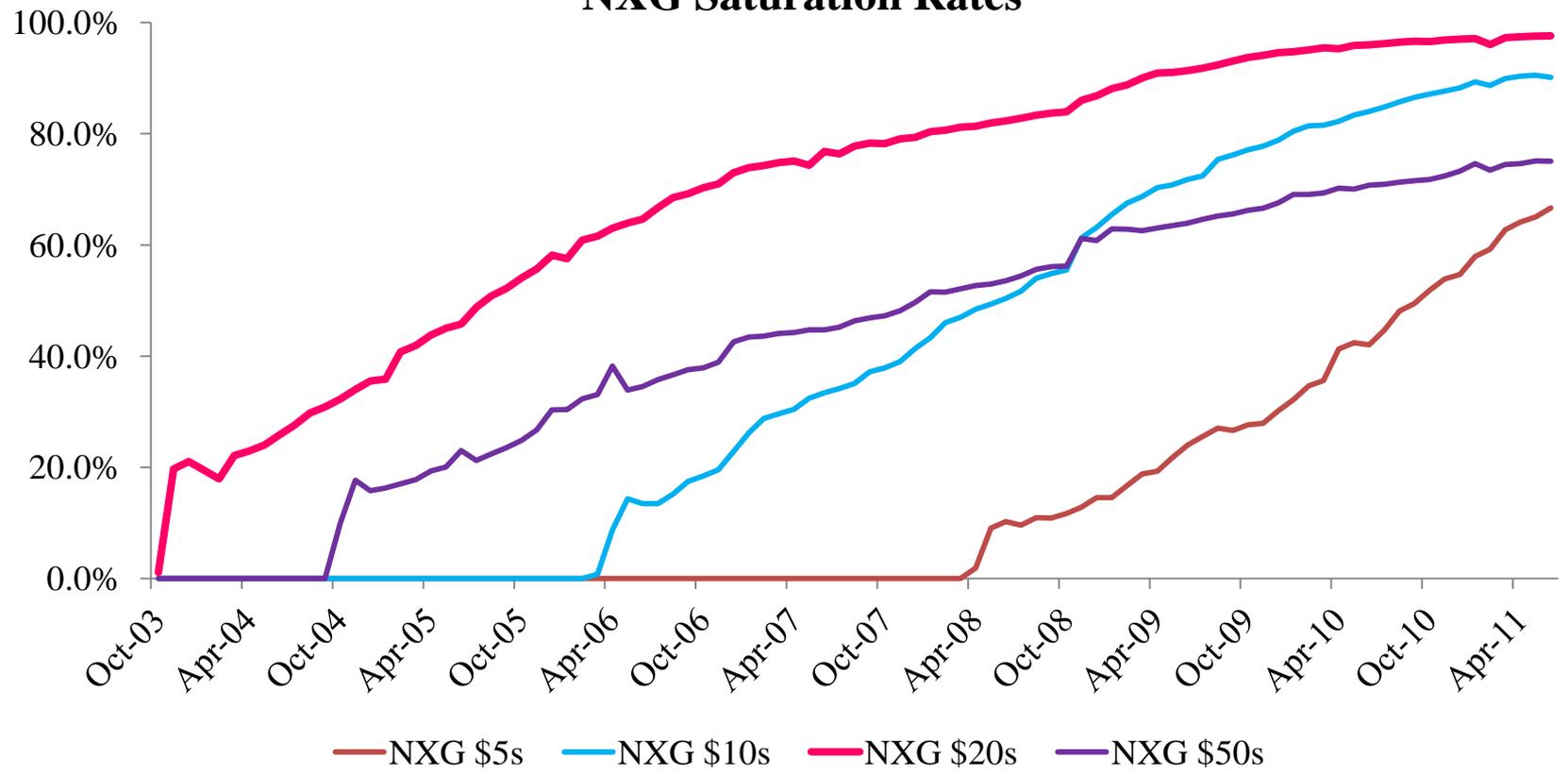
Rollover Strategy

- For each new design introduction, the Board must decide whether to continue co-circulating the older-design notes along with the new-design notes (“natural rollover”) or to destroy the older-designs as they are returned to the Federal Reserve Banks (“Reserve Banks”) for processing and to issue only the new-design notes (“accelerated rollover”).



Natural Rollover Experience

NXG Saturation Rates





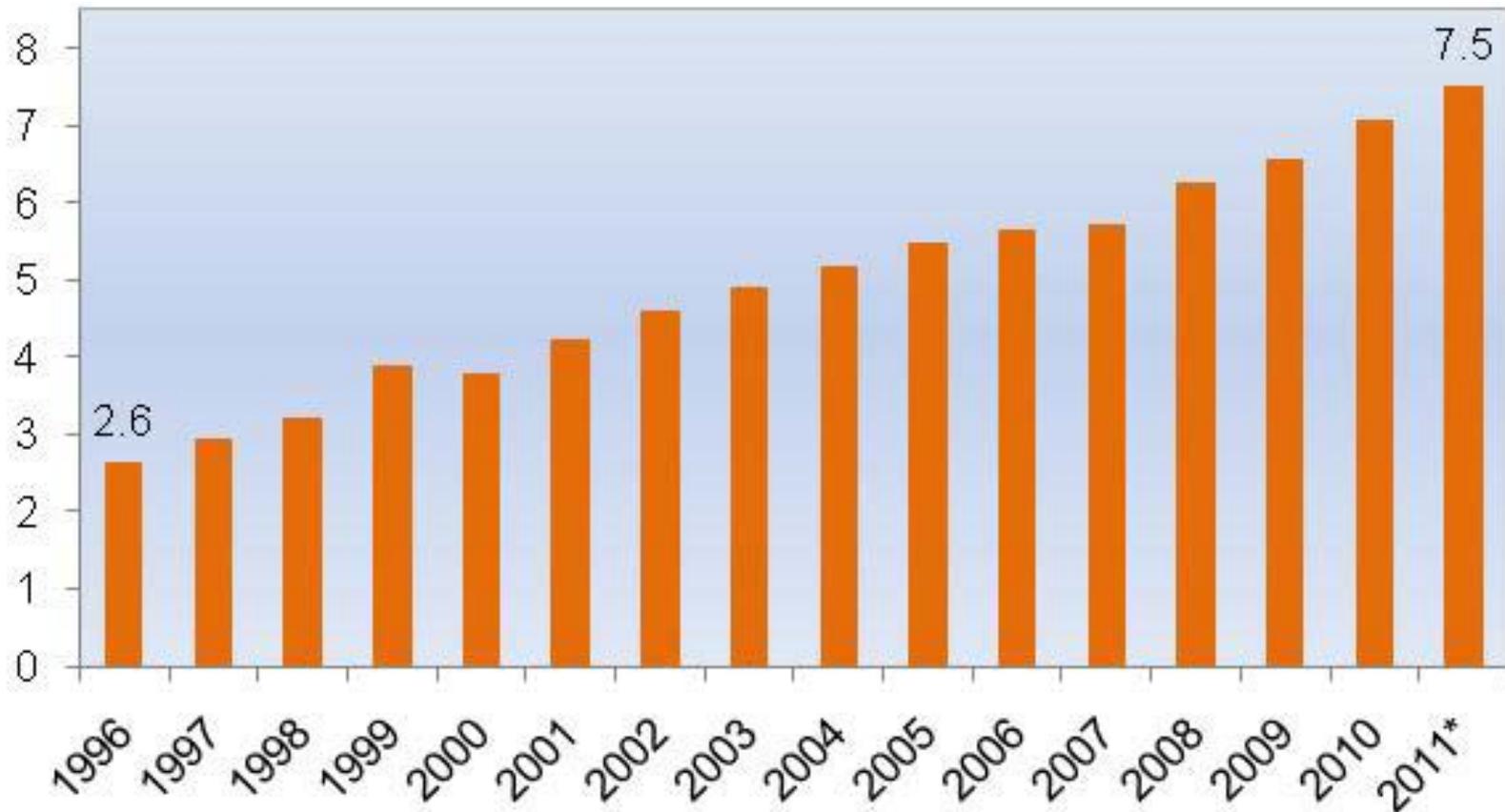
Denomination Matters

- The Board has recommended a natural rollover for the new-design \$5, \$10, \$20, and \$50 notes
- The ACD recommends an accelerated rollover for the new-design \$100 note because of its international circulation

Inventory Turn Rate						
<i>Times processed per year</i>						
	5s	10s	20s	50s	100s	
2001	1.3	1.5	2.8	1.0	0.4	
2002	1.3	1.5	2.9	1.0	0.4	
2003	1.3	1.4	2.8	1.0	0.4	
2004	1.3	1.5	2.9	1.1	0.4	
2005	1.3	1.4	2.7	1.0	0.4	
2006	1.3	1.4	2.6	1.0	0.4	
2007	1.3	1.2	2.3	1.0	0.4	
2008	1.3	1.1	2.0	1.0	0.4	
2009	1.2	1.1	1.8	0.8	0.3	
2010	1.2	1.0	1.8	0.9	0.3	



Number of \$100 Notes in Circulation (billions of pieces)



*Data for 2011 are through July



- A short educational video providing an update on the status of the new \$100 note is posted to NewMoney.gov, FederalReserve.gov, Facebook, and YouTube

Board of Governors of the Federal Reserve System

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PROGRESS UPDATE: THE NEW \$100 NOTE

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Progress Update: The New \$100 Note
June 2, 2011

[Transcript \(13 KB PDF\)](#)

Related Information:
[The New \\$100 Note](#)

Open Board Meeting
June 29, 2011
Federal Reserve's meeting on the proposal governing debit card interchange fees, the fraud prevention adjustment, and routing and exclusivity restrictions.

On setting an inflation target
June 22, 2011

Press Conference with Chairman of the FOMC, Ben S. Bernanke
June 22, 2011
Chairman of the Federal Open Market Committee (FOMC), Ben S. Bernanke, Washington, D.C.

Progress Update: The New \$100 Note
June 2, 2011

Community Development in Challenging Times
April 29, 2011
Chairman Ben S. Bernanke at the Federal Reserve Community Affairs Research Conference, Arlington, Virginia

Federal Reserve Neighborhood Stabilization Video
Reports

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