Corporate Branch Administration
104 South Main Street
Greenville, SC 29615
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Ms. Jennifer J Johnson
Secretary, Broad of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C., 20551
Regs.comments@federalreserve.gov

Ref: Docket No. OP-1164

January 7, 2004

Dear Ms Johnson,

Please accept this letter as The South Financial Group's, operating as Carolina First Bank in the federal district five, response to the upcoming changes proposed for the Federal Reserve Bank currency recirculation policy.

At the branch level, we do require the currency received from our clients be used to service the cash out needs for the branch. However, we have found that our branches normally fall into one of three categories, receiving branches, payout branches or even mixture branches. Those branches that show even mixtures of receiving and paying out are able continue daily activity with limited needs for external cash services. A large number of our branches do fall into the receiving or payout category, therefore, requiring external cash services to continue daily activity.

We do maintain separated branch cash and ATM cash due to our external ATMs being serviced by an external vendor. We do not have the opportunity to recycle branch cash through our ATM network.

Currently, we do not maintain self serviced vaults or offsite externally serviced inventories. We are dependent upon the Federal Reserve Banks (both district five and six) to service our receiving and payout branch cash needs. We have received the quarterly billing estimate for cross-shipping from Mr. Kane. This projection has an estimate of $6,000 quarterly as our company stood at that time. With our current activity, the proposed changes will have a great impact on our daily cash activities.

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Our obvious concerns with custodial inventories are as other financial institutions will report, risk, expense, increased management, possibly new software to assist in the management of recirculation, etc. Our institution has sustained losses in the past with vendor managed custodial inventories. The internal management of external custodial inventories is again time consuming and expensive. We have found that directly depositing and withdrawing from the Federal Reserve has reduced the number of errors.

Being an institution using the services of multiple Federal Reserve cash districts, we are also concerned with the growing differences between district branches. We are currently using the services of district five and six. These differences cause the bank to have dual training materials, policies and procedures internally. We are also forced to vary the policies/procedures as they relate to our vendors based on Federal Reserve location.

We feel that as a group, the upcoming changes proposed for the Federal Reserve Bank currency recirculation policy will impose tremendous expense to the financial institutions effected by the proposal. We also feel that consideration would have to be given by our internal management team to evaluate if the penalties for violations would not be less than the resources that would be used to prevent such violations.

If you would like to request any further information about our daily cash activities or our steps to prepare for the proposed changes, please feel free to contact us.

Sincerely,

Cynthia Pugh
Senior Vice President

Ann Osborne
Vice President