

October 17, 2025

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Scott Bessent
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Chairman Powell and Secretary Bessent:

Re: Urgent Request to Direct Federal Reserve to Maintain Full Penny Deposit Services at All Coin Terminals

On behalf of the American Bankers Association¹, we write to respectfully but urgently request that the Administration take coordinated steps to smooth the operational challenges associated with the decision to discontinue minting the penny, including by educating the public, giving guidance on rounding transactions, and ensuring the existing penny supply continue to circulate during the transition.

All stakeholders, including banks, retailers, and consumers would benefit from a coordinated federal response to this situation. We ask that Treasury and the Federal Reserve formulate a plan to manage penny circulation to meet current demand and to reduce future demand in recognition that no more pennies will be minted. The federal government response should be communicated nationwide to the industry and the public to maximize awareness of the issue.

As a first step, the Federal Reserve should take immediate action to continue accepting penny deposits at all coin terminals nationwide while more long-term actions are undertaken to manage circulation of the coin. This includes those locations operated by the Federal Reserve and those that are operated by the private sector on their behalf. Any terminals that have already been closed for penny transactions should be re-opened immediately. This new policy was enacted in August and has already resulted in more than 70-coin terminal locations being closed out of the 165 operating across the country.²

The new policy states that when a coin terminal runs low on penny inventory it will cease accepting orders for pennies **and** stop accepting pennies for deposit. We understand that locations without pennies will be unable to fulfill orders for the coin, but if they do not accept penny deposits, they preclude the opportunity to ever have enough pennies for distribution.

¹ The American Bankers Association is the voice of the nation's \$24.5 trillion banking industry, which is composed of small, regional and large banks that together employ approximately 2.1 million people, safeguard \$19.5 trillion in deposits and extend \$12.8 trillion in loans.

² <https://www.frbservices.org/campaigns/sept-2025-faq>

Coin terminals act as a clearing house where banks with excess coins make deposits and banks that need pennies make withdrawals. This policy is accelerating the slowdown of penny circulation drastically. By closing terminals to deposits of pennies, those banks that have an excess deposit must use alternate locations that are farther away and more expensive to transport. Ironically, in locations where transactions have ceased due to low inventory at the coin terminal, banks with excess penny inventory are hampered in their efforts to put them back into circulation to be used by retailers that need them to facilitate cash transactions.

Critical Impact on the Banking Industry

The current policy of closing penny deposit endpoints for deposits and orders is creating an untenable operational environment for financial institutions:

- **Operational Complexity:** Banks now face the burden of monitoring daily which of their endpoints can accept penny deposits and fulfil orders, creating unpredictable service disruptions and administrative overhead.
- **Increased Costs:** Redirecting penny deposits to alternate locations significantly increases transportation costs, security risks, and operational expenses for financial institutions of all sizes.
- **Customer Service Challenges:**
 - Banks cannot effectively serve their business customers when penny deposit availability becomes unpredictable and location dependent.
 - Banks will not be able to provide exact dollar amounts to customers for cash transactions when pennies are not available creating regulatory uncertainty.

Severe Consequences for Retailers

The retail sector, which generates substantial penny inventory through daily cash transactions, faces particularly acute challenges:

- Retailers depend on reliable, local coin deposit services to manage their cash operations efficiently.
- Redirecting deposits to distant alternate locations is often impractical or cost-prohibitive for small and medium-sized businesses.
- Without accessible penny deposit options:
 - Retailers with a shortage of pennies will not be able to provide exact change to customers paying with cash.
 - Retailers with excess inventory may be forced to store pennies on-site, creating security risks and tying up working capital in unproductive coin inventory.

Consumer Impact

Ultimately, these disruptions affect consumers who:

- Rely on cash for everyday transactions when retailers may require payment with exact change.

Our Request

While pennies remain legal tender and continue to circulate in the economy, the Federal Reserve must maintain full deposit services. We respectfully request that the Federal Reserve:

1. **Continue accepting penny deposits at all existing coin terminals** regardless of local inventory levels available for new penny orders.
2. **Re-open all coin terminals that have suspended penny deposit services** and provide daily inventory updates to restore predictable, accessible service for financial institutions.
3. **Maintain this deposit infrastructure** until such time as pennies are formally withdrawn from circulation through a clear and coordinated transition plan that is communicated to financial institutions, retailers, and consumers.
4. **Coordinate with Congress, banking regulators and the industry** to issue rules for bank transactions conducted with cash when the penny is not available.
5. **Create a federal plan in conjunction with the Department of the Treasury** to manage penny circulation and publicize that plan to the public and the industry.

The acceptance of penny deposits is fundamentally separate from the distribution of new pennies. Even if the Federal Reserve cannot fulfill new penny orders due to the production halt, it must continue to provide deposit services for the billions of pennies already in circulation. The current approach of conflating these two distinct functions is creating unnecessary disruption to commerce.

In the longer term, we ask that the Federal Reserve and the Department of the Treasury support legislation to allow rounding cash transactions at financial institutions to the nearest nickel, always in favor of the customer. This will reduce a large source of demand for pennies. The Common Cents Act, H.R. 3074³ and S.1525⁴, sponsored by Representatives Lisa McClain (R-AZ) and Robert Garcia (D-CA) in the House and Senators Cynthia Lummis (R-WY) and Kirsten Gillibrand (D-NY) in the Senate would be ideal vehicles to codify this policy into law. This legislation would allow retailers to round up or round down to the nearest nickel. For bank cash transactions, we recommend that the rounding always be made in the customer's favor. This rounding legislation should preempt any state or local laws regarding cash transactions and exclude all parties from any tax implications.

Careful consideration of possible downstream effects on demand for nickels and dimes and a resulting need for increased production of these denominations must be monitored continuously.

³ <https://www.congress.gov/bill/119th-congress/house-bill/3074/text>

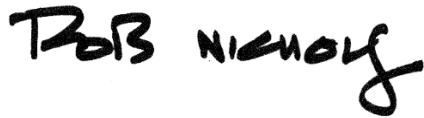
⁴ <https://www.congress.gov/bill/119th-congress/senate-bill/1525/text>

Conclusion

The banking industry stands ready to work collaboratively with the Department of the Treasury and the Federal Reserve on the long-term transition away from penny production. However, the current implementation is creating immediate operational crises that harm financial institutions, businesses, and consumers. Rescinding the Federal Reserve's August policy change and maintaining full penny deposit services at all coin terminals is essential to the smooth functioning of our nation's commerce during this transition period.

Thank you for your attention to this urgent matter, and I look forward to working with you to smooth this complex transition.

Sincerely,

A handwritten signature in black ink that reads "ROB NICHOLS". The letters are bold and slightly slanted, with a cursive-like flow.

cc: Members, Federal Reserve Board of Governors
Federal Reserve Bank Presidents
Mark Gould, Chief Payments Executive, Federal Reserve Financial Services