

STATE BANK OF PAKISTAN
ACCOUNTS DEPARTMENT
I.I. CHUNDRIGAR ROAD
KARACHI

Accounts Circular No. 01

5th March, 2004

The Presidents/Chief Executives
All Banks

Dear Sirs/Madam,

Master Circular on Cash Management – Monitoring

For quite sometime soiled, cut and mutilated currency notes are in circulation in large quantity, which is causing inconvenience to the General Public, and, as such, criticism is being made through direct complaints and letters / articles in print media etc. Taking cognizance of the fact, the Governor SBP had constituted a "Task Force on Currency Management" under the chairmanship of Deputy Governor (Banking) with Presidents of a few commercial banks as members. This task force had recommended various measures that were conveyed to the stakeholders by the SBP Banking Services Corporation from time to time through various circulars thereby putting in place a mechanism for monitoring the issuance of currency notes in order to improve the quality of notes in circulation in order to bring the same inline with the best international standards & practices. The measures were basically directed towards :-

- **Simplification of Procedures for Quick Disposal of Soiled & Defective Bank Notes in order to lift soiled / defective bank notes at a higher pace,**
- **Improving Printing Quality / longevity of bank notes,**
- **Introduction of modern currency handling equipment,**
- **Increasing the supply of Fresh Bank Notes and**
- **Measures to implement strict monitoring of issuance of bank notes to the general public by the commercial banks / branch counters.**

In order to facilitate banks to ensure strict compliance with the above mentioned statutory / regulatory requirements / disclosure, this Master Circular is being issued containing consolidated instructions on the subject. All banks, scheduled or non-scheduled, are advised to meticulously follow the instructions given below:

- The banks / branches are required to prepare, on daily basis, a statement for closing cash balances at individual branch level as per the following Performa :

Date	Denomination	Sorted (Pieces)			Unsorted	Coins
		Re-issuable	Soiled	Defective		

- Special teams constituted at SBP BSC Offices will pay surprise visits to banks branches periodically to examine the quality of currency notes being issued by the banks to their clients and General Public from their counters.
- The team members will record their observations on the condition of the cash available on payment counters / in safe, compliance of statutory / regulatory measures and get the same authenticated / validated by the Manager / Incharge of the branch concerned in the shape of on-site examination report on cash monitoring.
- Banks / branches are required to maintain, on a daily basis, minimum surplus cash balance in Sorted Re-issuable balances of at least ONE DAY'S average requirement for the preceding month. However, following categories of branches are exempted from this condition :-
 - a) Branches making an average daily payment of less than Rs.0.50 million.
 - b) Branches having immediate access to re-issuable good quality currency notes such as withdrawal facility from SBP BSC (Bank) local Offices / NBP Chests.
- Banks having less than 50 branches mostly in big cities in Pakistan are allowed to develop their own efficient mechanism and forward the same to SBP BSC (Bank) for vetting / approval and, as such, would be exempted from the conditions of maintaining minimum one day's surplus cash balance in sorted issuable condition, as they have ready access to SBP BSC Offices for replenishment of their cash.
- Average Receipts / Payments of the branch during the preceding five – six days shall be worked out excluding the following transactions from the payments: -
 - a) Cash deposited in their accounts with their main / feeding branches, Chests / sub-Chests and / or SBP BSC Offices.
 - b) Issuance of MTS, TTS and DDS for the clients against cheques drawn by them on their accounts.

- Banks are allowed to make payments from their balances received over the counters during the day's business, provided they follow the procedure as under : -
 - a) Banks / branches would be required to develop an efficient system of sorting of currency notes. Amount received in heavy tender (Rs. 100/- to Rs. 1,000/- denomination notes) need to be sorted over the counters immediately upon receipt. For branches making an average payment of Rs. 0.50 to Rs. 1.50 million, in addition to the normal tellers, have to put extra efforts for sorting on the spot by allocating appropriate resources.
 - b) Bank Notes for the denomination of Rs. 5/- to Rs. 50/- would be sorted out at the branches or cash houses as per the convenience of the bank.
- As a matter of policy, once a packet of bank notes is sorted, the sorting bank / branch shall clearly identify / stamp on the wrapper of the packet as **"SORTED"** along with the name of the bank, branch and the date of sorting. Once such packets are in circulation, further sorting would not be required till the packet is broken into pieces.
- Simplification procedure for making payment against clearly payable defective notes, claim notes and to ensure quick disposal of these categories of notes, following guidelines shall continue : -
 - a) The definition of **Claim Notes** has been modified and the following categories of notes shall now be treated as **Clearly Payable Defective Notes** instead of claim notes:
"Partially cut / damaged or slightly burnt note provided 3/4th portion thereof be intact."
 - b) The definition of **Clearly Payable Defective Notes** has been modified and the following categories of notes shall now be treated as **Soiled Notes** instead of clearly payable defective notes : -
"Bank Notes divided into two pieces either horizontally or vertically but are in full."
 - c) Claim notes of all denominations tendered by Commercial Banks would now be accepted without going into Claim Process, in the manner notes under Guarantee are accepted and credit would be afforded immediately while recovery against rejection or shortage of notes, if any, would be made from the respective banks subsequently.
 - d) The Chests / Sub-Chests maintained with National Bank of Pakistan branches now are also authorized to accept Claim notes

likewise from Commercial Banks and deposit the same with our Field Offices under whose jurisdiction they fall.

- Banks shall discontinue stapling of Rs. 5/- and 10/- denomination bank notes even in reissuable form. The stapled notes of Rs. 5/- & 10/- already in circulation will, however, continue to be legal tender as before. Both the stapled and unstapled notes shall continue together in circulation till such time the banks are able to withdraw the stapled notes in non-issuable condition, leaving behind the unstapled clean notes in circulation.
- The commercial bank branches need to immediately equip themselves with modern currency handling machines, such as loose note counters, coin counters, bank note banding machines, sorting machines etc. so as to avoid any inconvenience to general public, as well as other stakeholders.
- Banks, without fail, shall accept legal tender over their counters, including small denomination bank notes of Rs. 5/- & 10/- as well as cut / soiled / mutilated and defective from general public / customers.

You are, therefore, requested to issue necessary directives / instructions to your branches for meticulous compliance in letter and in spirit and ensure that visible improvement is brought about with regard to issuance of good quality currency notes from your counters, proper sorting and deposits of non-issuable balances with area offices of SBP BSC / Chest branches of National Bank of Pakistan regularly.

Please acknowledge receipt.

Yours faithfully,

Sd/-
(MUHAMMED SALEEM REHMANI)
Director