



**STATE BANK OF PAKISTAN
FINANCE DEPARTMENT
I.I. CHUNDRIGAR ROAD
KARACHI**

FD Circular No. 04/2017

September 14, 2017

**The Presidents/Chief Executives
All Banks / Microfinance Banks**

Dear Sir/Madam,

SBP Currency Management Strategy - Penalty Structure

SBP vide FD Circular No.3/2015, dated August 26, 2015 issued Currency Management Strategy, which envisage transformation of currency management functions from manual to automated environment and revamping the cash processing operations across the banking industry as per international best practices.

In order to align the existing penalty regime for cash processing functions with the Currency Management Strategy, a new penalty structure has been developed, which is enclosed at Annex-A for information and record of banks. This new penalty structure will supersede all previous penalty instructions regarding cash management operations of the banks.

All banks are advised to ensure strict compliance with the currency management instructions issued from time to time as any violation thereof would attract punitive action as per above referred penalty structure.

Please acknowledge receipt.

Yours faithfully,

-s.d-
(Saleem Ullah)
Director

SBP Currency Management Strategy Penalty Structure for Banks

(A)	CPC / Feeding Branch / Standalone Branch		
Sr.	Description	Penalty Per Instance in Rs.	Penalty Per Unit in Rs.
1	Issuance of Unauthenticated and Unprocessed banknotes to public.	100,000/-	N/A
2	CPC / Feeding branches/other branches do not have separate clean and secure vault space, with proper safe keeping arrangements.	20,000/-	N/A
3	The vault does not have insurance cover in line with value of cash held.	10,000/-	N/A
4	The entire CPC / Sorting area is not covered by high resolution CCTV cameras	20,000/-	N/A
5	Recording of CCTV cameras is not available for 60 days. ¹	N/A	10,000/- per day
6	Banknotes sorting and authentication machines are not processing / authenticating banknotes as per SBP standards as outlined in Finance Department circular No. 03/2015	N/A	5,000/- per machine
7	Police verification of all employees deployed at CPC/Feeding Branch is not available.	5,000/-	5,000/- per employee
8	Record of visitors is not maintained.	5,000/-	N/A
9	No approval has been obtained from SBP Finance Department, where deviations to requisite capabilities in cash handling/packing machines.	20,000/-	N/A
10	Suspected Counterfeit banknotes are not surrendered to SBPBSC within 48 hours of detection along with all particulars and record.	30,000/-	N/A

¹ Updated vide FD circular letter No. 04/2017 dated November 06, 2017

11	Packets and bundles are not prepared/packed as per requisite specifications.	20,000/-	100/- per packet
12	cash offered in IEC or deposit with SBP BSC are not packed as per Packing Instructions	20,000/-	1000/- per bundle
13	Any other non-compliance and circumvention of instructions issued from time to time by SBP, relating to CPC / Feeding Branch / Standalone Branch.	Min. 5,000 to Max. 100,000 depending upon the severity of instance	

(B) ATM Feeding

Sr.	Description	Penalty Per Instance in Rs.	Penalty Per Unit in Rs.
1	Machine authenticated and sorted cash is not being fed into ATMs	100,000/-	N/A
2	Presence of forged banknotes in ATM.	N/A	100 times the value banknote found
(a)	Presence of counterfeit banknotes in the banks' balances surrendered with SBP BSC. ²	N/A	100 times the face value of the counterfeit banknotes
3	Bags/Cassettes are not prepared and sealed in high resolution, CCTV environment, as per requisite specifications.	20,000/-	N/A
4	The records pertaining to bags/cassettes are not maintained including denomination, date and time of sorting, sealing, preparing/sealing personnel, transporting personnel, transporting vehicles and name of supervisor.	20,000/-	N/A
5	Separate bags /Trays are not prepared for all attached ATMs.	10,000/-	5,000/- per ATM
6	Bags / Cassettes are remitted without receipt of written acknowledgement from feeding team/officials/armor guards/CITs.	10,000/-	N/A
7	CCTV and documentation record for 60 days is not available or CCTV	20,000/-	N/A

² Added vide FD circular No. 01/2018 dated March 09, 2018

	record of all disputed cases is not available. ³		
8	Leftover cash taken from ATMs, if any, is not packed and sealed in CCTV environment and is not transported to CPC/Feeding Branch for processing.	N/A	5,000/- per ATM
9	Any other non-compliance and circumvention of instructions issued from time to time by SBP, relating to ATM Feeding.	Min. 5,000 to Max. 100,000 depending upon the severity of instance	

(C')	Arrangement with other Banks and IEC
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Sr.	Description	Penalty Per Instance in Rs.	Penalty Per Unit in Rs.
1	Claims/disputes for any balances pertaining to IEC are not settled within sixty (60) days	5,000/-	1,000/- per day
2	Any other non-compliance and circumvention of instructions issued from time to time by SBP, relating to Arrangement with other Banks or IEC.	Min. 5,000 to Max. 100,000 depending upon the severity of instance	

(D)	Supplementary Instructions
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Sr.	Description	Penalty Per Instance in Rs.	Penalty Per Unit in Rs.
1	Bank does not maintain prescribed statement of daily closing cash balance.	5,000/-	500/- per day for which default continues.
2	Minimum One Day's fresh / re-issuable machine authenticated balances is not maintained in accordance with the average daily cash payment requirements	10,000/-	1,000/- per day for which default continues.
3	Branch does not accept small denomination banknotes as well as cut / soiled / mutilated and defective.	10,000/-	N/A

³ Updated vide FD circular letter No. 04/2017 dated November 06, 2017

4	The soiled banknotes deposited by commercial banks found to contain more than 20% of re-issuable banknotes or vice versa. (Variance within 20% is tolerable)	N/A	Rs.500/- per bundle
5	Penalty scales pertaining to irregularities specifically for issuance of fresh cash over specific events (e.g. Eids, Christmas etc.)		
a)	A penalty will be imposed if fresh banknotes issued to a commercial bank for specific events are found in the informal market during mystery shopping.	N/A	20,000/Per bundle found in market 10,000/- per 5 packets found in series
b)	Zonal/feeding branches do not ensure replenishment of authorized branches, as per time, demand, supply and quota.	50,000/-	N/A
c)	Bank branches do not ensure issuance of fresh cash to general public over the counter or against requests received through SMS, as per quotas and stock available.	10,000/-	N/A
6	Banks do not accept legal tender coins and do not provide banknotes-coins exchange facility to all the customers and general public.	2,000/-	N/A
7	Any other non-compliance and circumvention of instructions issued from time to time by SBP.	Min. 5,000 to Max. 100,000 depending upon the severity of instance	