

1 Currency Management

1.1 Overview

Ensuring adequate supply of good quality notes across the country is amongst the core functions of BSC. Currency management cycle involves a wide range of activities including forecasting annual increase in currency demand, timely placement of printing orders with Pakistan Security Printing Corporation (PSPC), examination and storage arrangements on receipt of fresh notes from PSPC, maintenance of sufficient balances of currency notes/coins, supply of notes in every nook & corner of the country and most importantly withdrawal of soiled/defective notes from circulation and their destruction under appropriate control mechanism.

During the year under review, the BSC continued its drive for improving the quality of currency notes in circulation through regular issue of fresh and re-issuable notes to banks and other stakeholders, timely withdrawal of soiled notes and destruction thereof and propagation of Clean Note Policy (CNP). The process of issuance of new design currency notes with added security features was also completed during the year with the issuance of Rs.50/- new design note and re-launching of Rs.5/- note. To check the counterfeiting of notes the CMD, besides arranging awareness programs on security features of currency notes for internal & external stakeholders also participated in the joint task force against counterfeiting constituted by SBP comprising members from various law enforcement agencies and SBP/BSC.

1.2 Launching of New Design Currency Notes

With the issuance of new designed bank note of Rs. 50 and re-launching of a newly designed bank note of Rs. 5 by State Bank of Pakistan on 8th July 2008, the process of issuance of new series of bank notes comprising of eight denominations (Rs.5/-, Rs.10/-, Rs.20/-, Rs.50/-, Rs.100/-, Rs.500/-, Rs.1000/- & Rs 5000/-) was completed during the year; the process had started in 2005 with the launch of Rs. 20 new series bank notes . From the date of issuance of these notes till end June 2009, a total of 4,283 million pieces have been issued from all sixteen offices of the Bank as per details given in **Table 1.2(a)**.

Table 1.2 (a) Issuance of New design Banknotes			
Denomination	Date of Issue	No. of Pieces	Value (Rs.)
Rs.5/-	08-07-2008	453,717,000	2,268,585,000
Rs.10/-	27-05-2006	1,568,835,700	15,688,357,000
Rs.20/-	13-08-2005	689,155,600	13,783,112,000
	22-03-2008		
Rs.50/-	08-07-2008	268,247,700	13,412,385,000
Rs.100/-	11-11-2006	637,759,000	63,775,900,000
Rs.500/-	11-11-2006	294,434,700	147,217,350,000
Rs.1000/-	26-02-2007	294,291,301	294,291,301,000
Rs.5000/-	27-05-2006	76,749,701	383,748,505,000
Total		4,283,190,702	934,185,495,000

The main security features of the new series of bank notes are given in the following schedule [**Table 1.2(b)**]:

Table 1.2(b) Main Security Features of the New Series of Bank Notes									
S.#	Security Features	Denomination							
		Rs.5	Rs.10	Rs.20	Rs.50	Rs.100	Rs.500	Rs.1000	Rs.5000
1	Enlarged Watermark	✓	✓	✓	✓	✓	✓	✓	✓
2	Electrotype Watermark	✓	✓	✓	✓	✓	✓	✓	✓
3	Micro-Text Security Thread	✓	✓	✓	✓	X	X	X	X
4	Micro-Text Window Security Thread	X	X	X	X	✓	✓	✓	✓
5	Intaglio Printing	X	X	✓	✓	✓	✓	✓	✓
6	See-through	✓	✓	✓	✓	✓	✓	✓	✓
7	Latent Image	X	X	✓	✓	✓	✓	✓	✓
8	Optical variable ink (OVI)	X	X	X	X	X	X	✓	✓
9	Enlarged Portrait	✓	✓	✓	✓	✓	✓	✓	✓
10	Geometrical Patterns	✓	✓	✓	✓	✓	✓	✓	✓
11	Braille Feature	X	X	✓	✓	✓	✓	✓	✓
12	Anti-Scan & Anti-Copy	✓	✓	✓	✓	✓	✓	✓	✓
13	Micro Lettering	✓	✓	✓	✓	✓	✓	✓	✓
14	Serial numbers with Magnetic Ink	✓	✓	✓	✓	✓	✓	✓	✓
15	Ultra Violet glowing Design	✓	✓	✓	✓	✓	✓	✓	✓
16	Invisible color security fibers	✓	✓	✓	✓	✓	✓	✓	✓

1.3 Launching of Commemorative Coins

In pursuance of the decision of the Government of Pakistan, the State Bank of Pakistan issued Rs. 10 Mohtarma Benazir Bhutto Shaheed commemorative coin on 26th December 2008. Initially only 300,000 coins were minted, however owing to high demand, additional 200,000 coins were got minted from Pakistan Mint and delivered to all BSC offices for issuance to general public. By 30th June 2009 a total of 380,034 coins were issued to general public from all BSC offices (Table 1.3).

Table 1.3 Issuance of Commemorative Coin	
Name of Office	Coins issued
Karachi	80,000
Lahore	43,080
Hyderabad	30,300
Multan	25,900
North Nazimabad	25,950
Sukkur	23,450
Islamabad	22,650
D. I. Khan	3,140
Faisalabad	21,930
Sialkot	21,950
Gujranwala	18,600
Peshawar	14,490
Rawalpindi	19,950
Quetta	13,950
Bahawalpur	12,260
Muzaffarabad	2,434
Total	380,034

1.4 Issuance of Master Circulars

In order to strengthen internal controls in various cash related operational activities, the instructions issued from time to time were reviewed to make them aligned to the computer based environment & changing market practices and revised instructions were issued during the year in respect of various activities including a) note exchange facility, b) annual verification of currency notes and prize bonds balances, c) destruction of soiled notes under normal/special procedure, d) maintenance of PB-35 lists and credit of prize money to Government Account, and f) inspection of NBP Chests/ Sub-chests. Further, the instructions on **CNP/Cash Monitoring** were also reviewed and the revised instructions would be issued in the first half of FY10. Further, to strengthen the internal control and transparency in the operations of Verification Branch, Examination Halls and Special procedure examination halls, revised instructions were issued on their working as well as monitoring.

1.5 Computerization of Currency Chest Operations

To strengthen the MIS of Currency Chest Operations, a concept note for computerization of currency chest operations has been got approved, whereby an online interface with NBP currency chests will be developed with the help of ISTD by using DAG (Data Acquisition Gateway). This would enable the NBP currency chests to submit chest information online instead of sending chest slips to the nearby field offices.

1.6 Development of MIS (Currency and Prize Bond reports)

In order to provide timely and adequate information to the Senior Management, an MIS is being developed with the help of ISTD. The MIS will provide operational summary for different periods of time with easy navigation. Its first version has been developed and presently being tested before it becomes fully functional.

1.7 Launching of Quarterly Currency Newsletter

To apprise the stakeholders with latest National/ International currency developments and currency operations being carried out by the field offices during the period, a quarterly currency newsletter has been launched. First two editions covering October-December 2008 and January-March 2009 have already been released and uploaded on webpage of CMD for review by the internal stakeholders. Third Issue (April-June 2009) has been prepared and is being finalized where after it shall also be issued.

1.8 Fresh Notes Issuance

Although fresh notes of all denominations remain in high demand throughout the year, their demand increases manifolds during the month of Ramadan for which special arrangements are made by BSC in collaboration with commercial banks. Under the arrangement general public is allowed to take fresh notes of Rs5 and Rs10 (one packet each) submitting a copy of CNIC, from BSC counters as well as commercial banks' branches. As a result, over three hundred thousand people obtained fresh notes (one packet each of Rs5 and Rs10) from BSC counters in 16 field offices during the month of Ramadan 2008¹; the general public accommodated by commercial banks was in addition to this. Besides the special arrangements in Ramadan, the fresh notes are issued to commercial banks for meeting the demand of their customers as also Government Departments against their salary cheques round the year.

During the year FY09, around 1,656 million pieces of fresh banknotes of various denominations valuing Rs. 306 billion were issued from BSC offices across Pakistan to different stakeholders, mainly banks as compared to around 1,406 million pieces of fresh banknotes valuing Rs. 345 billion issued during the preceding year as described in the **Table 1.8** Though the value of fresh notes issued during the year decreased, the number of pieces of fresh notes issued increased by 18% over the last year, which is primarily attributed to the re-launching of Rs. 5 notes.

Denomination	2007-08		2008-09	
	Pieces	Value	Pieces	Value
5	-	-	454	2,270
10	640	6,400	437	4,370
20	159	3,180	160	3,200
50	13	650	170	8,500
100	310	31,000	194	19,400
500	121	60,500	98	49,000
1000	143	143,000	124	124,000
5000	20	100,000	19	95,000
Total	1,406	344,730	1,656	305,740

Further, a total of 228.5 million pieces of coins of Rs1, Rs2 and Rs5 valuing Rs 523.3 million were issued during FY 09 as against 367 million pieces of coins valuing Rs 798.8 issued during FY 08. The reduction is attributable to re-launching of Rs 5/- bank note in July 2008 which dented the demand for Rs5 coin by almost 30 percent. At end -June 2009, coins, including decimal coins valuing Rs 5,657 million were in circulation as against Rs 5,432 million on end June 2008.

1.9 Counterfeiting Reporting

In order to arrest the issue of counterfeiting of currency notes and large number of long outstanding cases pending at different courts, State Bank of Pakistan constituted a Task Force on Combating the Counterfeiting of Currency Notes and Government Bills comprising of representatives from Police, FIA, NAB, Finance Department SBP and CMD-BSC, which meets quarterly and discusses ways and means to address these issues. The CMD have started collecting the data of forged currency notes reported at its field offices on monthly basis. The data has provided useful information and insights for addressing the root causes behind forgery of currency notes and taking up the long outstanding cases with the concerned departments of the Federal and Provincial Governments through the above task force.

¹ And many time more from commercial banks.

1.10 Capacity Building

Besides making endeavors for streamlining the currency management activities in an efficient and effective manner across Pakistan, CMD has also been making efforts for capacity building of its various stakeholders by imparting trainings to the officials of field offices as also banks, law enforcement agencies and general public regarding the security features of the Pakistan Currency Notes. Detail of the trainings conducted for BSC officials is mentioned in **Table 1.10(a)**. In addition to this, offices of the BSC also conducted 229 special outreach programs for dissemination of the security features of the currency notes as also prize bonds to different stakeholders during the year as given in **Table 1.10(b)**.

1.11 Mechanization of Currency Operations

The Clean Note Policy (CNP) being propagated by BSC since last 4-5 years requires regular injection of fresh notes in and lifting of soiled notes from the market. This is however not possible without optimum use of technology and mechanization of currency operations. Encouragingly ever since the introduction of CNP, the BSC has largely been able to promote mechanization of currency operations particularly in the banks of domestic origin; the branches of international banks operating in Pakistan were by and large already having mechanized currency operations. Efforts have also been made to mechanize the currency operations within BSC by introducing modern technology based solutions for currency counting, banding, shredding, etc. For the purpose a phased process of provision of coin and note counting machines to field offices along-with inculcation of knowledge about their use is already been underway. Further, the process of destruction of cancelled notes has also been mechanized at the field offices, where verification process exists, besides strengthening and reinforcing the internal controls. The following machines/ equipments are presently in use with the field offices for automated currency operations (**Table 1.11**).

Title	Course Duration	No. of Trainings Held	No of Participants
Currency Mgt- Foundation*	2-3	6	114
Currency Mgt- Intermediate	4	1	17
MMTP (In collaboration with multiple departments)	3	2	50
Skill Development Program	2	1	27
* Course conducted at Karachi also includes one day visit of Pakistan Security Printing Corporation			

S #	Field offices	Program Conducted
1	D.I. Khan	30
2	Gujranwala	8
3	Hyderabad	10
4	Islamabad	19
5	Karachi	13
6	Lahore	42
7	Multan	6
8	Muzaffarabad	24
9	N. N. Karachi	12
10	Peshawar	13
11	Rawalpindi	23
12	Sialkot	19
13	Sukkur	10
Total		229

Sr. No	Office	Coin Counting	Note Counting	Loose Note Counting	Tri Color Stamping	Packet / Bundle Banding	Note Shredding	Others	Total
1	Bahawalpur	3	5	3	2	1	-	4	18
2	D. I. Khan	3	1	2	1	1	-	9	17
3	Faisalabad	4	4	4	2	5	1	6	26
4	Gujranwala	3	5	-	1	1	-	4	14
5	Hyderabad	3	3	2	1	2	2	6	19
6	Islamabad	2	6	4	1	4	1	12	30
7	Karachi	5	16	17	3	10	4	6	61
8	Lahore	4	13	14	2	5	4	74	116
9	Multan	5	8	4	1	2	3	17	40
10	Muzaffarabad	2	2	1	1	1	-	2	9
11	N. N. Karachi	3	4	3	1	4	1	9	25
12	Peshawar	5	8	10	2	3	4	19	51
13	Quetta	2	4	4	1	4	1	7	23
14	Rawalpindi	6	7	4	1	2	1	31	52
15	Sialkot	3	2	2	1	1	1	7	17
16	Sukkur	1	3	5	1	1	1	4	16
Total		54	91	79	22	47	24	217	534

1.12 Monitoring of Currency Chests/ Sub-chests

To provide and manage general banking business of federal, provincial and local governments, 226 branches of National Bank of Pakistan at different places across the country have been designated as chests/ sub-chests branches. The BSC field offices supply fresh/ re-issuable banknotes to the chests/ sub-chest on periodic basis and withdraw soiled and defective notes for destruction. The activities of the chests/ sub-chests are monitored on daily basis through Issue Circles of BSC established at all provincial head quarters as per agreement between SBP and NBP. During the year under review, the BSC field offices carried out on-site examination of 38 chests/ sub-chests in the area of their jurisdiction, and punitive actions were taken where irregularities were found (Table 1.12).

S #	Office	Branches Examined
1	Bahawalpur	1
2	Faisalabad	2
3	Karachi	2
4	Lahore	4
5	Muzaffarabad	9
6	N. N. Karachi	1
7	Peshawar	1
8	Quetta	2
9	Rawalpindi	4
10	Sialkot	2
11	Sukkur	10
Total		38

1.13 CNP Implementation

To check implementation of CNP by commercial banks in its true spirit, the BSC has been monitoring issuance of fresh/ good quality currency notes to general public/ account holders. The banks monitoring is intensified during the month of Ramadan. During FY09 the cash monitoring teams of the field offices conducted on-site examination of 5,670 branches of commercial banks as compared to 3,620 branches in the preceding year, and imposed/ recovered penalties amounting to Rs 3,885,000/- on account of violation of various instructions as compared to fine of Rs 2,395,500/- recovered during the preceding year. The office-wise position of Banks branches examined during FY08 and FY09 is given in Table 1.13.

S. #	Name of office	2007-08		2008-09	
		No. of Banks	No. of Branches	No. of Banks	No. of Branches
1	Bahawalpur	18	139	17	299
2	D. I. Khan	11	58	13	105
3	Faisalabad	30	301	31	499
4	Gujranwala	3	3	19	39
5	Hyderabad	16	62	15	92
6	Islamabad	23	126	37	414
7	Karachi	38	696	38	664
8	Lahore	41	1420	38	1570
9	Multan	18	84	34	560
10	Muzaffarabad	10	29	11	132
11	N. N. Karachi	19	126	24	423
12	Peshawar	31	266	23	75
13	Quetta	18	97	25	171
14	Rawalpindi	21	117	30	257
15	Sialkot	12	49	27	288
16	Sukkur	9	47	24	82
Total		318	3,620	406	5,670