

1 Currency Management

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1.1 Overview

Currency Management Department (CMD) continued to make endeavors to improve its performance from where it had left in FY09, through provision of adequate quantity of good quality banknotes and coins to its stakeholders across the country. CMD has been simultaneously striving, with the effective support of all field offices, to ensure implementation of instructions relating to; a) distribution of fresh notes and coins, b) inventory management of currency notes, coins and prize bonds, c) withdrawal of soiled notes from circulation and their destruction, d) note exchange facilities and e) implementation of SBP's Clean Note Policy. During FY10, CMD also remained active in creating awareness on security features of currency notes for internal and external stakeholders.

1.2 CMD's Achievements/ Initiative

1.2.1) Issuance of Commemorative Coins

In pursuance of the decision of the Government of Pakistan, the State Bank of Pakistan issued a 10 Rupee China Friendship Commemorative Coin on 1st October 2009 to express solidarity and unity with the People's Republic of China on its 60th Anniversary. 100,000 coins minted by Pakistan Mint were lifted by SBP BSC Lahore and then delivered to all other offices of the SBP BSC for onward distribution to general public. Since their issuance and up to 30th June 2010, a total of 86,697 coins were issued to the members of the general public from all offices of the SBP BSC as per details mentioned in Table 1.1.

Name of office	Coins issued
Karachi	15,553
Islamabad	13,720
Peshawar	8,400
Rawalpindi	6,850
Multan	5,950
Faisalabad	5,950
Lahore	5,780
Quetta	3,950
Bahawalpur	3,950
Hyderabad	3,944
Gujranwala	3,150
North Nazimabad	3,110
Sialkot	3,000
Sukkur	2,340
Dera Ismail Khan	612
Muzaffarabad	438
Total	86,697

1.2.2) Issuance of revised Instructions/ Master circulars

For the effective and smooth functioning of currency management operations, instructions have been reviewed with regard to operational activities carried out in the field offices of SBP BSC with a view to ensure a) improved service delivery and b) enhanced internal controls as also their alignment with the technological up gradation achieved in the field of cash operations due to use of Currency Globus. During FY10 CMD also reviewed instructions relating to;

- a) Distribution and issuance of fresh notes on the occasions of Eids,
- b) Cash Management and On-site Examination of the commercial banks to judge their compliance to the SBP Clean Note Policy,
- c) NBP Chest Examination, and
- d) Review of sorting charges of banknotes.

Besides above, CMD has also recommended certain amendments in agency agreement which SBP executes with NBP to improve monitoring of chest operations.

1.2.3) Development of Reports in Currency Globus

With a view to improve efficient use of the computerized database as also improve internal controls relating to the currency management, the CMD in consultation with Information Systems & Technology Department (ISTD) SBP has been trying to develop new MIS reports. During FY10 a report has also been developed in the system showing the details of different denominations of currency notes held by NBP Chests. The report presently under trial at Head Office will greatly enhance the skill set and abilities of the currency officers of our issue offices¹ to monitor the chests operations of the NBP. Besides, it will also facilitate our currency officers for making timely decision for replenishment or withdrawal of banknotes balances held by our chest branch of the NBP.

1.2.4) Issuance of Fresh Notes

Demand for fresh notes during FY10, for all denominations, remained high especially during the month of Ramadan. For this purpose, CMD made arrangements for transparent issuance of fresh banknotes to different stakeholders throughout the year through branches of commercial banks, chests/sub-chests of National Bank of Pakistan and from counters of BSC field offices. Adequate quantity of fresh notes was issued on monthly basis to all commercial banks according to their branch networks. Besides, fresh notes of higher denominations have also been issued to commercial banks for feeding in ATMs, as total number of ATMs installed increased to 4,465 as on 30th June, 2010 as compared to 3,999 as on 30th June, 2009.

During FY 10, around 1,821 million pieces of fresh banknotes of various denominations valuing Rs. 316 billion were issued from the counters of SBP BSC across Pakistan to different stakeholders, mainly banks as compared to around 1,656 million pieces of fresh banknotes of different denominations aggregating to Rs.306 billion issued during the preceding year .The details are given in Table 1.2, which transpires that issuance of fresh currency notes in terms of pieces has increased by around 10 % over the previous year. Moreover, a total of 270.7 million coins of Rs.1, Rs.2 and Rs.5 valuing Rs.589.2 million were issued during the year FY10 as against Rs.228.5 million coins valuing Rs.523.3 million issued during 2009.

¹ Karachi, Lahore, Peshawar and Quetta

	Denomination								Total
	5	10	20	50	100	500	1000	5000	
2009-10	491	543	165	140	218	104	144	16	1,821
Value	2,455	5,430	3,300	7,000	21,800	52,000	144,000	80,000	315,985
2008-09	454	437	160	170	194	98	124	19	1,656
Value	2,270	4,370	3,200	8,500	19,400	49,000	124,000	95,000	305,740

1.2.5) Distribution of fresh notes to Public through Commercial Banks on the occasions of Eid-ul-Fitre & Eid-ul-Azha

Demand for fresh notes especially small denomination increases tremendously in the month of Ramadan and on the eve of Eids especially on Eid-ul-Fitre. During FY10, CMD made elaborate arrangements at its field offices for issuance of fresh notes to general public from their counters and through branches of commercial banks. Under the arrangements general public was allowed to get one packet each of Rs.5 and Rs.10 on presentation of original CNIC and submission of its copy. Through above arrangements, a total of 197,000 members of general public obtained fresh notes of Rs.5 and Rs.10 from the counters of BSC field offices during the month of Ramadan 2009. Further, 730 million pieces of fresh notes of all denominations (predominantly Rs.5 and Rs.10) valuing over Rs.74 billion were issued to commercial banks and government departments during Ramadan of 2009 as compared to 417 million pieces, valuing Rs.64 billion issued during Ramadan 2008 as per details given in Table1.3.

Year	Description	Denominations								Total Pieces	Total Value
		5	10	20	50	100	500	1000	5000		
		<i>(Fig. in millions)</i>									
Ramadan 2009	Govt Payment	8	8	3	3	6	2	4	1	35	8,930
	Banks	237	237	69	53	49	20	27	3	695	65,485
	Total	245	245	72	56	55	22	31	4	730	74,415
Ramadan 2008	Govt Payment	3	4	2	3	6	2	3	-	23	4,845
	Banks	120	124	40	38	33	15	19	5	394	59,340
	Total	123	128	42	41	39	17	22	5	417	64,185

1.2.6) Counterfeiting Reporting and Follow up with Law Enforcement Agencies

CMD has been cooperating with all the stakeholders, including law enforcement agencies, ministry of law etc for resolution of long outstanding cases of forged notes pending at different quarters. The matter has also been actively followed up in the meetings of Task Force constituted by SBP and comprising of representatives from Police, FIA, NAB, Finance Department SBP and CMD, BSC. The department has been regularly updating the data of forged notes reported at field offices on monthly basis. The data has provided useful information and insights for addressing the root causes of counterfeiting with the collaboration of concerned departments of Federal and Provincial Governments.

1.2.7) Capacity Building

During FY 10, capacity building of commercial bankers and stakeholders continued as a part of CMD's efforts. CMD with the active involvement of field offices has arranged

166 special outreach programs throughout the country to create awareness about the security features of the currency notes for general public, cashiers of commercial banks and other stakeholders during the year 2009-10. Trainings have also been imparted to the employees of BSC to enhance their operational knowledge regarding currency management & operations. In this regard, foundation and intermediate level trainings were imparted to 55 and 24 employees respectively at NIBAF Islamabad & Lahore during the year 2009-10. Advanced trainings for detection of counterfeiting in currency notes / tampering of prize bonds were also arranged at Forensic Laboratory of Pakistan Security Printing Corporation (PSPC) for 49 officials of SBP/BSC and Police Department.

1.3 Mechanization of Currency Operations

The quantum of currency in circulation in Pakistan in recent years has increased manifold. Though the use of plastic money² is gaining momentum however as our economy is by and large cash oriented the use of currency notes for settlement of payment obligation is also on higher side. Therefore to manage the increased quantum of currency notes, efforts were continued during FY10 to enhance the use of technology and mechanization of currency operations within BSC to facilitate cash operations at field offices. Latest cash handling machines such as coin/ note counting machines, loose note counting machines, tri-colour stamping machines, note/ packet banding machines, bundle banding machines, shrink wrapping machines, note shredding machines, hole punching machines, triangular cut machines etc; have been procured and provided to all field office as per their requirements.

The details of machines/ equipments which are presently in use at field offices for currency operations are given in Table 1.4.

S. No.	Office	Coin Counting	Note Counting	Tri Color Stamping	Packet / Bundle Banding	Note Shredding	Others	Total
1	Bahawalpur	3	10	2	1	-	8	24
2	D. I. Khan	3	3	1	1	-	16	24
3	Faisalabad	5	11	2	5	1	24	48
4	Gujranwala	2	4	1	1	-	10	18
5	Hyderabad	3	14	1	5	2	14	39
6	Islamabad	2	20	1	12	1	37	73
7	Karachi	7	37	3	10	4	34	95
8	Lahore	4	34	2	5	3	56	104
9	Multan	5	19	1	4	3	18	50
10	Muzaffarabad	2	6	1	1	-	7	17
11	N. N. Karachi	4	9	1	2	1	11	28
12	Peshawar	6	32	3	4	3	38	86
13	Quetta	2	6	1	6	1	20	36
14	Rawalpindi	3	19	1	6	1	23	53
15	Sialkot	3	4	1	1	1	7	17
16	Sukkur	2	8	1	1	1	15	28
	Total	56	236	23	65	22	338	740

Availability of information in an effective format is instrumental in timely and accurate decision making, as it helps in achieving the desired results. Therefore CMD at HOK has been striving for availing maximum output from the automated currency Globus environment and a large number of reports in this regard have been developed in

² As of June, 2010 the total number of cards in circulation has been recorded at 10.517 million as compared to 8.940 million cards recorded in the corresponding period showing the growth of 17.56 percent. (Source: Payment Systems Department SBP)

coordination with Information System and Technology Department SBP in the Currency Globus System both at HOK and office levels.

1.4 Monitoring of Currency Chests/ Sub-chests

State Bank of Pakistan has an agency agreement with National Bank of Pakistan for carrying out the treasury functions through its 225 branches designated as Chest/ Sub-Chest branches. Under the said agreement and Federal Government Treasury Rules (FTR), SBP BSC is responsible for the provision and maintenance of sufficient stock of currency notes and coins at NBP Chests/ Government Treasuries located across the country to meet the requirements of government as well as public. The Currency Officers at Karachi, Lahore, Peshawar and Quetta offices of SBP BSC are responsible for proper maintenance and monitoring of chest branches of NBP falling in their jurisdiction. To ensure that the chest/ sub-chest branches are conducting their business in accordance with the FTR and agency agreement executed by SBP with NBP, CMD has issued a master circular for On-Site Examination of Chest branches. Efforts are made to meet the seasonal increase in demand of currency notes during Rabi and Kharif crops in rural areas, as also on the eve of religious festivals.

1.5 Implementation of Clean Note policy

CMD has vigorously persuaded the Clean Note Policy of the SBP during the year under review, which included simplification of various procedures, lifting of non-issuable notes by BSC Offices, on-site examination of branches of commercial banks, automation of cash operations at BSC field offices and currency awareness programs for general public and other stakeholders. Field offices of BSC have lifted more than 3 billion pieces of different denominations of non-issuable banknotes valuing Rs.511 billion during the last three years of which 1.1 billion pieces valuing Rs.183 billion pertained to FY10. As regards non-acceptance of soiled notes and issuance of good quality banknotes to general public, existing instructions relating to on-site examination of branches of commercial banks have been revised and circulated to all SBP BSC field Offices for compliance.

During the year under review, a total of 5,484 branches of commercial banks have been examined as against 5,670 branches in 2008-09 as detailed in Table 1.5 to ensure proper implementation of the instructions and to discourage circulation of soiled/ cut notes in the market. A fine amounting to Rs.8.427 million on account of violations of SBP/ BSC instructions was recovered from commercial banks as compared to

Sr. No	Name of office	2008 - 09		2009 - 10	
		No. of Banks	No. of Branches	No. of Banks	No. of Branches
1	Bahawalpur	17	299	26	128
2	D. I. Khan	13	105	12	71
3	Faisalabad	31	499	35	485
4	Gujranwala	19	39	30	55
5	Hyderabad	15	92	21	222
6	Islamabad	37	414	32	163
7	Karachi	38	664	37	603
8	Lahore	38	1,570	40	1,555
9	Multan	34	560	30	913
10	Muzaffarabad	11	132	11	83
11	N. N. Karachi	24	423	28	348
12	Peshawar	23	75	1	3
13	Quetta	25	171	28	255
14	Rawalpindi	30	257	34	330
15	Sialkot	27	288	33	230
16	Sukkur	24	82	13	40
Total		406	5,670	411	5484

Rs.3.885 million recovered during the preceding year, on account of their violation of instructions of Clean Note Policy. Similarly banks who violated the instructions regarding the issuance of fresh notes during the eve of Ramadan and Eid-ul-Fitr, 2009 were also penalized through imposition of fine of Rs.20.250 million.