

Chapter # 1

Currency Management and Accounts.....

- Overview
- Measures taken to Improve Currency Management System
- Monitoring & On-site Inspection of Cash Operations
- Accounts Management System

1 CURRENCY MANAGEMENT AND ACCOUNTS

1.1 Overview

An important responsibility of the SBP Banking Services Corporation (Bank) is to ensure adequate supply of bank notes and coins and to maintain the quality of notes in circulation in predominantly cash-based economy. Therefore currency management system and relevant procedures are reviewed regularly to meet the requirement of currency in the economy. The responsibility for bank note security and distribution rests with the Accounts Department of BSC, which performs this important function through 16 field offices which in turn interact with clients within their respective jurisdiction. In addition, BSC also promotes awareness of the security features through print media and posters so that financial institutions, retail sector and general public can confidently recognize and use genuine bank notes. This approach works effectively to counterfeiting and other infringements of bank notes. The retail business of bank notes and coins which was earlier handled manually is now being automated and modernized. Computerized systems of issue accounting function are operational in four Issue Offices. BSC has taken up project for computerizing the work of cash operations, planning and management information system (MIS) for currency management in all its field offices. Broadly speaking, major functions of currency management relates to:

- Note Design
- Issue and distribution of fresh notes and coins
- Inventory management and accounting
- Withdrawal of soiled notes from circulation and their destruction
- Note exchange facilities and anti-counterfeit measures

BSC performs these activities through its field offices and a wide network of currency chests spread across the country. At present, BSC has Issue Departments at Karachi, Lahore, Peshawar and Quetta to perform the work relating to currency management throughout the country in an efficient and effective manner.

1.2 Measures taken to Improve Currency Management System

BSC has taken various measures for improving the quality of notes in circulation during FY05. These measures include the widening of the currency chest network, speeding up the process of handing over and taking over of remittances by the chests, non-stapling of note packets, withdrawal of soiled notes from circulation and their disposal, mechanization of note processing and environment friendly destruction of soiled notes. Anti-counterfeit measures are being taken in coordination with the Government and through public awareness campaigns. The details of these measures are discussed in the following paragraphs.

1.2.1 Supply of Fresh Currency Notes & Coins

The supply of fresh notes has increased during the year through utilization of full capacity of the Pakistan Security Printing Corporation (PSPC). A large number of branches of commercial banks were designated in different areas for issuance of fresh notes to the general public. The series and numbers of the fresh notes issued to the designated branches of commercial banks are also recorded for monitoring their proper distribution and to check their use by currency brokers and garland makers. As a result of intensive efforts of BSC, the persistent shortage of fresh bank notes was by and large reduced during the FY05.

The gradual increase of share of higher denomination bank notes (Rs.500 and above) in circulation, both in terms of volume and value, continued during the period under review. The qualitative check is the responsibility of PSPC.

Coins are received from the Pakistan Mint and issued through Issue / field offices of BSC and a wide network of currency chests and coin depots maintained by banks and Government treasuries across the country. These offices issue coins to the public directly through their counters and also send coin remittances to the currency chests and small coin depots. The currency chests and small coin depots distribute coins to the public, customers and other bank branches in their area of operation. The supply of coins also improved significantly from Pakistan Mint during FY05 and as on 30th June 2005 the value of coins in circulation stood at Rs.1,325.5 million.

1.2.2 Demonetizations of Bank Note of Rs.5 Denomination

The process of demonetizations of bank note of Rs.5 denomination was smoothly completed by BSC by 30th June 2005 as per the decision of the Federal Cabinet. Simultaneously the supply of coins has been increased significantly during the period under review.

1.2.3 Issuance of Bank Note of Rs.20 Denomination

BSC with the cooperation of PSPC has presented the design of Rs.20 denomination bank note before the cabinet and the said design was approved by the cabinet (The said note was issued in the month of August 2005). The design of new note of Rs.20 is attractive and contains latest security features besides better and bold lettering and printing using the state of art latest technology. Details of the security features are given here under for the information of general public:

- a. **Portrait Watermark:** *When the note is held against the light, an image of Quaid-e-Azam can be seen*
- b. **Numerical 20 Watermark:** *When the note is held against the light, the numerical 20 can be seen.*
- c. **Security Thread:** *A vertical Security Thread, almost in the center of the note can be seen when held against the light. On the thread “State Bank of Pakistan “ and the numerical “20” is printed*
- d. **See Through Numerical 20:** *The numerical 20 printed in Urdu with one half of the digit on one side and the other half on the other side can be seen as a complete digit when held against the light*
- e. **Hidden 20 Numerical:** *On tilting the note, a hidden 20 numerical can be seen*
- f. **Intaglio Printing:** *Security lines on both the sides of the note, 20 numerical and Quaid-e-Azam’s portrait are printed in intaglio. One can easily feel the raised printing by touching them.*
- g. **Intaglio Printed Sign:** *A Special raised printing sign for the blind people, which can be felt with a touch.*
- h. **Coloured Signature:** *Governor’s signature in colour is appearing on the note for the first time.*
- i. **Year of Production:** *Year of production has been printed on the note for the first time.*
- j. **Name of the Location:** *The picture and name of Mohenjodaro appear on the reverse of note.*

1.2.4 Enhanced Role of Currency Chests

The network of currency chests maintained by National Bank of Pakistan (NBP) and by the Government treasuries plays a key role in carrying out currency management function in an effective manner. The stock of bank notes and coins held by the currency chests is also taken into account for working out the cash reserve requirements of BSC concerned. The chest/ sub-chests maintained with NBP branches are authorized to accept claim notes from commercial banks and deposit them with BSC field offices under whose jurisdiction they fall.

With a view to minimize the expenditure on frequent dispatch on remittance, the holding capacity of NBP chests / sub-chests have been enhanced, in addition to setting up of more chests at different locations across the country, ensuring the supply of bank notes both new and re-issuable with ease and less time. Detailed information about the chests / sub-chests is available in the Annexure of this report

1.2.5 Clean Note Policy

BSC has taken a number of steps to improve the quality of bank notes in circulation. In order to increase the circulation of fresh notes, it is also essential that soiled notes are withdrawn simultaneously from the circulation. For this purpose, BSC has introduced various changes in the systems and procedures related to currency management mechanization. These measures resulted in significant improvements in the quality and availability of notes. The technological up-gradation in currency verification and destruction process has also improved currency management system.

1.2.5.1 Non-Stapling of Note Packets

In order to improve currency management system, in the first phase BSC has instructed the PSPC to stop stapling wads in Rs.10 denomination notes. Later in July 2004 non-stapling of fresh notes was extended to Rs.50 and Rs.100 denominations. To achieve a prolong life of bank notes, BSC has issued a comprehensive circular to all its field offices, commercial banks and chests / sub-chests of the NBP, prohibiting stapling of currency notes up to Rs.100 denomination and instead issues these notes in the paper banding form. All commercial banks have been instructed to arrange for necessary banding equipment for this purpose. They have also been asked to provide a detailed plan for procurement of this equipment. The currency chest branches are required to send soiled note remittances to the Issue offices in unstapled form as it is a prerequisite for processing of notes on the machines. They are also required to issue clean and unstapled notes to the public and to ensure that no currency vault holds stapled notes in its stock. A press release in this regard was also issued in leading newspapers for public awareness. It is planned to gradually eliminate the practice of stapling bank notes of higher denominations (ie Rs.500 and Rs.1000) in future.

1.2.5.2 Exchange of Soiled and Mutilated Notes

A note which has become limp or which has developed partially cuts / damage due to wear and tear, slightly burnt (provided 3/4th portion thereof remains intact), disfigured by oil, color, ink, etc is treated as soiled note. Full cut notes in two pieces (whether vertically or horizontally) have been taken out from the category of defective notes and treated as soiled notes and are processed accordingly. To facilitate easy exchange, bank notes which have been divided vertically through or near the center with numbers intact are also treated as soiled notes. Notes on which political or religious slogans are written are not exchangeable.

A mutilated bank note is a note of which a portion is missing or a note which is composed of pieces, provided that the note presented is not less than half of the area of the note and that, if the note is composed of a note joined together, each piece is, in the opinion of the 'Prescribed Officer' (as defined in the Note Refund Rules) identifiable as part of the same note. In order to eliminate difficulties faced by the general public in getting the defective/claim notes passed/exchanged and also to cut down labour and processing time involved, the ceiling of total value of Rs.500 under one window operation has been enhanced to the total value of Rs.1,000 (Rs.10 to Rs.100 denominations notes) per person per case. Claim notes of all denominations tendered by commercial banks are being accepted without going into the claim process. In the same manner, notes under guarantee are accepted and credit is afforded to them immediately while recovery against rejection or shortage of notes, if any, is being made from the respective banks subsequently. In order to facilitate the stakeholders BSC has deputed a large number of officers at its all field offices for settling these cases efficiently and swiftly.

The commercial banks have been directed to make arrangements for the provision of facilities such as exchange of soiled notes, exchange of notes to coins and coins to notes at their branches. Accordingly, there was a perceptible improvement in the quality of notes in circulation as reflected by the decline in public complaints in respect of soiled notes.

1.2.5.3 Forged and Counterfeit Notes

Notes/coins which are found to have been forged/ counterfeited are impounded and no value thereof is paid. Such notes/coins are retained by BSC after issue of advice to the tenderer.

1.2.5.4 Currency Verification & Destruction Process

In view of the growing volume of notes in circulation and the limitations of existing manual systems, BSC embarked upon mechanization of currency processing operations in the Issue Offices. In the first phase of mechanization, Coin Counting, Note Counting, and Note Banding Machines have been installed in 16 field offices of the BSC. Further Note shredding machines have been provided to 11 field offices of BSC. In the next phase M/s. NIFT, House of Business Machines (Pvt) Limited and Rayanco Business System Karachi have been allowed to establish Sorting Cell on rental basis at Karachi, Lahore, Peshawar, Faisalabad, Rawalpindi, Islamabad and Multan Offices to introduce Bank Note Processing System which will start functioning very soon. It is pertinent to mention here that the introduction of shredding machines in the field offices of BSC have replaced the environmentally unfriendly incineration of notes. The new system first cuts the notes into small pieces and then converts them into fine shreds. In order to ensure speedy disposal of accumulated balances of cut/soiled notes, the cut notes of Rs.5 and Rs.10 denominations are destroyed through special procedure along with the soiled notes at the same rate ie 15,000 pieces to be counted and 85,000 as relaxed portion. The quota of verification of cancelled notes of Rs.100 denomination is fixed at 24,000 pieces. The rate of verification of the said notes is reduced from 100 percent to 50 percent as in the case of Rs.50 denomination.

1.2.5.5 Mechanization of Currency Management Operations

BSC took several initiatives to mechanize the currency management operations by providing coin counting, note counting, note banding, note shredding, and tricolor stamping machines to almost all field offices. Note wrapping machine have also been provided to Karachi and Sialkot office. BSC is also encouraging commercial banks to install such machines in their branches. Computerized systems of issue accounting function are operational in all the Issue Offices of BSC in the first phase of mechanization. BSC has taken up a project for computerizing the work of cash operations, planning and MIS for currency management. BSC strives for continuous improvement in its operations through business process re-engineering and is now in the process of implementing the Oracle ERP system in its issue offices.

Table 1.2.5.5 Installation of Machines at Filed Offices							
S#	Field Offices	Numbers of Machines					
		Coin Counting	Note Counting	Tri Color Stamping	Note Banding	Note Shredding	Total
1	Bahawalpur	01	01	01	01	-	04
2	Dera Ismail Khan	01	01	01	01	-	04
3	Faisalabad	01	03	01	02	01	08
4	Gujranwala	01	02	01	01	-	05
5	Hyderabad	01	02	01	01	03	08
6	Islamabad	01	03	01	01	01	07
7	Karachi	04	11	02	04	03	24
8	Lahore	01	06	02	02	02	13
9	Multan	01	03	01	01	02	08
10	Muzaffarabad	-	01	01	01	-	03
11	North Nazimabad	01	01	01	01	-	04
12	Peshawar	02	04	01	02	01	10
13	Quetta	01	02	01	02	01	07
14	Rawalpindi	01	03	01	02	-	07
15	Sialkot	01	02	01	01	-	05
16	Sukkur	-	02	01	01	-	04
Grand Total		18	47	18	24	14	121

1.2.5.6 Exchange of Currency Notes

The exchange facility over Bank's counters is available free of cost during the business hours of the respective field office. The serial numbers of counters are displayed in banking hall of each field office where exchange facility is available. The mutilated/cut notes are exchanged by BSC as of grace under the "Note Refund Rules". However, when the mutilated/cut note is not found payable under the Rules, the same is rejected and rejection advice issued to the tenderer. The rejected note is retained by BSC and destroyed after six months.

The staff and officers of the BSC are required to treat each member of the public with courtesy. They are advised to be helpful and attend promptly to the customer's enquiries and complaints. In case any member of the public faces any difficulty in getting the above exchange facilities at any BSC offices or is asked for any reward, he may record a complaint in the complaint box placed at the enquiry counter of the office or bring it to the notice of the in-charge of the Cash Department of the respective office. The designation and addresses of the in-charges are also given in the Annexure of this report. The field offices were advised to implement the one window system for providing all the services like receipt and issue of bank notes / coins, exchange of bank notes to coins and vice versa, exchange of defective notes etc.

1.2.5.7 Expansion of Exchange Facility

The offices of BSC are located at selected centers and BSC has, therefore, made arrangement for provision of the facility of exchange of soiled notes, exchange of notes to coins and coins to notes at the branches of scheduled commercial banks. While the facility for exchange of soiled notes is available at all branches of commercial banks and currency chest branches of NBP, the facility of exchange of mutilated / cut notes is available only at the currency chest branches of NBP. A list of the currency chest branches where the mutilated notes can be exchanged is available at the enquiry counter of all field offices. Such currency chest branches have been instructed to display notice board regarding availability of mutilated notes exchange facility. In case any such branch refuses to provide the exchange facility, aggrieved person can complain to the high ups of the commercial bank concerned. In case the grievance is not redressed, the matter may be brought to the notice of the Chief Manager of the concerned field office or the Managing Director of BSC at Karachi.

1.2.5.8 SBP Note Refund Rules – Delegation of Powers to Commercial Banks

Under the SBP Note Refund Rules powers have been delegated to the commercial bank branches for exchange of defective notes. The field offices were advised to bring to the notice of Chambers of Commerce/ Trade Associations in their regions the availability of exchange facility for defective notes at all branches of the commercial banks and also provide a list indicating the names of the commercial bank branches where the full note exchange facility is available. NBP has also been directed to ensure that the facility for exchange of mutilated notes is provided by all of their currency chest branches. The adjudication of mutilated notes under the said rules involves designating an officer as "Prescribed Officers". All such Officers are required to be trained for the provisions of the Note Refund Rules and the procedure of the scheme. The Officers are accountable for recovery on account of wrongly passed notes. Further, the exchange value of mutilated notes paid by the currency chest branches is obtained by them through currency chest mechanism. The facility for obtaining reimbursement of the paid mutilated notes is not available to the non-currency chest branches. They have to make payments from their own funds and then approach the nearby currency chest offices for reimbursement. In view of this, it has been made mandatory for the currency chest of NBP to accept and exchange mutilated notes.

1.2.5.9 Training and Awareness Programmes for the Exchange of Currency Notes

During the year under review the field offices of BSC have arranged training programs on exchange of soiled and mutilated notes for the benefit of officers of commercial banks. The field offices of BSC also distributed posters among commercial banks, informing general public about the exchange facility available at that bank branch. Subsequently, the commercial banks were advised to get these posters printed in local regional languages which displayed at a prime place in the branches. All commercial banks were also advised to send their Prescribed Officers to the training programs organized by the Accounts Departments, BSC to provide knowledge and inculcate skills required for adjudication of defective notes.

Chief Managers of the field offices of BSC visited main trade centers in person to interact with the general public and inform them about the steps taken by BSC with regard to its Clean Note Policy. They have been advised to hold monthly meetings with Trader/Merchant Associations to educate them about the policies of BSC. Regular press conferences/ briefings were also held by the Managing Director BSC on this issue. The whole spirit of the policy and efforts of BSC have widely been appreciated by the stakeholders

1.2.5.10 Acceptance of Coins and Availability of Currency Notes

All commercial banks were advised to instruct their branches to accept coins of all denominations without any restriction and pay the value in notes. Branches were instructed to give adequate publicity and be more proactive in issuing coins specially wherever there are deficiencies and monitor their performance in this regard. The field offices of BSC were also advised to arrange and ensure that all BSC branches in their region accept coins for exchange from the public without any restriction preferably through single window system.

1.3 Monitoring and On-Site Inspection of Cash Operations

In order to minimize public complaints regarding circulation of large quantity of soiled, cut and mutilated currency notes, a mechanism for monitoring the issuance of currency notes by commercial banks was introduced. Monitoring teams were formed at each office of the BSC to check the sorting of notes and supply of good quality notes to the general public. Instructions were issued to all the commercial banks to establish sorting houses. As a matter of policy, BSC has decided that once packets of notes are sorted, the sorting bank/branch shall clearly identify/stamp on the wrapper of the packet as "SORTED" along with the name of BSC branch and date of sorting. Field offices have been divided into three categories, ie; large (A), medium (B), and small(C), keeping in view the number of branches under the jurisdiction of each office, as well as the quantum of work. Special teams have also been constituted at BSC field office level for regular surprise visits of bank branches to examine the quality of currency notes being issued by banks to their clients and general public. This will help in checking the status of implementation of BSC instructions. Team member's record their observations on the condition of the cash available at payment counters/in vaults and get the same authenticated/validated by the Manager/ Incharge of the branch concerned. In order to ensure proper implementation of the Clean Note Policy and to achieve desired results, it has been decided to impose penalties on delinquent banks. A comprehensive circular containing the schedule of penalty for each type of irregularity on currency management has already been issued. A Performa has been designed for conducting on-site examination and reporting of irregularities. It is also decided to inspect these branches at least once in two months to ensure early compliance. A separate cell for cash monitoring at all the field offices has been established for the purpose. This cell works under the supervision of the Chief Manager of the respective office and has to follow the standard procedure. Necessary training has also been imparted to all the dealing officials of the cash monitoring cell. Implementation process of onsite examination through the field offices of BSC has been continued during FY05 and inspection of 3,600 commercial bank's branches were carried out and an amount of Rs.14.568 million has been recovered from the commercial banks as a penalty on account of violation of SBP's instructions in the following manner:

Table 1.3.1 On-site Examination of Commercial Banks during FY05		
S #	Field Offices	Amount Recovered (Rs.)
1	Bahawalpur	249,000
2	Dera Ismail Khan	246,000
3	Faisalabad	305,500
4	Gujranwala	31,500
5	Hyderabad	397,500
6	Islamabad	654,500
7	Karachi	3,339,000
8	Lahore	1,507,000
9	Multan	915,000
10	Muzaffarabad	197,000
11	North Nazimabad	178,000
12	Peshawar	1,119,500
13	Quetta	465,000
14	Rawalpindi	2,185,500
15	Sialkot	409,000
16	Sukkur	2,369,000
Total		14,568,000

Table 1.3.2 Position of On-site Examination of Commercial Banks (Province Wise)				
S#	Province	No. of Commercial Banks	No. of Branches	Penalties Realized (Rs.)
1	Punjab	34	1727	6,454,000
2	Sindh	34	1181	6,283,500
3	NWFP	25	588	1,365,500
4	Balochistan	22	104	465,000
Total		115	3600	14,568,000

The chest branches have been advised to accept duly sorted currency note balances from commercial banks in their jurisdiction in the normal course of their business operations. As for inspection of NBP chests/sub-chests branches, different methodology was evolved whereby comprehensive inspections were conducted within a short span of time. The holding limit of NBP chest/ sub-chests has also been monitored and ensures that the funds are managed accordingly to the nearest chest/ sub-chest or field offices and any of the chests/sub-chests working beyond the holding capacity were brought within the prescribed limit.

1.4 Accounts Management Systems

The Accounts Department of BSC is responsible to manage and improve the accounting system of BSC. It controls the working of the field offices under the provisions of Issue and Banking Department Manuals. The Department also administers various national savings schemes of the Government of Pakistan. These mainly include National Prize Bonds (NPB), DSCs and SSCs. In order to perform these responsibilities efficiently, the Accounts Department has been divided into various Divisions / Units as detailed below:

1. *Currency Division*
2. *Main Accounts Section*
3. *Government Accounts Section*
4. *Prize Bonds Section*
5. *Central Accounts Remittance & Record*
6. *Funds Section*
7. *Internal Monitoring Unit*
8. *Payment Controller Unit (Expenditure)*
9. *Credit Advisory Committee Cell*
10. *Administration. /Policy & Regulations*
11. *Budgeting*
12. *Employees Benefit Unit*
13. *Procurement Division*
14. *Services & Assets Management Unit*
15. *Stationery Management Unit*

1.4.1 Implementation of New Chart of Accounts

An I.T based Chart of Accounts (COA) has successfully been implemented in BSC effective from July, 2002. New concepts have been proposed in the development and implementation of this document in order to facilitate efficient and systematic processing of data and generation of financial information. Current version of COA 3.2 (updated in October 2004) was the outcome of continuous feed back received from the users across the HOK and field offices of the BSC. The new chart of accounts has allowed the compatibility with the International Accounting Standards (IAS) in accounting systems of BSC as well as categorization of financial information under Generally Accepted Accounting Principles (GAAP), real time consolidation and facilitation in exercising proper controls. The ability to generate MIS from different dimensions has also been added. Provisions for booking the Income & Expenditure for the financial year 2005 made according to IAS.

1.4.2 Technological Improvements

Substantial progress has been made in developing modern, efficient and integrated computer solutions for the management of accounts. After successful run of General Ledger test module, fully integrated ERP General Ledger module has been implemented in HOK since October 2004. Now data is imported from the modules like Account Payable, Purchasing, Inventory Management and Payroll and is being posted in General Ledger Module. BSC is now generating reports of Daily Clean Cash Book / Day Book, Trial Balance, General Ledger Balances and Statement of Affairs through the upgraded system. As per requirement of External Auditors, system generated financial statements for FY04 were provided well in time. The complete details of the progress with regard to the technological up-gradation have also been discussed in Chapter # 6 (*Information Technology & Infrastructures Development*) of this report.

1.4.3 Management of Government Accounts

BSC is maintaining various accounts of the Federal and Provincial Governments. The Accounts Department is reporting the information on Government Accounts to Accountant General (AG), Accountant General Pakistan Revenue (AGPR), Railways and SBP not only on daily basis but also on a monthly basis. The monthly statements on Government Accounts are now being sent by the 11th of the following month as against a time lag of 20-25 days in recent past.

BSC is also responsible for the management of various public debt instruments like the Prize Bonds and other instruments of National Savings Schemes. The following points summarize the contribution of the BSC in this regard:

- Sale and encashment of NPBs and reporting of data to the Finance Division, Government of Pakistan, CDNS, Islamabad and other concerned quarters.
- Making transparent arrangements for the periodical draw of Prize Bonds of all denominations at all field offices of the BSC as per schedule announced each year.
- Handling of cases of fraud and forgeries in Prize Bonds scheme.
- Management of sale, encashment and profit payment on National Savings Schemes (ie SSCs & DSCs etc) at BSC offices and branches of commercial banks and reporting of data to Finance Division Government of Pakistan, CDNS, Islamabad and other concerned quarters.

Due to technological up gradation BSC is now in a position to respond quickly to facilitate Central Board of Revenue (CBR) and the District Government Accounts through newly established reporting system with timely solution for reconciliation. The cumulative figures of tax receipt and payment reported to the CBR are as under:

Table 1.4.3 Transactions Reported to CBR					
<i>(Rupees in million)</i>					
S #	Detail of Accounts	2003-04		2004-05	
		Receipt	Payment	Receipt	Payment
1	Sales Tax	254,538.822	50,877.012	243,221.110	55,899.360
2	Central Excise	42,171.268	414.905	52,528.280	35.359
3	Customs	117,337.079	15,355.399	123,989.124	18,097.274
4	Income Tax	168,656.302	9,134.247	183,882.231	10,696.451
Total		582,703.471	75,781.563	603,620.745	84,728.444

1.4.3.1 National Prize Bonds

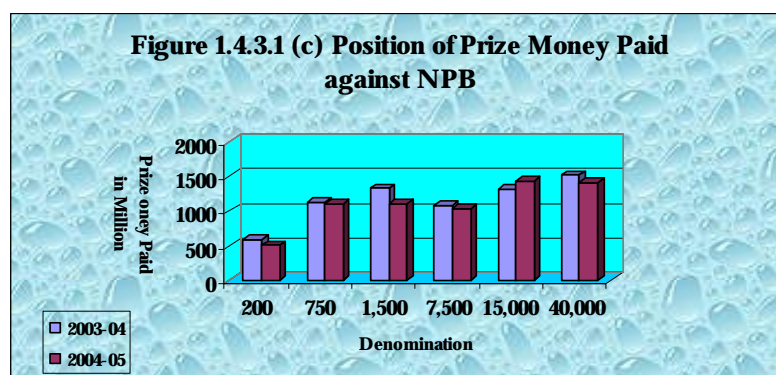
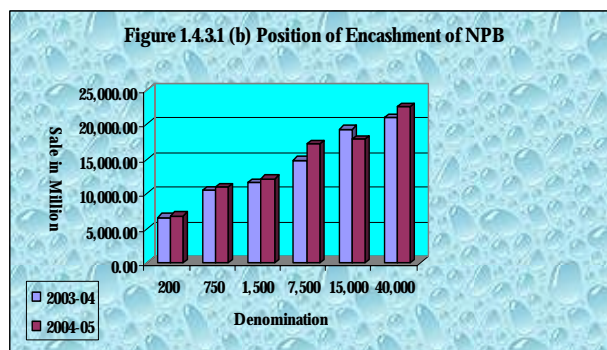
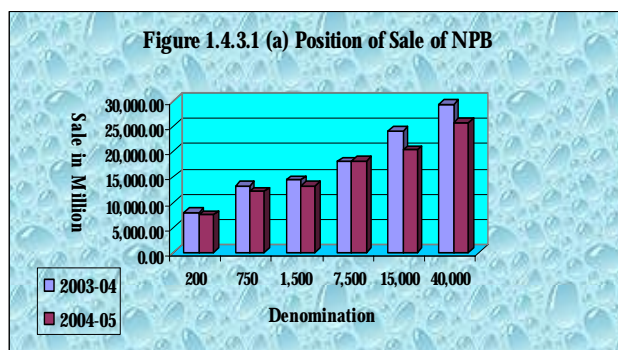
This is a bearer type security available in the denomination of Rs.200, Rs.750, Rs.1,500, Rs.7,500, Rs.15,000 and Rs.40,000. No fixed return is paid but prize draws are held on quarterly basis. The Prize Bonds draw is held under the directives of the CDNS, Islamabad at respective BSC office as per draw schedule announced by them every year. After the introduction of new denomination, Prize Bonds draws were initially held series wise i.e. separate draw for each series of a denomination through computer. Since the process as well its publication was very lengthy and voluminous, general public showed their dissatisfaction. Resultantly the process was switched over to single common draw in November 2000. It means that one prize bond number of a denomination declared winning shall apply to all series of that denomination prize bonds.

The number and amount of prizes on various denominations of prize bonds for each series are given below:-

Table 1.4.3.1(a) Prize Money Paid on National Prize Bonds (Denomination-wise)						
Denomination (Rs.)	1 st Prize		2 nd Prize		3 rd Prize	
	Amount (Rs.)	Prize in Numbers	Amount (Rs.)	Prize in Numbers	Amount (Rs.)	Prize in Numbers
200	500,000	01	150,000	03	1,000	1550
750	1,000,000	01	300,000	03	7,500	996
1500	2,000,000	01	600,000	03	15,000	996
7,500	10,000,000	01	3,000,000	03	75,000	996
15,000	20,000,000	01	6,000,000	03	150,000	996
40,000	50,000,000	01	15,000,00	03	400,000	996
<i>Source: http://www.savings.gov.pk/prize_bonds.htm</i>						

During FY05 the aggregate value of sale of National Prize Bonds of all denomination stood at Rs.96,872.9 million as compared to Rs.106,654.6 million. The total encashment of Prize Bonds was Rs.87,516.0 million during FY05 as compared to Rs.83,811.6 million in FY04. The Prize Money paid against the winning Prize Bonds of all denomination was Rs.6,578.2 million in FY05 as compared to Rs.6,962.4 million in FY04. The details of sale, encashment and prize money paid against the winning Prize Bonds (denomination-wise) during FY04 and FY05 are given in the following table:

Table 1.4.3.1 (b) National Prize Bonds (Sale, Encashment and Prize Money Paid)						
<i>(Rupees in million)</i>						
Denomination of NPB	2003-04			2004-05		
	Sale	Encashment	Prize Money Paid	Sale	Encashment	Prize Money Paid
200	7,837.346	6,562.345	582.793	7,490.205	6,813.532	505.342
750	13,137.365	10,450.978	1,130.070	12,094.224	10,963.996	1,100.337
1,500	14,311.681	11,674.491	1,331.825	13,282.915	12,128.935	1,099.046
7,500	17,926.500	14,817.247	1,079.397	18,084.675	17,117.310	1,037.072
15,000	24,136.500	19,266.015	1,320.977	20,281.425	17,893.650	1,428.510
40,000	29,305.160	21,040.560	1,517.350	25,639.440	22,598.600	1,407.880
Total	106,654.552	83,811.636	6,962.412	96,872.884	87,516.023	6,578.187



As part of the efforts to improve monitoring of the scheme, Tri-Color Machines have been installed at all field offices of BSC to avoid tampering of date and place of issue of National Prize Bonds of all denominations. This is a step forward in reducing frauds and forgeries related to the Prize Bonds.

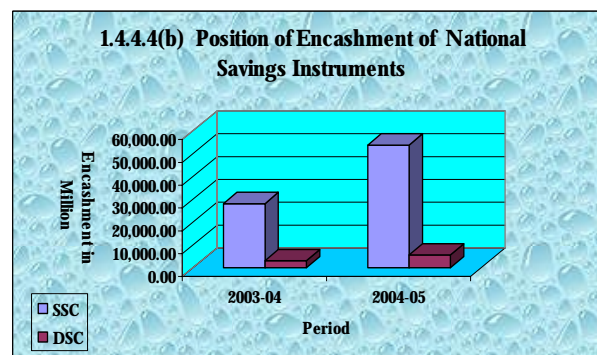
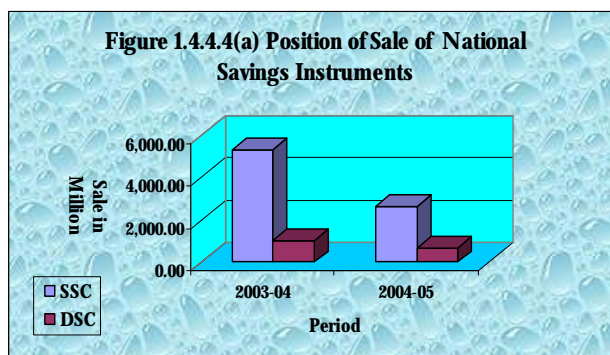
1.4.3.2 Defence Savings Certificates

The Government of Pakistan introduced DSCs scheme in the year 1966. This is the most popular scheme among investors. This scheme has specifically been designed to meet the future requirements of the depositors. This is the only scheme with 10 years maturity with built in feature of automatic reinvestment after the maturity ie in case any certificate is not encashed on maturity, the balance at credit (principal + profit) without any deduction, shall be deemed to have been reinvested for another period of 10 years on filling in a new application form. These certificates are available in the denominations of Rs.500, 1000, 5,000, 10,000, 50,000, 100,000, 500,000 and 1,000,000.

1.4.3.3 Special Savings Certificates

This scheme being of three years maturity was introduced in February 1990 keeping in view the periodic needs of depositors. These certificates are available in the denomination of Rs.500, 1000, 5,000, 10,000, 50,000, 100,000, 500,000 and Rs.1,000,000/=. Profit is paid on the completion of each period of six months. In case, the profit earned on these certificates is not drawn on due date, the un-drawn profit will automatically stand reinvested from date of its accrual. Zakat is deducted at the time of actual encashment at the rate of 2.5 percent on the principal amount where applicable. As per directives of the Federal Government, the withholding tax on profit from investment made on or after the July 01, 2002 shall be deducted at source at the rate of 10percent of profit earned on Special Saving Certificate when the amount exceeds one hundred and fifty thousand rupees (Rs.150,000). Details of sale, encashment of SSCs / DSCs during the year FY05 are given below:

Table 1.4.4.4 Position of Sale / Encashment of National Savings Instruments (Rupees in million)				
Security	2003-04		2004-05	
	Sale	Encashment	Sale	Encashment
SSC	5,347.618	28,411.349	2,667.849	53,771.920
DSC	1,030.437	2,824.105	676.856	5,662.913
Total	6,378.055	31,235.454	3,344.705	59,434.833



1.4.4 Business Process Re-engineering

In order to centralize all payment activities in BSC in line with Business Process Re-Engineering (BPR) plan approved by the SBP, the Operational Management Team (OMT) of BSC reviewed the process of re-structuring of Accounts Department in November 2004. With a view to implement the BPR plan in the BSC the following three new units and one division have been created on the strength of Accounts Department at Head Office Karachi:-

1.4.4.1 Employee's Benefit Unit

Payroll function with related items of work, TA & LFC process, advances functions which are currently managed by the Administration Department have been transferred to Accounts Department. The Fund Unit which was working within the Accounts Department has also been merged to the newly created unit.

1.4.4.2 Payment Controller Unit

All payment processing activities related to external stakeholders (suppliers' payments excluding procurement of goods) were centralized under a single payment controller function. Employees' payment functions related to travel advances and benefits reimbursement (excluding staff loan and funds) have also been centralized under this unit. This unit is now making all payments of Engineering and Medical Services Department through Oracle System.

1.4.4.3 Services & Asset Management Unit

In order to streamline the unit the services contract management which was previously handled by units in different departments including Staff Services Division of Administration Department has been centralized under Services and Asset Management Unit. Consequently the Expenditure Unit in Accounts Department has ceased to exist.

1.4.4.4 Procurement Division

In the wake of emerging application of Oracle-ERP, it was decided to centralize all procurement activities at one place. A Procurement Division has been established in Accounts Department as well as in Administration Division of all the Field Offices by merging General Section and Stationery Management Section, with the purpose to procure all items including stationery items (Inventory) pertaining to SBP to be looked after by this Division.

1.4.5 Adoption of Public Procurement Rules 2004 of the Government of Pakistan by the BSC

The Central Board of Directors in its meeting held at Lahore on May 15, 2005 has adopted the Public Procurement Rules 2004 of the Government of Pakistan in place of the SBP's existing Standard Rules and Regulations for procurement. Consequently, all procurements are required to be made in BSC according to Public Procurement Rules 2004.

1.4.6 Other Developments

- Instructions for adoption of IAS were issued to all field offices of BSC to prepare their financial statements for the year ended June 30, 2005 accordingly.
- It has been decided that under no circumstances resources already allocated to Globus / Oracle team for training / project rollout will be transferred from their present assignment till completion of the critical task assigned to them.
- One window operation for Public Accounts Department (Payment) has been approved and in the first phase the job has been taken up by the Karachi Office in consultation with ISD of SBP.
- Globus banking solution has been started in BSC Peshawar during FY05.

Training in the area of Globus banking solution in respect of NSS for the officers of field offices has been arranged at NIBAF North Nazimabad, Karachi during the period under review.