

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

Accounts Circular No. 02

5th March, 2004

The Presidents/Chief Executives
All Banks

Dear Sirs/Madam,

PRUDENTIAL REGULATION - XXV
Schedule of Penalties on Cash Management – Monitoring of

It has been observed that violations / irregularities are recurring in case of several banks despite them being allowed ample time / concessions and repeatedly reminded of the deficiencies during the on-site examination of the quality of currency notes in circulation. This situation cannot be allowed to continue any further from the regulatory point of view. With a view to ensure that inefficiencies in the banking institutions are reduced to the minimum, to address public grievances and to ensure that the observations / irregularities pointed out by the SBP BSC are taken seriously by banks and rectified promptly, it has been decided that, in addition to any other action that SBP may institute against any functionary of a bank under section 83 of the Banking companies Ordinance 1962, the following scale of penalties will be applicable with effect from July 1, 2004 in respect of various categories of violation of rules and regulations : -

Sr. No.	Nature of Violation / Area of Irregularities	Scale of Penalties
1	Violation of instructions issued vide SBP BSC Circular No. Cy - 1537 – 1579 / 1(Poly) - 2002 dated 02-10-2002 for not maintaining the prescribed statement of daily closing cash balances.	Rs. 5,000/- per instance plus Rs. 500/- per day during which the default continues.
2	Violation of instructions under SBP BSC Circular No. Cy. 1537-1579 / 1(Poly) - 2002 dated October 02, 2002, as amended vide SBP BSC Circular No. Cy / 01 / 03 dated 22-04-2003.regarding maintenance of minimum One Day's fresh / re-issuable balance in accordance with the average daily cash payment requirements.	Rs. 5,000/- per instance plus Rs. 500/- per day during which the default continues.
3	Violation of instructions under SBP BSC Circular No. Cy. 1537-1579 / 1(Poly) - 2002 dated October 02, 2002, for not properly sorting Bank Note packets / bundles into issuable / non-issuable condition over the	Rs. 5,000/- per instance plus Rs. 500/- per packet of un-sorted / non-issuable currency notes of any denomination, if caught, being pushed into circulation.

	payment counters.	
4	Violation of instructions issued vide SBP BSC Circular No. Cy. / 01 / 03 dated 22-04-2003 for not providing extra effort for on spot sorting of bank notes over the counter in case where average daily payment is exceeding Rs. 1.50 million.	Rs. 5,000/- per instance.
5	Violation of instructions issued vide SBP BSC Circular No. Cy. / 01 / 03 dated 22-04-2003 for not affixing "SORTED" stamps on packets of bank notes.	Rs. 500/- per packet of any denomination is caught during on-site examination & Rs. 500/- per packet in case any stakeholder alongwith evidence of the same lodges a complaint.
6	Violation of instructions issued vide SBP BSC Circular No. Cy. 1415 / 336 – 2003 dated June 28, 2003 for not accepting small denomination bank notes of Rs. 5/- & 10/- as well as cut / soiled / mutilated and defective.	Rs. 10,000/- per case with evidence.
7	Violation of instructions issued vide SBP BSC Circular No. Cy. 02 / 03 dated October 27, 2003 for not removing the Staple Pins from packet of Rs. 5/- and Rs. 10/- denomination bank notes and not properly banding them.	Rs. 500/- per packet.

You are, therefore, requested to issue necessary directives / instructions to your branches to note the above scale of fines / penalties and to avoid violation / irregularities.

Please acknowledge receipt.

Yours faithfully,

Sd/-
(MUHAMMED SALEEM REHMANI)
Director