



STATE BANK OF PAKISTAN

PROCEDURE FOR REFUND
OF VALUE OF BANKNOTES BY
THE COMMERCIAL BANKS

FINANCE DEPARTMENT
(Currency Management Division)

PROCEDURE FOR REFUND OF VALUE OF BANKNOTES BY THE COMMERCIAL BANKS

The designated branches of the Commercial Banks are hereby authorized to attend all the applications received from general public for the recovery of value of mutilated, stolen, lost or otherwise imperfect Banknotes in terms of Finance Department, SBP circular No. 02 of 2008 dated the 18th March, 2008. Designated branches will be treated as an agent of the claimant and submit a power of attorney to the concerned SBP BSC office in form **CB-1** duly authorizing them to act on behalf of the claimant.

1. The functions to be performed at the designated branches of Commercial Banks are:-
 - (i) to attend to all applications for recovery of value on lost, stolen, mutilated or otherwise imperfect notes in accordance with the State Bank of Pakistan (Note Refund) Regulations 1963 which contain rules framed in exercise of the powers conferred by Clause (q) of Sub-section (2) of section 54 of the State Bank of Pakistan Act, 1956.
 - (ii) to watch the disposal of all unclaimed notes; and
 - (iii) to deal with forged notes
2. The employees of other units/sections of the branch should not be allowed to access the registers or other record of the dealing unit/counters. The counter itself should be so located as to be readily accessible to the general public and special care should be taken that persons coming for regular banking business are not be un-necessarily distraught.

GENERAL PROCEDURE

3. No person shall, as matter of right, be entitled to recover value of any lost, stolen, mutilated or otherwise imperfect notes but the value of such notes may be refunded, as of grace, under the circumstances, conditions and limitations prescribed in the Note Refund Regulations.

Note 1: A "Note" means a note issued by the State Bank of Pakistan. The term "Note" as mentioned in these Rules anywhere in connection with defective notes includes not only an unidentifiable note or part thereof but also unidentifiable fragments of a note if value is sought to be recovered thereon.

- Note 2: Defective notes should be treated as mutilated, half, mismatched or altered notes, as the case may be, strictly according to the Note Refund Regulations and described as such in all the records and registers of the Claims Unit/Counter of a branch of Commercial Bank.
- Note 3: A charred (burnt) note presented with an application for recovery of its value will be regarded as a mutilated note if it fulfills the conditions laid down in Rule 3(e) of the Note Refund Regulations.
- Note 4: The Authorized Officer should not pay any value of defective notes which suggest or bear any indication of having been abstracted (withdrawn) after payment, cancellation or verification in the Issue Department of SBP BSC (Bank).
4. The following points of procedure laid down in the Note Refund Regulations should be carefully understood:-
- (a) Applications for recovery of value in respect of any note presented at a branch of any Commercial Bank will be finally dealt with by the prescribed Officer or the Currency Officer of SBP BSC (Bank).
 - (b) No application for recovery of value of defective notes shall be entertained unless presented within 12 months of the time when it might first have been presented.
 - (c) If an applicant who is required to furnish any information relating to his application called by Currency Officer fails without a reasonable cause, in the opinion of the Currency Officer concerned, within three months the application may be rejected.
5. Every applicant should be dealt with directly and not through an agent.
6. When a verbal application is made, the tenderer will be asked to fill in the prescribed form and submit it along with a copy of the National Identity Card and the notes, of which value is sought to be recovered, to the Authorized Officer of the branch who will sign the acknowledgement attached to the form. The acknowledgement will then be handed over to the tenderer with instructions to produce the same at the time of payment.
- Note 1: Form **L-2** is the prescribed form of application for notes of all denominations.
- Note 2: The value of defective notes may be paid directly (i.e. without going through the formalities prescribed in this Para) by the Authorized Officer of the branch if the note is obviously payable

under the Bank's Note Refund Regulations.

7. All defective notes presented personally which do not appear to be forged and are not in accordance with **Para 8 of Issue Department Manual (Annexure-A)** either paid or returned or paid directly by the Authorized Officer under Note 2 of Para 6 above, should be entered in Claims Receipt/Disposal Register in form **CB-3**. The notes are made over to the Currency Officer of respective SBP BSC (Bank) for further action.

Note:

A mismatched note means an imperfect note formed by joining a half note of one note to a half note of another note.

8. While paying the value of defective notes directly by the Authorized Officer under Note 2 to Para 6 or accepting the application (L-2) from a claimant for refund of the value of the defective note or notes the following points may be taken into consideration: -

- (a) Whether the note is genuine or forged, and
- (b) Whether the portion presented is clearly more than a half note and, if it has been made up of parts or fragments of a note joined together, whether each part of fragment is identified as part of the same note.

Note 2: A torn note has ordinarily uneven and rough edges as compared to a cut note.

Note 3: To ascertain whether a note is more than a half or not, it should be measured or compared with the half of a good note of the same design.

9. Payment over the counter will be made by the Authorized Officer after proper identification of the applicant and a receipt in the form appended to Form L-2 obtained in each case. No stamped receipt is necessary. In cases, where claimants do not turn up even after issue of two reminders, i.e. after expiry of about 45 days, the amount of exchange value shall be credited to "**Sundry Deposits Account**" and subsequently payment would be made by debiting the same account, as and when the claimant has turned up.
10. All outstanding cases on the 1st January out of the receipts of the previous calendar year as well as those at the end of each subsequent month will be reported to Currency Officer of respective SBP BSC (Bank).

11. All applications for recovery of value on or in respect of notes should be disposed of as quickly as possible. For this purpose the following procedure should be adopted: -

- (a) If an applicant fails to furnish any information called for within a month of the issue of the requisition a reminder will be issued.
- (b) If no reply is received within a month of the issue of the first reminder a second Reminder will be sent by registered post (with acknowledgement due).
- (c) If no reply is received within a month after the issue of the registered reminder the case will be furnished to the Currency Officer of the respective SBP BSC (Bank) for rejection of the application under Rule 8 (2) of the Note Refund Regulations.

Note - An application once rejected in accordance with (c) above should not be reconsidered save and except when very exceptional reasons are adduced for failure to supply the required information warranting the reopening of the case.

12. All the registers/reports of the Claims Notes Unit/Counter should be examined once a week by the Manager of the branch to see that there is no delay in the disposal of cases or in the completion of accounts. This will also help the Manager of the branch to ascertain the cases to be taken up for disposal on the due dates.

13. If an applicant fails within a reasonable time to take payment after it has been offered, a notice in Form **L-33** will be sent to him by registered post. If within one month after the issue of this letter no response is received, a notice in Form **L-34** will be sent to him by registered post with acknowledgement due. If no steps are still taken to receive payment the value of the notes will be credited to the respective office of SBP BSC (Bank). The value of a note thus credited shall not be refunded except under the orders of the Director Currency Management Department (CMD), SBP BSC (Bank), HOK.

However, in the presence of open option given by the claimant in Form **L-2**, viz. payment by money order/at the counter (i.e. where claimant does not strike off any mode of payment) issuance of reminder in Forms **L-33** and **L-34** is not necessary. In such cases, exchange value of defective notes of Rs.5/- and above be remitted through money order after deducting money order charges if the claimant does not turn up to collect value thereof even after expiry of a period of one month. Where the money order is received back undelivered, the proceeds may be credited to the appropriate head of account.

14. (a) The designated branches of Commercial Banks themselves deposit the notes to the respective office of the SBP BSC (Bank) against which the payment of face value is made by them directly to the applicant. They should provide information to SBP BSC (Bank) at least one day prior to such deposits. On receipt of such notes the office of the SBP BSC (Bank) will examine and pass them as per requirements of Notes Refund Regulation and will credit their Main Account same day with the amount passed for payment.
- (b) The claims for refund of value of the notes (**L-2**) along with copy of CNIC, defective notes and power of attorney received at any branch of Commercial Banks will be submitted to the respective office of SBP BSC (Bank). The details of claims should be recorded in a forwarding letter in form **CB-2** in duplicate and submitted to respective office of SBP BSC (Bank), who will return the duplicate copy of **CB-2** after acknowledging the receipt of claims.

MUTILATED NOTES

15. According to Rule 3 (e) of the Note Refund Regulations a “mutilated note” means a note of which a portion is missing provided that the portion presented is clearly more than a half note and that if the portion presented consists of parts of a note joined together each part of such portion is identifiable as part of the same note. The missing portion should be less than half of a note so that it is too small to be used to substantiate another claim. It is not necessary that the presented portion should be entire. If the presented portion is in pieces the note should be treated as a mutilated note if these pieces can be identified as belonging to one and the same note and all the pieces put together form more than a half note. The part of a note which is slightly more than a half but has become so due to the division vertically near the center is not a “mutilated note”.

Note: The term “entire” means a single piece as opposed to “fragments, parts or half notes joined together”.

16. (a) The Currency Officer of the SBP BSC (Bank) will record his order for payment or rejection in accordance with Regulation 10 both on the notes as well as on the case sheets submitted to him with the necessary report. Before ordering payment the Currency Officer/Prescribed Officer will satisfy himself that the note is genuine and that the conditions laid down in Regulations 3 (e) and 10 of the Note Refund Regulations are fulfilled.

- (b) In respect of notes on which payment is refused an advice in Form **L-12** will be issued by the concerned office of SBP BSC (Bank) to the respective branch of Commercial Bank for onward delivery to the applicant.

ALTERED AND OBLITERATED NOTES

17. An application for recovery of value of a note, which is altered or obliterated, should be dealt with under Regulation 14 of the Note Refund Regulations. The Currency Officer/Prescribed Officer of the SBP BSC (Bank) will order payment only when he is satisfied about the identity of the note and also that it has not been fraudulently altered so as to appear to be of a higher denomination, otherwise he shall reject the application and impound the note. When the note is impounded, intimation in Form **L-57** will be issued by the office of the SBP BSC (Bank) to the respective branch of Commercial Bank for onward delivery to the applicant.

HALF NOTES

18. Applications for recovery of value on half notes cannot be entertained under Regulation 6 (2) of the Note Refund Regulations. Persons applying for value of such notes will be given an advice in Form **L-12**. Action will then be taken by the Currency Officer of SBP BSC (Bank) as per rules.

UNCLAIMED NOTES

19. (a) Unclaimed notes will be dealt with generally in accordance with the same procedure as notes received in ordinary claims. Notes of all denominations, which constitute more than half a note, will be stamped "Unclaimed Note" and submitted to the nearest SBP BSC (Bank) office for necessary action at their end.
- (b) These unclaimed notes fall mainly under the following heads: -
- (i) Notes received in the Issue Department of SBP BSC (Bank) for disposal as unclaimed property from the dead letter office or from public officials or from private individuals;
 - (ii) Notes of which payment is ordered but not made owing to the claimants having moved from the original address, or, being dead, no legal representatives coming forward to claim payment on behalf of the deceased.

- (iii) The unclaimed Bank notes for more than three years described in clauses (i) and (ii) above should be transferred to the respective SBP BSC (Bank) and thus appropriated to the Bank's profits.

FORGED NOTES

20. 1. The Managers of Commercial Bank branches will send forged notes coming into their possession to the nearest Currency Officer or the Treasury Officer for impounding.
2. If any forged note of a particular series is being presented or circulated in any locality in considerable quantities or if there is anything of special interest in connection with any forgery, the fact should be specially reported to the concerned authority with the request for vigorous steps being taken to detect the mutterers. The matter should also be brought to the notice of the Director Currency Management Department, SBP Banking Services Corporation (Bank) Head Office, Ka4rachi who will consider whether the situation calls for a reference to the local Government.

**PARA 88 OF ISSUE DEPARTMENT MANUAL -
FORGED, DEFECTIVE OR ALTERED NOTES**

If a note which is presented is suspected to be a forged note or a half, mutilated, obliterated, altered, mismatched or otherwise imperfect note, it should be produced before the Assistant Chief Manager/Deputy Chief Manager (Cash) for orders. If the note is suspected to be a forgery the constable on duty must be directed to watch the presenter. If the Assistant Chief Manager/ Deputy Chief Manager (Cash) is satisfied that the note is open to no objection he should order its immediate payment. If the note is a half note or a divided and joined note of which the numbers are mutilated or is clearly mutilated or mismatched, it should be stamped accordingly and the presenter directed to tender the note with an application in form **L-2** over the counter of the Claims Notes Unit.

If, however, there is any doubt or if the note is obliterated, altered or forged, the details should be entered in a case sheet, Form **L-4**, together with the complete address of the presenter (as per his National Identity Card). If the tenderer is not in a position to produce any documentary evidence to prove his identification to the satisfaction of the Bank, he should be handed over to the police with the case for investigation and report, the Currency Officer recording these orders on the case-sheet.

To dispose of and pay the exchange value of claim notes, the same day an OG-1 will prepare the case sheet etc. after receipt of notes through the prescribed application and will personally put up the same to Assistant Chief Manager (Cash)/Currency Officer/Deputy Chief Manager as the case may be. He (the O.G.1) will be responsible for claim notes of denominations of Rs. 10/- to Rs.100/-. He will receive cases up to the total value of Rs.1000/- per application which will be disposed of by him the same day. The notes will be delivered to the Defective Notes Exchange Counter for immediate payment after they are passed by the competent authority.

Stamps with distinctive letter and movable date should be issued to the passing officers of the defective notes. These stamps should be issued/received back daily by the Treasury Officer (Admin). Indelible ink of good quality should be used in the stamps of Notes Claims Unit and Cash Department so that the impression of the stamps does not give way in any case, even on separating them where they stick to each other. Worn out stamps should immediately be replaced and should in no case be allowed in use of the staff/officers passing the defective notes.

Note 1.

Deleted.

Note 2:

In case of forged notes discovered in course of examination of an inward remittance the note should be made over by the Assistant Chief Manager/Deputy Chief Manager (Cash) to the Claims Notes Unit for disposal under the rules after a case sheet has been prepared and the signature of the attending Potdar obtained on the case sheet as well as on the forged note. Necessary Police inquiry should then be made in the usual manner.

Note 3:

Notes received for opinion which are found to be forged, altered or obliterated must in no case be returned to the tenderer but dealt with under Paras 90 and 91. But all the other genuine but defective notes which are tendered for opinion irrespective of whether or not any value is payable thereon under the rules should if the party so desires be returned after branding them with the proper stamp.

Note 4:

The Bank notes where the portrait of Quaid-e-Azam has been disfigured or desecrated and the notes bearing written, stamped, embossed or inscribed upon them any words or visible presentation intended to convey or capable of conveying a message of a political, religious or commercial character are not legal tender.