



STATE BANK OF PAKISTAN
FINANCE DEPARTMENT
I.I. Chundrigar Road
KARACHI

FD Circular No. 5 /2020

October 7, 2020

The Presidents/Chief Executives
All Banks / Microfinance Banks

Dear Sir/Madam,

SBP Currency Management Strategy – Outsourcing of Cash Processing Activities

This is with reference to the SBP Currency Management Strategy (CMS) issued vide FD Circular No. 03 /2015 dated August 26, 2015, which inter alia requires banks to automate cash processing function and disburse only machine authenticated good quality banknotes of higher denomination to the public. Presently all banks are issuing machine processed banknotes (Rs. 100 and above) to the public.

2. The CMS has given flexibility to banks to either have their own cash processing facilities or make arrangements with other banks having the required capacity to get their cash processed. The outsourcing of processing of higher denominated banknotes was, however, kept restricted to other banks only having the requisite capacity as CMS did not allow outsourcing of this function to commercial cash processing companies.

3. In order to further enhance the flexibility for banks to get their cash processed and encourage greater innovation and development of cost effective models for cash processing, it has been decided to allow banks to outsource their cash processing functions. The banks may thus outsource their cash processing functions (sorting, authentication, and packing) for all denominations of banknotes to such cash processing companies having capacity to process the cash in full conformity with the CMS instruction.

4. Banks shall ensure that the cash processing company (service provider), if any engaged, operates in full conformity with the CMS instructions issued vide FD Circulars No. 03 /2015 dated August 26, 2015 and No. 02 / 2017 dated March 10, 2017 as amended from time to time. It is reiterated that compliance with the CMS instructions is the responsibility of banks outsourcing cash processing and any non-compliance of instruction by the service provider shall, for all intents and purposes be treated as non-compliance by the concerned bank, making the bank liable to penal action under the CMS.

5. Banks shall contractually bind the service provider that SBP may conduct surprise visits of its CPCs, to assess the control environment and regulatory compliance regarding CMS.

6. The Banks while engaging the service provider shall ensure compliance with SBP instructions on outsourcing arrangement with third parties, as issued vide BPRD Circular No. 6 of 2019 dated December 17, 2019, as amended from time to time.

7. The Banks shall report all such arrangements to Finance Department SBP along with details of branches and ATMs to be fed through the outsourced service providers within seven (7) days of signing of contract with the service provider. The Banks shall also share the address(es) of the cash processing centers of the service provider and contact details of the CEOs and other senior management for SBP's information and record.

Please acknowledge receipt.

Yours faithfully,

Sd/-

(Qader Bakhsh)
Director