

Bank/PBA Queries Pertaining to CMS

Circular Name	Circular	Subject	Bank's Query	SBP Response	Date of Issue	Vide
Banknote Packing Instructions	FD Circular No. 02/2017, March 10,2017	Categorization of Notes	<p>Point #1.1, FD Circular No. 02/2017, March 1003-2017: SBP advised banks to categorize cash into following four</p> <ol style="list-style-type: none"> Fit for Re-issuance/ Circulation Unfit/Soiled Machine Rejected Suspected Counterfeit <p>It is Banks understanding that the categorization provided via Master Circular 01 of 2004 (which is ReIssuable / Soiled / Defective / Unsorted) would be discontinued and merged with the above categories in the following manner</p> <ol style="list-style-type: none"> Fit for Re-issuance / Circulation (Banks may further sub-categorize this category into ATM Fit, Counter Fit and Fresh Notes Categories) Unfit / Soiled Machine Rejected / Defective Suspected Counterfeit 	The category of Machine Rejected banknotes, vide FD Circular No. 02/2017 dated March 10, 2017, also includes Clearly Payable Defective Banknotes. Therefore, The banks shall deposit the same to SBPBSC under Machine Rejected banknotes. Therefore, the clause 3(g) under “Deposit with SBPBSC” stands amended accordingly.	18-Apr-17	FD Letter NO.FD.IDD/9433/ 819-2017
Banknote Packing Instructions	FD Circular No. 02/2017, March 10,2017	Packing Machines	In its earlier circular, SBP had not mentioned the packaging material specifications, as a result of which the banks purchased packet and bundle binding machines without taking this aspect into account. Since SBP has recently provided their packaging material specifications in many cases they do not match with the specs standards of the machines previously procured. Therefore, SBP should consider allowing packaging material specifications which equipment already procured are capable to deliver.	The banks that have purchased/placed orders for purchase of packets and bundle binding machines before issuance of packing instructions they may use these machines for packet and bundle binding provided they meet other requirements like printing of requisite information on the packet/bundle bands. All such banks should contact this department on immediate priority to share the specifications etc of the machines so installed.	18-Apr-17	FD Letter NO.FD.IDD/9433/ 819-2018
Banknote Packing Instructions	FD Circular No. 02/2017, March 10,2017	Timelines	SBP advised banks to implement preparation of banknotes bundles from July 03, 2017 for shrink wrapped with colored bundle cards on top and bottom according to the currency denominations. On the other hand, SBP has asked banks to wrap and put bundle cards in case of Interbank Exchange of Cash (IEC) from April 03, 2017. Here SBP needs to clarify which one is the final implementation date? The banks understanding is that for enhanced bundling / packaging the implementation date will be July 03, 2017 and till then banks can follow the existing process of packaging and bundling.	Yes! The Shrink wrapping and bundle binding instructions are applicable from July 3. Till that time the banks may also use wide rubber bands (with minimum half inch width) to bind the bundles; the packets will have to have paper bands as specified in the strategy. These bundles will be accepted both by SBP BSC and NBP and may also be used for interbank exchange of cash. However, banks shall ensure that the banknotes (fit, unfit and reject) to be deposited with SBP BSC, NBP or for interbank exchange don't contain any staples, pins, thin rubber bands, tapes etc (as stated in Section 1.1 of Packing Instructions) and that the packets are paper banded.	18-Apr-17	FD Letter NO.FD.IDD/9433/ 819-2019
Banknote Packing Instructions	FD Circular No. 02/2017, March 10,2017	Plastic Trays	Transportation of machine sorted and shrink wrapped cash in plastic trays to SBP and other banks (interbank) will increase complication in logistics through CIT companies and will not mitigate any risks. Banks suggest that SBP should consider removing requirement of plastic trays.	In order to revamp the banknotes supply chain and modernize the processing of banknotes; the use of plastic trays is pivotal for transportation and deposit with SBP BSC. The trays will be mandatory for deposit of cash with SBP BSC only and not for interbank exchange. The banks/CITs have been given ample time (about one year) to procure the trays. However, banks are also encouraged to adopt plastic trays based packaging and transportation for interbank exchange and branch to branch cash transfers.	18-Apr-17	FD Letter NO.FD.IDD/9433/ 819-2020

Banknote Packing Instructions	FD Circular No. 02/2017, March 10,2017	Cash Handling Machines Processing Model	Keeping in view the earlier SBP guidelines (FD Circular No. 03/2015, August 26, 2015), the banks already procured and provided shrink wrapping machines to their Cash Processing Centers (CPCs) and Cash Feeding Branches (CFBs) for only these locations to wrap and put bundle cards on sorted cash for Interbank Exchange Cash, but in the recent communication of SBP the banks have now been asked to wrap and place bundle cards on top and bottom in every exchange transaction as well. This requirement is not possible to comply with as this would require to arrange infrastructure similar to CPCs and CFBs setups at total branch network of all the banks across the country.	The requirement of packing with bundle cards and shrink wrapping is mandatory after July 03, 2017 for deposit with SBPBSC, Interbank Exchange of Cash (IEC) or provision of cash to other banks under mutual agreements (clause B(i) of Circular No. 03/2015). The intra bank exchange of cash and movement of cash from CPCs/Cash Feeding branches to linked branches or cash processed within the branch as in case of branch based model doesn't require shrink wrapping and bundle cards etc. The same has also been mentioned in the scope of the Packing Instructions.	18-Apr-17	FD Letter NO.FD.IDD/9433/ 819-2021
Machine Fitness Sorting Parameters of Pakistan Rupee Banknotes	FD circular No. 1/2014 dated September 9, 2014	Banknote Authentication Machines	Sorting machines are not detecting ballpoint graffiti and stains on notes. The banks recommend that SBP should circulate unified sorting setting standards for each approved machine to avoid disputes in terms of refusal of accepting sorted cash delivery by SBP and other stakeholders (interbank). a. At present vendors are setting machines as per their own understandings resulting in variable sorting standards. They are unable to explain the exact percentages of settings to meet SBP parameters in MMs / length / width for tapped, tears, dog ears, stains, graffiti and levels for soiling. b. Till the unified sorting setting standards for each approved machine are available from SBP, it is recommended that the banks should not be penalized by SBP for cases where the banks are in compliance of using approved / certified sorting machines.	SBP has already issued machine fitness sorting standards vide FD circular No. 1/2014 dated September 9, 2014. All the machines listed on SBP website conform to these standards. Banks are advised to approach their vendors for fine tuning and adaptation to minimize the variations. However, SBP is aware of minor variation in sorting/ output of different machines and variations within a pre-defined threshold/tolerance level shall not warrant penal action.	18-Apr-17	FD Letter NO.FD.IDD/9433/ 819-2022
-	-	Soiled Notes Disposal	Banks are facing issues in timely disposal of soiled / dead cash at SBP BSC offices, which is putting huge constraints on the banks in terms of increasing their daily cash holdings and insurance costs. If effective and quick facilitation from SBP BSC offices is not ensured then the volume of soiled / machine rejected notes will increase significantly post policy implementation and the banks will be under immense pressure financially and functionally.	To cater the influx of soiled banknotes, post implementation of CMS, a strategy is being devised for SBPBSC Offices to accept increased influx of soiled banknotes deposits. The purpose of the strategy would be to: i) provide an effective deposit mechanism for banks keeping in view our vaults and processing capacity; and ii) provide equal opportunity to all banks keeping in view the branch network, deposit base and average cash holding. As SBPBSC has larger processing capacity in Karachi, the banks are encouraged to collect the soiled balances from their branches in areas/cities/towns nearer to Karachi for deposit with SBPBSC Karachi. The overall Strategy will soon be communicated to banks enabling them to deposit the soiled notes to SBP BSC in an efficient and transparent manner.	18-Apr-17	FD Letter NO.FD.IDD/9433/ 819-2023
-	-	Penalty Imposition	Under Phase 1 of Currency Management Strategy banks were required to arrange CPC/CFB at 30 big cities / districts. The SBP may firstly examine the CPC and branches in close vicinity and keep a margin of error as full functionality and operational effectiveness of CPCs are to be tested in days to come. Therefore, it is suggested that SBP may not take any penalization in case any shortcoming has been observed during its initial inspection and offer a reasonable time to the Bank to undertake required measures at any given CPC	Banks have been given sufficient time to establish, test and operate CPCs/CFBs in line with requirements of SBP Currency Management Strategy (CMS). However, taking into account the commitment of banks towards implementation of CMS, SBP will consider such genuine instances practically. Nevertheless, banks with major deviations and gross non-compliance of SBP directives shall face stern penal actions.	18-Apr-17	FD Letter NO.FD.IDD/9433/ 819-2024
Interbank Exchange of Cash	FD circular No.01/2017 dated 20th March 2017	Interbank Exchange of Cash	IEC arrangements of SBP BSC is an additional channel to surrender excess cash/procure cash through interbank transactions, however on need basis banks can execute interbank transactions on their own through RTGs as per existing practice and it will not require any reporting/approval from SBP BSC.	Yes! The Bank's understanding is correct. However, bank can only deposit its excess Fit/Re-issuable cash with SBPBSC which it has offered in IEC and couldn't be absorbed.	18-Apr-17	FD Letter NO.FD.IDD/9433/ 819-2025
FD circular No.01/2017 dated 20th March 2017		Interbank Exchange of Cash	Banks shall only send email for IEC to SBP BSC, if excess cash is available to surrender or banks are in need of cash, IEC circular/instructions dose not requires daily NIL intimation email or daily cash positions of banknotes of all banks.	Yes! We endorse bank's understanding.	18-Apr-17	FD Letter NO.FD.IDD/9433/ 819-2026

Banknote Packing instructions	FD Circular No. 02/2017, March 10,2017	Packing of IEC Balances	For balances received through IEC, should the bank CPC have to re-sort and re-shrink wrapped these bundles and affix their own stamp and bundle cards on packets ????? Or there is no need to re-shrink wrapped the bundles as the shrink-wrapped fromremitting bank is sufficient to keep the same in receiving bank's Cash vault	The banks may deposit the cash processed and packed by other bank(s) with SBP BSC or offer the same in IEC. The earlier requirement that the cash processed and packed by the depositing bank can only be deposited with SBP BSC or offered for exchange in IEC shall stand withdrawn. However, in case of any discrepancy, the bank which has processed and packed the cash shall be responsible.	31-Aug-17	FD Circular No. 03/2017, August 31, 2017
IEC		Penlaty	For balances received in IEC if the SBP team visits the CPC and finds any discrepancy in the balances, then in such case which bank will bear the penalty?	The banks may deposit the cash processed and packed by other bank(s) with SBP BSC or offer the same in IEC. The earlier requirement that the cash processed and packed by the depositing bank can only be deposited with SBP BSC or offered for exchange in IEC shall stand withdrawn. However, in case of any discrepancy, the bank which has processed and packed the cash shall be responsible.	31-Aug-17	FD Circular No. 03/2017, August 31, 2017
CCTV Footage		Preservation Period	In reference to SBP F.D Circular 03/2015 of Currency management strategy Section B-iii-C SBP has instructed to monitor all CPC activities through high definition CCTV with preserving of 90 days recording for investigation of any dispute if arises. In this regards HBL have already established the necessary CCTV infrastructure at all 1 st Phase CPCs to comply the CMS requirement. Hence the confusion is that do we need the CTV recording at branches/ATMs for 90 days or 60 days? With regards to our last meeting held on August 4th and SBP F.D circular 03/2017 , SBP instructed all banks to have a tracking mechanism in place for end-to-end process of sealing/unsealing of CIT bags/Trays & replenishment of ATMs which should be carried under CCTV controlled environment. Since no specification of CCTV cameras and recording retention period specified for branches and ATM vestibules, therefore will it be the same, as applicable for CPCs or the bank would need to comply item 1.12 of Section B of BC & CPD circular No 1 of 2016 which instructs banks to retain CCTV footage for 2 months for tracking of customer's complain?	The preservation period of video recording has been standardized to 60 days for CPCs, Cash Feeding/Standalone Branches, and onsite & offsite ATMs. However, in case of any dispute, the recording shall be preserved till the dispute is finally settled	6-Nov-17	FD Circular Letter No. 04/2017, dated November 6, 2017
Banknote Packing Instructions	FD Circular No. 02/2017, March 10,2017	Cash Trays	This refers to SBP FD Circular No. 02/2017 dated March 10, 2017 regarding Bank Note Packing instructions, wherein at page no. 8 point 2. Transport Mechanism for Banknote Bundles, all banks are advised to phase out the existing practice of depositing bank notes in canvas/jute bags with cash trays. you will be pleased to know that The Bank Of Khyber is in process of implementing the cash trays mechanism to fully comply the regulator instructions before dead line of April 02, 2017. Our strategy towards trays mechanism includes the construction of a separate vault room in CPC ,where sorted cash shall be placed in trays to be surrendered to SBP BSC Office. This vault room shall be in addition to existing vault room which will be used exclusively to place only Cash trays having sorted cash in compliance of SBP CMS whereas existing vault room shall be used to place loose cash in safe as per existing practice. In this regard you kind guidance is solicited to guide us regarding construction of exclusive vault room to place only cash trays in CPC , so that SBP regulation may not be violated in any way.	With reference to the query, it is stated that the bank may use a separate vault to place cash trays as per its own requirements provided it complies SBP's instructions regarding cleanliness and proper safe keeping arrangement as well as the required insurance cover as advised vide SBP circular No.03/2015 dated August 26, 2015.	Email	Email

Banknote Packing Instructions	FD Circular No. 02/2017, March 10,2017	Cash Trays	<p>This refers to SBP FD Circular No. 02/2017 dated March 10, 2017 regarding Bank Note Packing instructions, wherein at page no. 8 point 2. Transport Mechanism for Banknote Bundles, all banks are advised to phase out the existing practice of depositing bank notes in canvas/jute bags with Cash Trays.</p> <p>In this regard, further clarification is solicited as per following:</p> <ol style="list-style-type: none"> 1. SBP mentioned regarding use of trays for depositing bank Notes in SBP BSC Office, as per our understanding Trays shall be used only for the TRANSIT as Cash will be moved from BOK CPC to SBP BSC office in BOK trays, whereas SBP BSC office on receipt of Bank cash at counter shall further return the BOK trays and retain the cash in its own trays and place the same in SBP BSC vault. 2. Furthermore, Sometime due to heavy volume of cash being deposited to SBP BSC office, SBP deposit our cash under Bonded facility. In such case, SBP retain our cash in its vaults for number of days and call the bank on its turn to process the bonded cash. In such case, Please guide whether our cash trays shall be withheld till such time or our trays will be returned on receipt of bonded cash. 	With reference to appended query, it is stated that as per existing instructions, the trays shall be returned to the respective bank in both cases.	Email	Email
Currency Management Strategy	<ul style="list-style-type: none"> •FD Circular No. 03/2015, dated August 26,2015 •FD Circular Letter No. 04/2017, dated November 6, 2017 	Pocketless Dress	<p>We like to draw your attention towards issue being faced by our Incharge CPC's , as SBP has made pocket less dress mandatory for note sorting staff as well as for supervisors of the CPC's, but it is came into noticed that Incharge CPC visit SBP most often and also much engaged in HO meetings on different matters, where observance of pocket less dress for Incharge CPC is difficult.</p> <p>So, in this regard it is requested that, SBP may exempt the Incharge CPC's from above instructions, enabling the Incharge to attend SBP and HO meetings without any hindrance.</p>	The requirement of Special Uniforms/Pocket-less Dress is mandatory for note sorting staff as well as their supervisors at Cash Processing Centers. Therefore, your request for exemption cannot be acceded.	Email	Email
-	-	Claim Notes	<p>What will be the procedure to report "CLAIM NOTE " to SBP and what will be the time period in which the reporting bank shall receive the credit against it?</p> <p>There is a scenario, as if customer approach the branch counter for claim note exchange, what will be teller do??</p> <p>Scenario: A The teller shall immediately exchange the note and facilitate the customer from counter cash and then report the claim note to SBP, but in this scenario how the branch shall balance its counter as" CLAIM NOTE " will be deposited in SBP?</p> <p>Scenario : B The Teller will tell the customer that, presented note is "CLAIM NOTE " and cannot be exchanged at branch counter immediately , as it shall take some time to report the note to SBP and receive the credit against it, once we get the credit from the SBP the same shall be intimated to customer , so that customer can get the exchanged note against " CLAIM NOTE"</p>	<p>With reference to your query it is stated that recovery of value of claim notes is subject to passing by the prescribed authorities at SBP BSC offices as per prescribed procedure under Note Refund Regulations, 1963. Therefore, the bank shall follow the existing practice and intimate the customer accordingly.</p> <p>It may be mentioned that as per internal SOPs, the respective SBPBSC office promptly processes the refund requests/cases presented by banks and inform the bank/branches accordingly.</p>	Email	Email

Currency Management Strategy	FD Circular No. 03/2015, dated August 26,2015	Cash Processing Machines	<p>With reference to the Cash Authentication Machines list on SBP website that are segregated for CPC and branch level operations</p> <p>We would like to inform you that we were one of the first banks that had acquired the four units of G&D C4 8+1 stacker Cash Authentication Machines and deployed them at our high turnover centres. Our experience using this product has been very satisfactory with reference to the output and the after sales service provided by the vendor. Further for 1st Phase 33 CPCs we procured 52 units of Magner 350 - 3+1 stackers machine.</p> <p>Currently, we are in the process of procuring additional Cash Authentication Machines for our 1st phase CPCs and capacity building for 2nd phase CPCs . Considering the average daily processing volume and contingent plan for each CPC we have developed strategy to procure a mix of 3+1 stacker & 1+1 stacker machines .</p> <p>To enhance the processing capacity of 1st phase CPCs for handling the forthcoming Rs 100 denomination and 2nd Phase CPCs where daily processing volume is less than 50 bundle per day we are considering a minimum of 2 units of 1+1 stacker machine for each location, whereas for CPCs having daily processing volume of above 50 bundles per day we are considering 3 +1 stacker machine.</p> <p>Keeping above volume bracket and contingent plan, we have shortlist G&D BPS C1 machine for our current capacity building of CPCs. We would appreciate if we are allowed to procure the G&D C1 for our CPCs for now which may be later transferred to high volume branches if we adopt the hybrid approach of CPC & branch based model.</p>	<p>With reference to your appended email, it is advised that small size machines with single pocket and a single set of banknotes would require multiples iterations (sorting & authentication) to achieve the final output; resulting in inefficiency and time delays. Moreover, these machines are more suited for teller/front desk operations and are not meant for handling huge quantum of notes i.e. sorting and authentication performed by CPCs.</p> <p>Accordingly, your request for use of 1+1 machine at CPC cannot be acceded.</p>	Email	Email
Banknote Packing Instructions	FD Circular No. 02/2017, March 10,2017	Counterfeit Notes	<p>As per our discussion with regards to the counterfeit notes. The SBP CMS guidelines does define the method of surrendering the counterfeit notes via the temper proof bags. This treatment of surrendering is explained for notes that get identified in CPCs via the currency authentication machines.</p> <p>There is no specific SBP circular that defines the surrendering process of notes to SBP that get identified by branch tellers. Although, BPRD circular # 8 dated July 12, 2007, does mention the banks role on educating the customers and for the banks to liaise closely with law enforcement agencies and apprehend distributors of fake currency.</p> <p>Therefore, in the interim the branches have the option to route their identified fake notes to their respective CPCs and the CPCs can surrender the same to SBP as per the process mentioned in the SBP CMS guideline.</p>	Branch can surrender the counterfeit note to the CPC/main branch who can deposit the same with the SBP BSC office.	Email	Email
Banknote Packing Instructions	FD Circular No. 02/2017, March 10,2017	Banknote Packing Instructions	<p>With reference to banknotes packing instructions issued by SBP vide FD Circular No. 02/2017 dated March 10, 2017 and subsequent clarifications received vide FD Circular No. 03/2017 dated August 31, 2017, it is our understanding that these banknote packing instructions will only apply to cash being deposited in SBP (BSC) regional offices or traded in Interbank Exchange of Cash as per the process defined by SBP.</p> <p>Additionally, these instructions will not be applicable on cash being deposited in National Bank of Pakistan in the cities where SBP (BSC) offices are not present.</p>	<p>With reference to your query, it is clarified that the Packing Instructions will also be applicable on cash deposited with NBP Chests/Sub Chests.</p> <p>However, the requirement for deposits in cash trays (as prescribed in Section 2 of Banknote Packing Instructions) shall only be applicable for deposits with SBP BSC Offices.</p>	Email	Email
SBP Currency Management Strategy	FD Circular Letter No. 04/2017 November 6, 2017	CCTV	This refers to subject, for example , There is a branch that fall under the jurisdiction of CPC and does not have Desktop Note Sorting machine of its own as all its cash authentication and sorting needs are fulfilled through CPC, whether this branch should also require to have recording for three months ? or only machine equipped branches required to have three months recording?	Linked branches are required to open the balances received from CPCs/CFBs in CCTV controlled environment, including balances for branch's own consumption as well as for ATM Feeding; so as to ensure end to end trail of processed cash. Therefore, linked branches will also be required to preserve CCTV recording for prescribed period.	Email	Email

Currency Management Strategy	FD Circular No. 03/2015, dated August 26,2015	Police Verification	Apropos to FD Circular # 03/2015, dated August 26, 2015 therewith Banks were advised to conduct necessary screening/police verification of staff deployed at CPCs with periodical(annual or so) from relevant law enforcement agencies. Considering this we engaged services from a reputable firm, who provides us the below findings of each and every staff stationed at CPCs. We seek your consent that the screening from below agencies we are getting is precisely serving the purpose or else we need to get investigations from any other agency as well.	Reference your below email, it is clarified that Police verification is required in terms of FD Circular No.3/2015 dated August 26, 2015. However, as per banks' own SOPs/internal control mechanism verification through/ from any other organization can be conducted.	Email	Email
Currency Management Strategy	FD Circular No. 03/2015, dated August 26,2015 •FD Circular Letter No. 04/2017, dated November 6, 2017	Pocketless Dress	With reference to point (f) iii of Para B Automated Cash Processing Centers (CPCs) of FD Circular No.03/2015 dated August 26, 2015 on Currency Management Strategy : Quote Special uniform/pocket less dress shall be made mandatory for the note sorting staff and their supervisors at the cash processing places Unquote We week your clarification on following query: " is this uniform must be of one piece (coverup) or the concerned staff can also wear two piece uniform but without pockets ?"	Reference your appended email, it is informed that the SBP's instructions regarding special uniform/pocket-less dress do no specify any number of pieces for the uniform. It is, bank's own operational decision to use pocket-less dress with one or multiple pieces, in order to ensure compliance of SBP directives.	Email	Email
Banknote Packing Instructions	•FD Circular No. 03/2015, dated August 26,2015 •FD Circular Letter No. 04/2017, dated November 6, 2017	IEC	This is with reference to SBP Currency Management- Banknote Packing instructions shared vide FD Circular No. 02/2017 dated March 10th , 2017 where in respect of ITC (Interbank Trading of cash) we have a query as following: " For example, Bank of Khyber receives 50M cash from Meezan Bank Ltd in compliance of SBP packaging instructions having shrink wrapped and bundle cards intact from Meezan bank , where further 20M is paid off from BOK counter while remaining 30M cash kept in BOK cash vault having all the packing requirements intact as received from Meezan bank, what will be the implications in below mentioned two scenarios; Scenario - 1: Does The BOK CPC have to re-sort and re-shrink wrapped these bundles and affix BOK stamp and bundle cards on packets ????? Or there is no need to re-shrink wrapped the bundles in BOK as the shrink-wrapped from Meezan bank is sufficient to keep the same in BOK Cash vault ? Scenario - 2; if Next day, SBP team visits the CPC and found any discrepancy in Meezan bank bundle than in such case which bank will bear the penalty? "	The banks may deposit the cash processed and packed by other bank(s) with SBP BSC or offer the same in IEC. The earlier requirement that the cash processed and packed by the depositing bank can only be deposited with SBP BSC or offered for exchange in IEC shall stand withdrawn. However, in case of any discrepancy, the bank which has processed and packed the cash shall be responsible.	Email	Email