



External Relations Department

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SBP Issues instructions for Modernizing Cash Management Function in Banks

State Bank of Pakistan has issued comprehensive instructions for modernizing cash management function of banks. The instructions are part of a strategy for transforming the cash management function from manual to automated environment and improving the quality of banknotes in circulation.

A circular No. FD.03/2015 dated 26th August 2015 says that from 2nd January 2017, the banks shall only disburse machine authenticated and sorted cash to their clients/general public from their branches/ATMs. For the purpose, the banks shall establish specialized 'Cash Processing Centers (CPC)' having state of the art cash processing machines and storage facilities. Alternately, the banks can have the requisite cash processing facilities at their cash feeding branches and/or can make arrangements with other banks/ CPCs to get their cash processed.

In addition, SBP has also introduced the mechanism of interbank exchange / trading of cash whereby from 2nd January 2017 the banks will be able to exchange cash directly from other banks and SBP Banking Services Corporation (SBP-BSC) window will be used as only a last resort to provide cash to the banks in case of shortages and to absorb access cash in case of surpluses in the market. With the introduction of this mechanism from 2nd January 2017, the existing facility available to banks for deposit of re-issuable banknotes with the offices of SBP-BSC will cease to exist.

The SBP-BSC offices will accept the surplus cash only as a last resort when this cash could not be placed in the interbank market and that too against a service charge of 0.12% of the total value deposited. The SBP-BSC shall however continue to accept soiled/unfit banknotes from banks. The transition from the existing arrangement will be managed in an orderly manner.

The effective implementation of the instructions is likely to transform and modernize the cash management function in the country, bring efficiency and transparency, check counterfeiting of banknotes and significantly improve the quality of banknotes in circulation.
