



June 06 2008

Banking Circular No 4 of 2008

To All Chief Executives
Commercial Banks

REVISED GUIDELINES FOR CURRENCY TRANSACTIONS

The Central Bank of Kenya has over the years accepted deposits of unsorted banknotes from commercial banks. This has resulted into large backlogs in sorting and congestion at the Central Bank strong rooms. In an effort to improve our operations and service to all our customers, we have drawn up a set of guidelines to assist commercial banks to sort notes before depositing at the Central Bank. The Central Bank shall therefore not sort any commercial bank deposits as fit or unfit from the date the guidelines take effect.

As from July 1st 2008, all commercial banks will be expected to deposit banknotes that have been sorted into either fit or unfit categories which should be clearly marked on the boxes delivered to the Central Bank.

Effective the same date, the Central Bank of Kenya shall cease to accept deposits of coins. It is expected that commercial banks shall carry out inter bank transactions for their coin needs. The Bank will however accept requests for withdrawal of coins in case of any shortfall in the market.

A handwritten signature in blue ink, appearing to read "Daniel M. Chege".

Daniel M. Chege

Director, Currency Operations & Branch Administration Department

BANKNOTES SORTING GUIDELINES

1. OBJECTIVE

The objective of banknote sorting is to:-

- Maintain a clean banknote policy at all times throughout the country and beyond wherever Kenya Banknotes are in use.
- To re-circulate fit banknotes within the Banking system in order to derive maximum usage before soiled and worn-out banknotes are returned to Central Bank for destruction.
- Enhance integrity and confidence in Kenya Currency through disposition of clean and positive currency management.

2. AFFECTED PARTIES

In order that these objectives are met, all those involved in banknote sorting, while undertaking this process, need to clearly separate fit and unfit banknotes destined for re-circulation and destruction respectively.

3. STANDARDS OF SORTING CRITERIA

A criterion is here below spelt out to assist all those involved in banknote sorting:-

	Banknote status	Sorting Criteria
1	SOILAGE (a) Dirt	Treat as unserviceable if cleanliness is less than 50% compared to a new banknote of the same denomination.
	(b) Stained or discoloured	100% - all to be treated as unserviceable
	(c) Graffiti – written on	100% - all to be treated as unserviceable
	(d) Washed, bleached or stiff (Genuine and depicting UV bright properties)	100% - all to be treated as unserviceable
2	TEARS (a) Missing corners or tears at the edges	100% - all to be treated as unserviceable
	(b) Holes – 1mm or wider	100% - all to be treated as unserviceable
	(c) Security thread loose or missing	100% - all to be treated as unserviceable
3	MUTILATION	100% - all to be treated as unserviceable (Ensure that banknote meets the minimum criteria for exchange of mutilated notes)
4	OTHERS (a) Staple pins	100% - all to be treated as unserviceable

	(b) Cello tape or masking tape on banknote	100% - all to be treated as unserviceable
5	GENUINE BUT DEPICTS DEFECTIVE PROPERTIES	100% - all to be treated as unserviceable, but submit to CBK for technical analysis and replacement
6	COUNTERFEITS	100/% reject as counterfeits. Submit to CBK or law enforcement agent immediately with customer details where available.

4. PACKAGING AND LABELING

Banknotes to be packaged into Sub-bundles and Bundles. A sub-bundle to contain 100(one hundred) banknotes and a bundle will comprise 10(Ten) sub-bundles. Complete bundles to be marked using a label showing details of the Bank and clearly marked ‘ FIT’ in the case of serviceable notes and ‘UNFIT’ in case of unserviceable notes.

Full bundles shall then be shrink-wrapped in **translucent polythene bags**.

In order to standardize practice in the industry, the following labelling and packaging colours to be adopted for each denomination:

Denomination	Colour of Label and Packaging material
50/=	Light green
100/=	Light red
200/=	Light yellow
500/=	Light blue
1000/=	White label & clear packaging material

CURRENCY OPERATIONS & BRANCH ADMINISTRATION DEPARTMENT