

August 02, 2005

The Chairman & Managing Director/  
Chief Executive Officer  
(All banks having currency chests)

Dear Sir,

**Shortages in currency chests - Strengthening of internal control systems in banks maintaining currency chests.**

Please refer to our circular DCM(CC)No.485/03.30.02/2003-04 dated October 23, 2003. We observe from the records that the shortages in the remittances sent by currency chests of various banks to Reserve Bank of India have been showing an increasing trend. One of the reasons for such shortages and even for frauds/misappropriation is the inability of the Controlling Offices of the banks to ensure periodical verification in time of the chest balances and/or at least once in two months as prescribed in our circular referred to above. Further, internal quantitative/qualitative checks exercised in the currency chests are insufficient, and which contribute to increasing incidents of shortages and misappropriation, besides increasing risk. We shall, therefore, be glad if you will please issue necessary instructions to the Controlling Offices of your chest branches for ensuring verification of balances as per the minimum periodicity stipulated in our circular and essential safeguards in internal control system (such as surprise verification/effective joint custody, etc.) are invariably adhered to.

2. Please acknowledge receipt.

Yours faithfully,

(P R Nair)  
General Manager