

February 19, 2010

The Chairman and Managing Director / Chief Executive Officer
All Scheduled Commercial Banks

Dear Sir

Setting up of Cash Processing Centres – Recommendation of HLG

We invite your attention to issue of a directive [DCM \(NPD\)No. 3158 /09.39.00\(Policy\)/2009-10](#) dated November 2009 (issued under cover of our letter [DCM\(NPD\)No. 3161/09.39.00\(Policy\)/2009-10](#) also dated 19 November 2009 enjoining upon the banks to necessarily check/process the notes in the denomination of Rs. 100 and above through Machines for fitness and authenticity, confirming to Standards prescribed by the Reserve Bank from time to time, before their issue through ATM/over counters. The instructions as above were issued by us pursuant to the recommendations of the High Level Group constituted under DG(UT) to look into various currency management practices in vogue.

2. The Group, inter alia, has also recommended setting up of Cash Processing Centres (CPCs) at various key locations with enhanced processing and storage capacities to tap advantages arising out of economies of scale, minimize overnight cash risks at bank branches and to benefit from sophisticated logistics techniques.

3. Since banks may find it difficult to install/maintain machines at all their branches dealing with notes of high denomination, it has been decided to accept the Group's recommendations with respect to CPC and encourage the

banks to set up state of the art Cash Processing Centres (CPCs) with substantial processing and storage capacities. This would further RBI's objective of the Clean Note Policy.

4. Banks may consider any of the following three types of Cash Processing Centres (CPCs):

- a) A CPC established at an existing currency chest branch in the same location.
- b) A CPC attached to an existing/new currency chest branch in different location.
- c) A stand alone CPC that provides only fitness sorting and authentication services (i.e. they shall collect mixed notes from the bank branches in the morning and would return the same, after processing/authentication checking/sorting, in the evening as unfit notes, fit/issueable notes (ATM Fit/Counter Fit and suspect notes).

5. To make the CPCs viable and also to take advantage of capacity built up, the CPCs may also serve the branches of other banks which may require its services and charge from them a reasonable fee for the services rendered at mutually agreed rates. The stand alone CPCs could also render services to others such as merchant establishments, petrol pumps, etc. handling large volumes of cash against payment of fees.

6. Machines to be installed at CPC shall conform to "Note Authentication and Fitness Sorting Standards" prescribed by RBI (DCM).

7. CPC shall be subject to inspection by RBI at any time.

8. Please acknowledge receipt.

Yours faithfully

(R. Gandhi)
Chief General Manager