



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Quality and Integrity of Currency

Frequently Asked Questions

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PART A OVERVIEW

1. Introduction

- 1.1. This document comprises key feedback received from Financial Institution (FI), Money Services Business (MSB) and Registered Currency Processor (RCP) – collectively referred to as the industry, during the consultation period and the Bank's responses on the policy on Quality and Integrity of Currency.

- 1.2. Other comments and suggestions for clarification, where relevant, have been incorporated in the policy document.

PART B QUALITY OF CURRENCY

2. Interpretation

2.1. What are the examples for unfit/worn and defaced/tampered, and can these definitions be added in Appendix I and Appendix II?

The examples for unfit/worn and defaced/tampered are available in Appendix I and Appendix II while the definitions are available under Section 11 and Section 12 of the policy document. When looking at Appendix I and Appendix II, the industry needs to cross-refer to the definition in Section 11 and Section 12 for clarity.

2.2. What is the definition of 'ink' for dye-stained and soiled banknotes?

Ink used in currency protection device is a bright coloured dye ink to stain banknotes in the event of robbery attempt on SST, as defined in the Bank's Guidelines on Dye-Stained Currency Notes. On the other hand, ink for soiled banknotes are other inks apart from dye-stained ink.

2.3. What are the definitions of limpness and crumpled notes, and can the Bank provide machine readable measurements for both?

The definitions for limpness and crumpled notes are available under Section 11 of the policy document. The industry may consult with respective machine vendors for machine readable measurements that would be acceptable as defined by the Bank since different machine model uses different technology to measure.

3. Channels to Surrender Currency Not Suitable for Circulation

3.1. Can defaced and tampered currency be deposited to the Bank?

The industry cannot deposit defaced and tampered currency to the Bank, and must exchange them with the Bank over the counter.

3.2. Is a deposit of unfit or worn currency in incomplete quantity allowed by the Bank, if the collected currency volume is low?

The industry must ensure quantity of currency is complete before depositing the unfit or worn currency to the Bank. The industry is encouraged to reach out to the Bank should they encounter operational challenges.

3.3. Can small quantities of unfit or worn currency be exchanged over the counter with the Bank?

The industry must ensure only defaced and tampered currency are exchange with the Bank over the counter to ensure operational efficiencies.

3.4. Can MSBA licensees exchange defaced and tampered currency with commercial banks?

MSBA licensees are allowed to surrender defaced and tampered currency with commercial banks, and is subjected to provisions in Guidelines on Exchange of Defaced Currency Notes, Tampered Currency Coins and Demonetised Currency at Financial Institutions.

3.5. Can the Bank incorporate detailed procedures on submission of currency i.e. how to deposit and exchange over the counter?

This policy document will only cover the general requirements to be adhered to by the industry for operational efficiencies i.e. the channels to surrender currency to the Bank. Details to each individual process will be supplemented with other documents, such as process manuals, issued from time to time.

3.6. Can the Bank consider offering additional over-the-counter services, e.g. more appointment slots for the exchange of defaced and tampered currency?

The Bank aims to continuously improve our services from time to time, and will review requests for additional services accordingly.

PART C INTEGRITY OF CURRENCY

4. Interpretation

4.1. What are the examples of suspicious circumstances, and whether carrier of counterfeit currency refusing to disclose personal information falls under this category?

In managing risks, the industry needs to assess and ascertain if a carrier refusing to disclose their info should be deemed as suspicious circumstances.

This may include, but is not limited to the following scenarios:

- a) a situation where the industry suspects the carrier to be the counterfeiter;
- b) a situation where a repetitive trend or *modus operandi* of passing counterfeit Malaysian currency is observed; or
- c) any other circumstances deemed suspicious by the industry, based on professional judgement.

4.2. What are the dimensions for TEP bag used to safekeep counterfeit currency?

The industry may determine the required dimensions for TEP bag. The industry can also use the existing TEP bag available for currency operations.

4.3. Who is required to inform vendor of SST on discovery of counterfeit currency for machine calibration?

FI is responsible to inform SST's vendor for machine calibration.

5. Detain Counterfeit Malaysian Currency and Record Information of Carrier

5.1. Can the industry choose not to detain counterfeit currency tendered by their customer?

It is legally required for FI (including MSB) to detain counterfeit currency to be surrendered to the police for investigation under Currency Act 2020. Notwithstanding, FI may release the counterfeit currency back to the customer in the event there is risk that the customer could cause physical harm to employees of FI or other customers.

5.2. Can the industry use information retrieved from other sources i.e. account holder's information or CCTV footage to substitute information on carrier?

The industry shall, as much as reasonably practicable, collect information from carrier and not use details from other sources to ensure the information submitted to police is accurate to allow investigation. The industry may consider using information retrieved from other sources if such information cannot be obtained as there is risk that the customer could cause physical harm to employees of FI or other customers.

5.3. Are there specific forms to be used to collect the information from the carrier??

The industry is required to use the form as per Appendix III.

5.4. Should the carrier's information collected be submitted to the Bank?

The carrier's information shall be furnished to police to assist their investigation, together with the detained counterfeit currency. The Bank does not conduct criminal investigation, thus the industry is not required to submit carrier's information to the Bank.

5.5. What details or information need to be recorded if counterfeit currency is discovered during back-end processing?

The industry may be guided by the procedures stated under paragraph 17.4 for collection of information, which also specifies which information needs to be recorded.

6. Reporting on Discovery of Counterfeit Malaysian Currency to The Bank

6.1. Can the Bank streamline the requirements to report discovery of counterfeit currency to the Bank in this policy document and policy document on ORION?

The reporting requirements under the policy document has been streamlined with the requirements in ORION's policy document.

6.2. What are the details or information needed for RCP to lodge report on counterfeit currency discovery to the HQ of FI?

RCP may use the form as per Appendix V to record required information for the purpose of reporting to HQ of respective FI.

6.3. What are the procedures to follow for counterfeit currency discovered via ATM, and should this incident be reported to the Bank via ORION?

Counterfeit currency discovered via ATM is not considered to be accepted (deposited) through SST, thus the industry can surrender the counterfeit currency to the police. The industry is required to comply with ORION's reporting requirement for discovery of counterfeit currency via ATM.

7. Surrender Counterfeit Malaysian Currency to Police

7.1. Can the Bank streamline the timeline to surrender counterfeit currency to police to three (3) working days to avoid confusion?

The reporting timeline has been streamlined to three (3) working days for all cases, except for discovery under suspicious circumstances (to be surrendered within 24 hours) to assist investigation by the police.

The reporting timeline is counted based on working days only, and any discovery during weekend or public holiday shall be reported within the stipulated timeline, starting from the next working day.

7.2. Who should surrender the counterfeit currency to the police?

It is the duty of the person who discovers the counterfeit currency to surrender it to the police at the nearest police station. Counterfeit currency discovered during processing is to be reported at police station nearest to currency processing centre (where it is discovered) even though it originated from SST in other area.

However, please take note that only police station with officers from Jabatan Siasatan Jenayah Komersil (JSJK) will accept reports on counterfeit currency, and the timeline for investigation is based on the prerogative of the police.

PART D CURRENCY PROCESSING OPERATION

8. Interpretation

8.1. What is the definition for currency processing activities?

Currency processing activities means (i) the sorting of currency note or currency coin by authenticity or quality, or (ii) the packing of currency note or currency coin by quality, quantity or denomination, as defined in Currency Act 2020.

8.2. What is the definition of currency processing data?

Currency processing data means the data obtained from currency processing activities, and does not include recounting or currency processed via SST and OTC.

8.3. What is the definition of reconciliation of currency processing?

Reconciliation of currency processing means the quantity of currency before processing and after processing (inclusive of all fitness categories and suspected counterfeit) tally.

8.4. What is the definition of latest firmware?

Latest firmware is the most recent firmware version made available by the machine manufacturer or agent authorised by him, and the industry needs to regularly check for firmware updates.

8.5. Does the Bank specify the method for determining currency authenticity and fitness i.e. either by using currency processing machine or manual inspection by officer?

The industry may determine the method of choice to assess authenticity and fitness of currency, as the requirement is to ensure only fit currency is recirculated. Should the industry decide to use currency processing machine, Section 20 of the policy document shall apply.

9. Currency Processing Machine

9.1. Can the Bank provide clarity on type of sensors mandatory for currency processing machine?

Sensor requirements are specified in paragraph 20.1 of the policy document, and it is only mandatory for machine used for currency processing activity only.

9.2. What is required maintenance services for currency processing machine?

There is currently no requirement for maintenance services for currency processing machine as long it can perform optimally at all times.

9.3. Can the Bank provide test packet for data collection exercise and fine-tuning of currency processing machine?

The Bank will allow exchange of fitness test packets to assist the industry to conduct calibration and fine-tuning once the Bank has formalised the desired machine output. In addition, the Bank also allows for the industry to conduct data collection exercise at the Bank's premise on an appointment basis.

The industry is encouraged to advise their machine vendor to update their contact with the Bank to ensure they can be informed on availability of new samples.

9.4. Does the Bank have any plans to accredit currency processing machine?

The Bank is aware of the accreditation programme conducted by other central banks to assess the capability of currency processing machine, and will assess the need to provide such accreditation programme.

10. Requirements on Recording, Reconciliation and Reporting

10.1. Can the industry be exempted from daily reconciliation requirement if they do not conduct currency processing daily?

The industry is required to perform reconciliation activity on the same day the currency processing activity takes place.