



HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

16 Jan 2009

Handling of banknotes in circulation

Our Ref: B1/15C

16 January 2009

The Chief Executive
All Retailed Banks

Dear Sir/Madam,

Handling of banknotes in circulation

As the Chinese New Year approaches, there will be a significant increase in the circulation and use of banknotes. Banks should heighten their vigilance in handling the circulation of banknotes. This letter sets out the control requirements for handling the circulation of banknotes which the HKMA had previously communicated to banks.

Banks should put in place a robust mechanism to ensure that all banknotes loaded into their automatic teller machines (ATMs) are authentic. In principle, banks should replenish their ATMs only from the following sources:

- a. banknotes obtained from the note issuing banks in the case of Hong Kong dollar banknotes, or the Renminbi ("RMB") Clearing Bank in the case of RMB banknotes; or
- b. banknotes that have been validated by reliable banknotes validation machines¹.

Similarly, banks should ensure that appropriate control measures are in place at branch counters to validate banknotes. For example, reliable validation machines (for higher denominations) and staff who are sufficiently experienced and trained² on validation of banknotes should be available at bank offices.

Banks are expected to observe the above-mentioned requirements on an ongoing basis. If you have any questions on the content of this letter, please contact your usual supervisory contact at the HKMA.

Yours faithfully,

Nelson Man
Executive Director
(Banking Supervision)

¹ Als should conduct adequate and regular tests of the machines to ensure that the machines are able to detect new version of forged banknotes emerged from time to time.

² AI management should ensure that adequate and regular training sessions are arranged for all the relevant staff especially if new counterfeit features of banknotes are identified.

Last revision date : 01 August 2011