
From: Sean Farrow[/O=MMS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=SEAN.FARROWF90D5424-A655-488D-9010-7DFABC0364FB]
Sent: Tue 30/12/2014 6:08:35 PM (UTC)
To: Mark Underwood [REDACTED] **GRO** [REDACTED] Michael R Haworth [REDACTED] **GRO** [REDACTED]
Subject: RE: Counterfeit notes

Mark

There is far too much here to go through. There is probably something like 12-20 pages of info within these sections. I don't know if there is PDF or Word document containing the same info OR whether this is the only medium used (including storage).

Sean

From: Mark Underwood [REDACTED]
Sent: 30 December 2014 17:50
To: Michael R Haworth
Cc: Sean Farrow
Subject: RE: Counterfeit notes

Or alternatively....

Sean I realise this may be very tedious but if you were able to detail exactly what is written in each (4?) of the sections where Counterfeits are mentioned on Horizon online that would probably be more useful i.e.

Question C – Branch to Branch remittances –

- Horizon online – F10 Back Office > F4 > F4 > F2 or F3
- How to send cash from a Core to an Outreach branch and vice versa
- Neither refers to checking of notes

Question F – Counterfeits in remittances –

- Horizon online – F10 Back Office > F4 > F2 > F4 > F3 (Pages 3 & 4)
- How to account for counterfeits when remitting back to the Cash Centre

Question E & F – Counterfeit instructions – day to day in branch

- Horizon online – F7 Retail > F2 > F1 > F4 (screen shot below shows the seven areas covered)
- Covers all aspects of identifying, treating, handling and remitting counterfeits in branch

Plastic Bank note envelopes – should all be clearly marked.

- Horizon online – F3 Banking & Financial services > F1 > F2 > F2 > F12
- Confirms how Santander customers should complete PBNE's and therefore what the branch should check – note – any counterfeits found in Santander PBNE's are claimed from Santander customers – the branch is not part of the process nor takes any liability.

Mark

From: Mark Underwood [REDACTED]
Sent: 30 December 2014 17:44
To: Michael R Haworth
Cc: Sean Farrow
Subject: RE: Counterfeit notes

Thanks Sean,

Michael- are you able to supply me with Hi Res versions of the screen shots at the bottom of this email chain?

Many thanks

Mark

From: Sean Farrow
Sent: 30 December 2014 17:36
To: Mark Underwood
Subject: RE: Counterfeit notes

Mark

That I don't know. Suspect not. Michael Haworth may be able to point you in the right direction if you are looking for better screen shots ect.

I haven't copied him in on this, but he is our link into the rest of Network.

Sean

From: Mark Underwood
Sent: 30 December 2014 17:30
To: Sean Farrow
Subject: RE: Counterfeit notes

Thanks Sean,

Sorry for my ignorance, would I be able to log on to Horizon myself to access the guides detailed below?

Mark

From: Sean Farrow
Sent: 30 December 2014 16:28
To: Mark Underwood
Cc: Belinda Crowe; Sandra Murray; Keith Rann
Subject: RE: Counterfeit notes

Mark

Based on our conversation and the "potential" for this to become public knowledge I have amended the original email, striking through what should be deleted and adding in new shorter sentences in red.

I have also obtained the latest booklet produced by the Bank of England which we send to branches with our letter which provides lots of useful tips about what to look out for when checking notes.

I have also re-written the ATM points from the email sent earlier today.

- All cash for use in Branch ATM's are provided to branches from the Cash Centres. No cash should be re-circulated for ATM use ~~within the branch, only cash handed to customers can be re-circulated.~~
- ~~Out of the £250M despatched to branches each week, £190M of it is for ATM use.~~
- ~~Of the £190M we calculate that £50M is extra to the branches net needs, which means branches who receive this £50M also send £50M back to cash centres.~~
- ~~So this will be branches who for example use £100K in the ATM but in branch receive more cash than they pay out. Because this excess cannot be used within the ATM it has to be sent back to ourselves.~~
- ~~This means we deliver and collect more pouches (at cost) and have to process more cash (at cost) within Supply Chain.~~

- ~~However we MUST do this to meet Bank of England requirements of being in the NCS scheme~~
- We must check all cash that leaves the cash centre for ATM use to ensure it is all counterfeit free and meets the Bank of England's exacting note standards.

Hopefully with the detail behind this you will have enough for the meeting on the 9th.

I can dial in at whatever time should you need anything on the day. Just send me the actual times as necessary.

Sean

From: Mark Underwood
Sent: 29 December 2014 13:04
To: Sean Farrow
Cc: Belinda Crowe
Subject: RE: Counterfeit notes

Hi Sean, how does tomorrow suit? At say midday – do you have a number I can call you on as that may be the simplest way?

Like you say it would be useful to better understand the process of passing back counterfeits to branch but also the 4 points made below as I am not au fait with cash centres or circulation schemes.

It is also important that anything we do provide, we are happy for it to be public knowledge. Although the report is supposed to be confidential, it is likely it will be leaked. This in mind, we may need to revisit the info provided?

Speak tomorrow

Mark

From: Sean Farrow
Sent: 29 December 2014 10:53
To: Mark Underwood
Subject: RE: Counterfeit notes

Mark

I actually work in Ipswich so we can do a call sometime this week to talk over this. When do you want to discuss this?

As for the 9th I have an appointment in Ipswich around lunchtime. But could dial into a meeting for this particular session to answer any questions Second Sight may have.

With regards withholding any info, what I would say is for Second sight this is fine BUT it this is for them only.

~~Keith Rann's stance on FOI for info~~

1. ~~No other CViT company services its own Branch network.~~
2. ~~Loomis are not a Bank of England Note Circulation Scheme, (NCS), member and don't therefore process cash in Cash Centres or to the exacting standards required by the Banks scheme.~~
3. ~~G4S, process cash as a NCS member, on behalf of Lloyds and Santander. They have no Branches of their own and wouldn't publish information such as this.~~
4. ~~Would the publishing of this information hurt us commercially?? Unlikely. (the only caveat to the last statement is – the process is a supportive process and any losses only hit those branches who ignore and disregard the letter and leaflet we send to them)~~

Sean

From: Mark Underwood
Sent: 24 December 2014 16:29
To: Sean Farrow; Belinda Crowe
Cc: Keith Rann; Sandra Murray
Subject: RE: Counterfeit notes

Hi Sean,

This is very comprehensive and a great help – thank you for pulling it all together so quickly.

I am around every working day until 7 January so it would be great to talk through as you propose. I also note you are in the office on the 9 January? Second Sight are coming in for a meeting to discuss the answers we have provided – would you be able to attend to discuss issues surrounding counterfeit notes? I will send you an invitation

Also – is there anything in the below email trail you would not be happy to be included in our response (i.e. would compromise our security)?

Many thanks

Mark

From: Sean Farrow
Sent: 24 December 2014 13:27
To: Belinda Crowe; Mark Underwood
Cc: Keith Rann; Sandra Murray
Subject: Counterfeit notes

Belinda / Mark

Please can we discuss this as a) there is a lot here & b) crucially I'd like you to better understand our approach to passing the few counterfeits back to branch. As this is designed to instigate a **supportive conversation** that they either decide to or not to have with us. (I am in the office any time week commencing the 29th Dec or the 5th / 7th (am only) / 8th or 9th Jan)

For reference I have attached our current Counterfeit letter that is sent to branches plus an article from the Daily Telegraph earlier this month which nicely and succinctly references our need to not disclose our "security procedures" as referenced in your email.

We have answered the questions from the original email. Plus please see these additional sections to provide:

- Context to our approach
- Process used in Supply Chain
- ~~Values posted against Branches, POL, Supply Chain itself and Santander Taken out because it contains information on a third party bank - Santander~~
- Horizon processes as extracted from Horizon online

Note – there are many references to PBNE's – these are Plastic bank note envelopes used to seal up notes, any discrepancies within these packets remain the liability of the person making up the notes.

Context to our approach

- The majority of counterfeits get claimed from other parties either ~~POL or Santander customers~~ with a small number going to Branches
- The administration of counterfeits is time consuming in comparison to other discrepancies.
- Where liability cannot be established Supply Chain takes the loss themselves
- In essence we are the "Gatekeepers" for POL in the control of counterfeits, not the beneficiaries.
- Please note - in the eyes of the law knowingly passing and handling a counterfeit note is a criminal

offense.

Process used in Supply Chain

- Once a counterfeit is identified it is verified by a second person
- We then determine liability based on the PBNE information available to us
- Taking into consideration counterfeits from that source on previous occasions
- All discrepancies identified in our Processing areas are posted to a single line in our Accounts team
- Liability is then identified and discrepancies allocated to discreet lines
- In the case of counterfeits there are two further check steps:
 - Does the rem contain several counterfeits or has the Branch had counterfeits in previous remittances over the last 12 months? If yes, we send the Bank of England's Counterfeit leaflet – "Know your Notes" and a standard letter confirming there was a counterfeit with the aim of instigating dialogue with the branch (attached – on opening this file please say "No" in the dialogue box when asked):
 - If the branch fails to phone us they take the loss – 12.7% of all counterfeits
 - If they call we discuss how they can spot and stop counterfeits. In most cases it highlights the fact that Santander customers are not presenting deposits in accordance with their account requirements. Having taken corrective action via this supportive approach we pass the loss to POL. We have previously communicated this out via Branch focus.
 - If the branch has only had one or two counterfeits in the last year the Post Office takes the loss. (worth a call to explain our approach as it is not black and white for good reason)

Values posted against last three months

Branch	12.7%	£ 7,725	300 estimate
Post Office (general)	52.6%	£31,885	1388 occurrences
Supply Chain	7.9%	£ 4,775	200 estimate
Santander	26.8%	£16,265	782 occurrences
Total	£60,650	2670 estimate	

- Note – very few branches are phoning us, but those that do are supported to improve future behaviours.

Horizon processes as extracted from Horizon online

There are three places within Horizon online that refers to counterfeits & one concerning Santander PBNE's

Question C – Branch to Branch remittances –

- Horizon online – F10 Back Office > F4 > F4 > F2 or F3
- How to send cash from a Core to an Outreach branch and vice versa
- Neither refers to checking of notes

Question F – Counterfeits in remittances –

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Methods of Payment

Cash Handling / Counterfeit banknotes

Introduction

ch_04_v1.0

Counterfeit banknotes must always be withdrawn from circulation.

The Counterfeit Notes or Discrepancies Found in Banknote Envelopes form P0005 is now used to claim all note shortages caused by counterfeits, both those found in loose cash or in cash Remittances in Post Office branches or those returned by customers who were paid them in transactions.

You should use the section on the form appropriate for the type of discrepancy you have found, as detailed below and return the counterfeit banknotes on the Horizon Online™ system if appropriate.

F1 Identifying counterfeit banknotes	Counterfeit notes returned by a customer	F5
F2 Treatment of counterfeit banknotes	Counterfeit notes impounded when presented by customers for a transaction	F6
F3 Remitting counterfeit banknotes	Counterfeit notes found in a deposit prepared by an Alliance & Leicester business depositor	F7
F4 Counterfeit notes found loose in official cash		F8

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Plastic Bank note envelopes – should all be clearly marked.

- Horizon online – F3 Banking & Financial services > F1 > F2 > F2 > F12
- Confirms how Santander customers should complete PBNE's and therefore what the branch should check – note – any counterfeits found in Santander PBNE's are claimed from Santander customers – the branch is not part of the process nor takes any liability.

Alliance & Leicester Commercial Banking - Business Deposits - General Information

Make-up of deposits (Page 1 of 3) alcb_02_02_12 v1.0

Business deposits may be made up of cash only, cheques only, or, in the case of a deposit made using a deposit slip (paper based), a mixture of cash and cheques.

Banknotes

Banknotes will either be presented loose or, in the case of a Cash Handling customers who have signed an indemnity agreement, in banknote envelopes (PBNEs) or Document Envelopes (SAHNE).

Document Envelopes SAHNE2

Document Envelopes

F1

Processing banknote envelopes (PBNEs)

When you receive PBNEs from Cash Handling customers who have signed an indemnity agreement:

- Check that each envelope is stamped with the name of the branch and/or company which has prepared it.
- If the envelope is not stamped, write the name of the branch and/or company on the envelope manually.
- Datestamp all PBNEs made up by the company.

Please note: The contents of PBNEs do not have to be counted at the time of the transaction, but they must be checked within 7 calendar days of the datestamp on the item, excluding bank holidays.

If you are unsure whether the customer is authorised to use banknote envelopes, i.e. they have signed an indemnity agreement, please contact the Post Office Banking Support Team on 0113 259 4910.

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Sean

Sean Farrow | Senior Accounting & Compliance Manager

 24 Dashwood Close, Ipswich, IP8 3SR

 N/A

 **GRO**



From: Keith Rann
Sent: 19 December 2014 18:34
To: Sandra Murray; Sean Farrow
Subject: Fw: counterfeit notes
Importance: High

Both,

Please deal with this for me.

Regards

Keith

From: Belinda Crowe
Sent: Friday, December 19, 2014 05:37 PM
To: Keith Rann
Cc: Rod Ismay; Mark Underwood; Belinda Crowe; Loraine, Paul
Subject: counterfeit notes

GRO

Hi Keith

As part of the Mediation Scheme I have been asked to provide answers to the questions below. Could you please either let me have the answers to those questions or point me in the direction of someone who can answer them.

I am afraid I have a very tight turnaround for the answers so grateful if someone would be able to provide the information. It is likely that it will become public and I am conscious of the need to ensure security is not compromised therefore that could affect the amount of detail you are able to provide.

You will see that one question has been struck through. This is not a question for you but is displayed in this way to preserve the numbering.

Happy to discuss if helpful.

Best wishes
Belinda

Belinda Crowe
148 Old Street, LONDON, EC1V 9HQ

GRO

From: Mark Underwood
Sent: 19 December 2014 16:47
To: Belinda Crowe
Subject: counterfeit notes

Hi Belinda – as discussed please see below questions from SS in relation to
counterfeit notes

1. Transaction anomalies associated with CASH or STOCK Remittances 1.1.

Please provide full details of the following:

- a) all procedures and controls in place to detect and prevent damaged or counterfeit notes being issued to branches as REMs;

There are four key elements within the Cash Centre that ensure integrity of notes sent to branches, use of high speed note counters which are calibrated daily to meet the Bank of England's exacting note standards. These machines are maintained by on-site engineers

- Use of High speed notes counters (G&D machines) – each note is checked for all possible characteristics – any note that fails to meet these standard are rejected – either because they fail to meet the bank of England's note quality standard OR is a counterfeit
- Daily calibration – each note counter (7 nationwide) are calibrated daily using a standard pack. This check ensures counterfeits and non-standard Bank of England notes are removed from circulation. The calibration check exceeds the standard set out by the Bank of England and is subject to regular audit by the Bank.
- NCS scheme – All notes we put into circulation must be integrity checked, the Bank of England primary aims are to remove counterfeits from circulation and provide ATM fit notes.
- Onsite engineers – to ensure our machines are maintained and serviced on a daily basis.

b) all procedures and controls in place to detect damaged or counterfeit notes in outward REMs sent from a branch to a cash centre;

It has to be noted the presentation of cash within a remittance to a Cash Centre aids the identification and ultimately the liability of counterfeits

- If cash is presented within PBNE's and have the originating customers or branches details on them liability can be assigned. During calls with branches many fail to ensure Santander customers complete PBNE's details correctly. In failing in this aspect, liability has to be assumed as being branch cash.
- Any notes identified as a counterfeit are verified by a second person.
- The relevant PBNE is used to identify the source of the cash.
- Within the Cash Centres we have Calibrated desk top note counters to aid the identification of non-standard notes, the process is:
 - Note counter identifies a non-standard note
 - Checked by the processing clerk to see whether the note is a counterfeit or an unfit note
 - If a counterfeit this is then verified by second person
- At which point the note is then processed as a shortage and passed to our Accounts teams in Bolton (England and Wales) or Belfast (Scotland or Northern Ireland)
- If a note passes this area and goes to our High speed note counter and is then found to be a counterfeit Supply Chain takes the loss.

c) all procedures and controls in place that prevent notes included in an outward REM from a branch being sent to another branch as an inward REM without being counted or checked for damaged or counterfeit notes;

Supply Chain does not physically control or transfer notes between branches. However the "Branch to Branch remittances" process shown in the main email above highlights the Horizon online instructions.

- d) all procedures and controls used to ensure that notes issued as REMs for use in ATMs meet the relevant

~~quality standards;~~

- e) all procedures and controls used in branch to detect counterfeit notes;

Within the Methods of Payments section on Horizon online

- f) the procedures to be followed in branch when a Subpostmaster detects counterfeit notes; and

There are two areas to reference here:

- Method of payments – 7 different scenarios covered when identified in branch
- Within Back Office – how to send counterfeits to the cash centre

- g) who bears the loss associated with accepting counterfeit notes?

Whoever made up the PBNE or if loose cash the person making up the remittance. The majority of counterfeits become the loss of POL unless the branch either has several counterfeits in a single rem, or a number of counterfeits over a period of time or the quality of the counterfeit is so poor. And even then only if they fail to call to discuss the matter when they receive our letter and Bank of England leaflet (see attached)

~~See the values posted to different areas in the main email~~

- ~~Where the source is identified:~~
 - ⊖ ~~Santander customer – via a PBNE with their details clearly marked as per Horizon instructions~~
~~(Business deposits – general information)~~
 - ⊖ ~~Branch – whether via a PBNE or loose cash~~
 - ~~If a very poor counterfeit~~
 - ~~If there are many counterfeits in a single remittance~~
 - ~~If one of many counterfeits over several remittances~~
 - ⊖ ~~Or Posted against a POL account and taken by POL as a loss – the majority of branch counterfeits~~
- ~~If the source cannot be identified – these are posted against Supply Chain~~

Mark Underwood
Initial Complaint and Mediation Scheme

GRO