

Clean Note Policy: RBI

December 5, 2002

Shri Vepa Kamesam, Deputy Governor, Reserve Bank of India, exhorted the banks to implement the Reserve Bank's instructions issued from November 2001 to do away with stapling of note packets and to introduce banding the packets with paper/polythene bands so that the life of the currency notes is increased. The Deputy Governor took a meeting of Chief Executives of public sector banks and other banks having currency chests in Delhi today to discuss matters connected with implementing the Reserve Bank of India's Clean Note Policy. The objective of the Reserve Bank's Clean Note Policy is to give the citizens good quality currency notes and coins while the soiled notes are withdrawn out of circulation. The Reserve Bank has also instructed the banks to issue only good quality clean notes to the public and refrain from recycling the soiled notes received by them over their counters. The Reserve Bank has installed high speed Currency Verification and Processing Systems (CVPS) machines at all its offices which deal with currency. These machines are capable of processing 50,000-60,000 pieces per hour and soiled notes are shredded and briquetted on-line.

Ever since 1999, when the Governor announced the Clean Note Policy, several steps were taken for augmenting the supply of currency notes and coins. The members of public were urged not to write on the currency notes and banks were instructed to provide unrestricted facility for exchange of soiled and mutilated notes. As per the Reserve Bank instructions, currency chest branches of the banks must offer, even to non-customers, good quality notes and coins in exchange for soiled and mutilated notes. Complaints, however, continue to be received in this regard from the public and trade bodies that these instructions have not been given full effect.

Some complaints of restrictive practices were also being received according to which some currency chest branches in the rural and semi urban areas do not accept lower denomination notes. To mitigate the position, the Reserve Bank has given specific monthly targets for distribution of coins to these currency chests. The Reserve Bank monitors these targets from the feedback reports. Further in an experimental basis, the Reserve Bank had requested banks between September and November this year to open one currency chest branch on one Sunday in a month at selected centres to exclusively provide currency exchange and distribution of small coins and suck out the bad notes. The reports received from the banks show that this experiment received tremendous response from the public. It has, therefore, been decided that banks should run this scheme on a permanent basis with wholehearted participation. The choice of the centre and the choice of the Sunday in the month should be left to the individual bank to decide.

The Deputy Governor emphasized that high degree of coordination is necessary between chest branches and non-chest branches and it was time that the currency chest branches also mechanized

their operations by installing smaller desk top versions in addition to banding machines so that members of public receive good staple free notes and the Reserve Bank also receives staple free soiled notes ready for processing and destruction. He also stated that the Regional Directors of the Reserve Bank could be contacted for proper coordination of remittances of notes and coins. He hoped that the banks will extend full cooperation to the Reserve Bank in delivery of its Clean Note Policy and it may not have to think of any Regulatory intervention for this purpose.

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Press Release: 2002-2003/589