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**STANDING COMMITTEE ON FINANCE
(2013-14)**

FIFTEENTH LOK SABHA

**MINISTRY OF FINANCE
(Departments of Economic Affairs and Financial Services)**

*[Action taken by the Government on the recommendations contained in
Seventy-Ninth Report (14th Lok Sabha) of the Standing Committee on Finance on
'Counterfeit Currency Notes in Circulation']*

EIGHTIETH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2013/ Agrahayana, 1935 (Saka)

EIGHTIETH REPORT

STANDING COMMITTEE ON FINANCE
(2013-2014)

(FIFTEENTH LOK SABHA)

MINISTRY OF FINANCE

***[Action taken by the Government on the recommendations contained in
Seventy-Ninth Report (14th Lok Sabha) of the Standing Committee on Finance on
'Counterfeit Currency Notes in Circulation']***

Presented to Lok Sabha on 09 December, 2013

Laid in Rajya Sabha on 09 December, 2013



LOK SABHA SECRETARIAT
NEW DELHI

December, 2013/ Agrahayana, 1935 (Saka)

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Contained in the Seventy-Ninth Report (14th Lok Sabha) of the Standing
Committee on Finance on 'Counterfeit Currency Notes in Circulation

* Not appended in the cyclostyled copy

COMPOSITION OF STANDING COMMITTEE ON FINANCE (2013-14)

Shri Yashwant Sinha - Chairman

MEMBERS

LOK SABHA

2. Shri Suwendu Adhikari
3. Dr. Baliram
4. Shri Sudip Bandyopadhyay
5. Shri Udayanraje Bhonsle
6. Shri Gurudas Dasgupta
7. Shri Nishikant Dubey
8. Shri Rahul Gandhi
9. Shri Deepender Singh Hooda
10. Shri Chandrakant Khaire
11. Shri Bhartruhari Mahtab
12. Dr. Chinta Mohan
13. Shri Sanjay Brijkishorlal Nirupam
14. Shri Prem Das Rai
15. Shri S.S. Ramasubbu
16. Adv. A. Sampath
17. Shri Thakur Anurag Singh
18. Shri Subodh Kant Sahai*
19. Dr. M. Thambidurai
20. Shri Shivkumar Udasi
21. Shri Dharmendra Yadav

RAJYA SABHA

22. Shri Naresh Agrawal
23. Shri Rajeev Chandrasekhar
24. Smt. Renuka Chowdhury
25. Shri Piyush Goyal
26. Shri Satish Chandra Misra
27. Dr. Mahendra Prasad
28. Shri Ravi Shankar Prasad
29. Shri P. Rajeeve
30. Shri Praveen Rashtrapal
31. Dr. Yogendra P. Trivedi

SECRETARIAT

1. Shri A.K. Singh - Joint Secretary
2. Shri Ramkumar Suryanarayanan - Additional Director
3. Shri Kulmohan Singh Arora - Under Secretary
4. Shri Tenzin Gyaltzen - Committee Officer

* Nominated as Member of the Standing Committee on Finance w.e.f 16th September, 2013

INTRODUCTION

I, the Chairman of the Standing Committee on Finance, having been authorised by the Committee, present this Eightieth Report on action taken by Government on the recommendations contained in the Seventy Ninth Report (14th Lok Sabha) of the Committee on 'Counterfeit Currency Notes in Circulation'.

2. The Seventy Ninth Report (14th Lok Sabha) was presented to Lok Sabha/laid in Rajya Sabha on 18 December, 2008. Replies indicating action taken on all the recommendations contained in the Report were furnished by the Government on 26 March, 2009. Subsequently the Government furnished their updated action taken replies on 11 July, 2013.

3. In view of the gravity of the subject, the Committee took combined oral evidence of the representatives of Ministry of Finance (Departments of Financial Services and Economic Affairs), Reserve Bank of India (RBI), Ministry of Home Affairs, Research and Analysis Wing (R&AW), Intelligence Bureau (IB), Central Bureau of Investigation (CBI), National Investigation Agency (NIA), Enforcement Directorate (ED) and Directorate of Revenue Intelligence (DRI) on 20 September, 2013 on the action taken by Government on the 79th Report (14th Lok Sabha) of the Committee. Post evidence replies were also obtained from the Ministry of Finance (Department of Economic Affairs) and Ministry of Home Affairs.

4. The Committee considered and adopted this report at their sitting held on 29 November, 2013.

5. An analysis of action taken by Government on the recommendations contained in the Seventy Ninth Report (14th Lok Sabha) of the Committee is given in the Appendix.

6. For facility of reference, observations/recommendations of the Committee have been printed in thick type in the body of the Report.

**New Delhi;
29 November, 2013
08 Agrahayana, 1935 (Saka)**

**YASHWANT SINHA
Chairman,
Standing Committee on Finance**

CHAPTER I

REPORT

This Report of the Standing Committee on Finance deals with action taken by the Government on the recommendations/observations contained in their Seventy ninth Report (Fourteenth Lok Sabha) on the subject 'Counterfeit Currency Notes in Circulation' of the Ministry of Finance (Department of Economic Affairs & Financial Services), which was presented to Lok Sabha on 18 December, 2008 and simultaneously laid in Rajya Sabha on the same day.

2. The Report contained 10 recommendations. Updated action taken notes have been received from the Government on 21 May, 2013 in respect of all the recommendations contained in the Report. These have been categorised as follows:

- (i) Recommendations/Observations which have been accepted by the Government:

Recommendation Nos. 1,4,5,6,7,8,9 &10

(Total 8)
(Chapter-II)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:

(Total Nil)
(Chapter- III)

- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:

Recommendation Nos. 2 & 3

(Total: 2)
(Chapter- IV)

- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:

(Total : Nil)
(Chapter V)

3. In view of the gravity of the matter, the Committee decided to hold combined oral evidence of the representatives of all the concerned Ministries / agencies on the action taken replies submitted by them to the

Committee. Subsequent to the evidence, written replies were also received from them, which have been appropriately incorporated in the Report.

4. The extent of action taken by the Government so far and the Committee's observations thereon have been discussed in the succeeding paragraphs. The Committee desire that replies to their observations / comments may be furnished expeditiously.

A. (Recommendation Sl. No. 1)

Seizure of Fake Indian Currency Notes

5. The Committee recommended as under :

“Taking note of the gravity and magnitude the problem of counterfeit currency notes in circulation in the country has acquired with damaging consequences for the Indian economy and polity, the Committee decided to take up this subject for detailed examination. By the own admission of the authorities, there has been a spurt in the circulation of fake currency notes in recent times with the value of counterfeit currency detected sharply increasing from about Rs. 1.77 crore in 2005-06 to around Rs. 5.50 crore in 2007-08. However, this figure may only be the tip of the iceberg, as what is seized or detected is only a small part of what might be circulating in the system. Further compounding the problem is the fact that there is no estimate either of the amount of the volume of counterfeit currency in circulation, which thus remains indeterminate. In the face of such an alarming scenario, the committee would urge the Government to come to grip with the reality soon and take concerted action to counter this growing menace”.

6. The Ministry of Finance (Department of Economic Affairs) in their action taken reply, stated as follows :

“To address the multidimensional aspects of the FICN menace, several agencies such as RBI, Ministry of Finance, Ministry of Home Affairs, Security and Intelligence agencies of the Centre and States, CBI are working in tandem to check the inflow of fake Indian currency notes.

One special FICN Co-ordination Group has been formed in MHA to share the intelligence/information amongst the different security agencies of State/Centre to counter the menace of circulation of Fake currency notes in the country. IB, CBI, NIA, R&AW and DRI continuously share operational intelligence to neutralize FICN smugglers.

The legal regime has been further strengthened by way of recent amendments in the year 2012 in the Unlawful Activities (Prevention) Act, 1967 wherein the damage to the monetary stability of India by way of

production or smuggling or circulation of High Quality Fake Indian Paper Currency, coin or any other material has been declared as 'terrorist act'.

National Investigation Agency (NIA) has been empowered by NIA Act to investigate and prosecute offences relating to FICN. The Government has also constituted a Terror Funding and Fake Currency Cell in NIA to focus investigation on Terror Funding and Fake currency cases.

The Reserve Bank of India has also taken several measures like mandatory machine processing of notes (Rs. 100 and above) by banks, rationalization of reporting of counterfeit note detection by banks, awareness campaign, etc.

The statistics maintained by the National Crime Records Bureau (NCRB) does not indicate the fact that circulation of fake currency in the country has gone up. The total number of fake currency notes (of all denominations) during the years 2010, 2011 and 2012 (upto September 2012) is 622231, 556217 and 379231 respectively. The State-wise/Union Territory wise details are enclosed as Annexure A, A-1 and A-II".

7. The Committee note that to counter the menace of circulation of fake currency notes, FICN Coordination Group (FCORD) has been formed and Government has also strengthened the legal regime and that the National Investigation Agency (NIA) has been empowered for investigation on terror funding and fake currency cases. The Committee would however point out that although National Crime Records Bureau (NCRB) data indicates that the total number of fake currency notes (of all denomination) during the year 2010, 2011 and 2012 came down to 622231, 556217 and 379231 respectively, the extent of the menace should not be under-estimated. The Committee would therefore expect the Government to remain alert and keep up the vigil in both prevention and detection of fake currency notes in circulation. The FICN Coordination Group in Ministry of Home Affairs should thus meet more frequently, say every quarter to regularly assess and monitor the situation. The Committee also desire that the Government should conduct a study on the linkages of fake currency with circulation of unaccounted money in the economy.

B. (Recommendation SI. No. 2)

Mechanism of co-ordination among the agencies concerned

8. The Committee recommended as under :

“The detection and seizure of a large quantity of forged notes of Rs. 500 and Rs. 1000 denominations at the Domariaganj Branch (Uttar Pradesh) of State Bank of India in July, 2008 has been sought to be projected as an isolated incident by the RBI and SBI. However, the views expressed by the other agencies viz. Ministries of Finance and Home Affairs suggest that the problems is more widespread. They have informed that inputs from Intelligence Agencies indicate that the organized criminal activity of fake Indian Currency Notes has spread its tentacles in several parts of the country in a significant manner. The Ministry of Finance (Department of Economic Affairs) have clarified in this regard that although the exact figure of Fake Indian Currency Notes (FICN) in circulation is not available, steep increase in the value of FICN seized over the years show that the menace continues unabated. The Committee, however, find to their surprise that the counterfeit notes detected at RBI and by bank branches, as well as those seized by enforcement agencies aggregate to a small number only, leaving them guessing about the magnitude of the problem. Even in the information made available to the Committee, variation is seen in the figures furnished by RBI and those provided by Ministry of Home Affairs with regard to counterfeit notes detected and recovered at various bank branches. Such contradiction in perception, assessment and eventual reporting re-in force the need for a coherent and effective coordination mechanism among different agencies dealing with the issue so that a holistic response can be formulated.

The Committee understand that apart from the Ministry of Finance (Department of Economic Affairs) and the RBI, agencies like the CBI, Directorate of Revenue Intelligence, the Central Economic Intelligence Bureau, National Bureau, National Crime Records Bureau and the State Police are involved in different capacities in the task of monitoring detection and seizure of FICNs and investigation of cases relating to counterfeit currency. It has also been informed that a group headed by the Joint Secretary (Internal Security) in Ministry of Home Affairs has been constituted to identify and oversee implementation of suitable measures to address the problem of FICNs. A High level committee of Experts under Department of Economic Affairs has also been set up to examine the whole gamut of problems caused by circulation of fake currency notes. With a view to avoiding multiplicity of management and control, the Committee would like the Government to constitute a nodal Group, comprising senior level representatives from all concerned agencies/ Departments and functioning under the overall supervision of the RBI – the principal agency responsible for currency management –to oversee and monitor the implementation of anti-counterfeit measures in a coordinated manner”.

9. The Ministry of Finance (Department of Economic Affairs) in their action taken reply, stated as under :

“One special FICN Co-ordination Group has been formed in MHA to share the intelligence/information amongst the different security agencies of State/Centre to counter the menace of circulation of Fake currency notes in the country. IB, CBI, NIA, R&AW and DRI continuously share operational intelligence to neutralize FICN smugglers.

With a view to bringing improvement in reporting, the procedure for sending report to NCRB has been revised under which RBI is collecting data from banks and reporting to NCRB, in a consolidated manner.

RBI is represented in all important GoI Committees e.g. Economic Intelligence Council (EIC), Forged Note Co-ordination Committee (FCORD), etc. dealing with the issue of counterfeit notes. This has resulted in enhanced co-operation for tackling the issue. Further, due to the efforts made by RBI, a State Level Committee on FICN, has been constituted in all the States. This Committee, headed the DGP of the concerned state, has senior police and other investigating agency officials, as members. This has been promoting inter agency co-ordination at the State level, dealing with the menace of counterfeit notes”.

To reduce the menace of counterfeit currency notes in the country, the Department of Economic Affairs in their post-evidence reply stated as under :

“RBI has been taking several steps to reduce the menace of counterfeit notes in the country, the major ones among which include :

- (a) Extending support to GoI in changing security features of Indian banknotes to maintain integrity of banknotes including periodical phasing out of old series notes.
- (b) Improving systems and mechanisms at banks so that any counterfeit note entering into the banking system is detected and reported and not recirculated.
- (c) Raising awareness of the members of public and banks through training / interaction programmes, where information on genuine Indian banknotes is disseminated for facilitating identification of genuine notes or otherwise.
- (d) Rationalising processes for detection and reporting of counterfeit notes to encourage banks to report counterfeit notes and reduce harassment of common man.
- (e) Rationalising processes by which common man coming across counterfeit notes, unknowingly, will not be put to any loss for which the banks have been instructed in June 2013, to freely accept notes

over the counters and pass on the credit / currency chest and tenderers. Thereafter, notes are to be processed at the back office / currency chest and RBI will compensate the banks at 25% of the national value of counterfeit notes in denominations of Rs. 100 and above”.

10. While noting that steps have been taken to improve coordination among different agencies through the instrument of FCORD, the Committee desire that Reserve Bank of India (RBI) with its presence at ground level should strive to educate and create awareness among the public through multi-media options. The legal regime should be strengthened in a way that the common man is not harassed for unknowingly being in possession of counterfeit currency. The fact of being in possession of a counterfeit note should never alone be the proof of guilt.

C. (Recommendation SI. No. 3)

Smuggling of counterfeit currency

11. The Committee recommended as under :

“The Committee are alarmed to note that the interdictions made by enforcement agencies raised the suspicion that the Fake Indian Currency Notes originated from across the borders and were smuggled into the country through diverse route/ channels. Inputs also indicate that transnational networks exists which use countries such as UAE, Malaysia, Thailand, Bangladesh, Nepal, Sri Lanka and Myanmar as transit points for bringing fake Indian Currency into the country. The Pakistan’s ISI is also suspected to be involved in both printing and trafficking of fake currency. Inputs available with the Ministry of Home Affairs reveal that there is credible evidence to suggest that smuggling of Fake Indian Currency Notes has links with espionage and terrorist activities. The Committee desire that the Government should conduct a comprehensive inquiry into all aspects of issue including its ramifications on national security. The Research & Analysis wing also needs to be more involved and adequately sensitized in this regard for harnessing the intelligence channels to secure the cooperation of foreign agencies in the detection of overseas sources of counterfeit currency and also the verification of credentials of international companies engaged for supplying bank note paper etc.”

12. The Ministry of Finance (Department of Economic Affairs) in their action taken reply, stated as under :

“A report from the Central Intelligence Agencies indicates that Fake Indian Currency Notes (FICN) smuggled into India mostly originate from Pakistan having distribution network from Thailand which extends in the East to UAE in the West, with Dubai, Dhaka, Kathmandu, Colombo and Bangkok emerging as major transit points. Thailand is emerging as a safe haven for Pak-based FICN operatives both for production and transportation of FICN into India. Pakistani nationals based in Thailand are actively involved in circulation of FICN which is smuggled into India through petty businessman, tourists and couriers visiting Thailand on leisure/business. The most frequently used air routes for smuggling of FICN are Dubai-Bangkok, Bangkok-Kathmandu, Bangkok-Dhaka, Bangkok-Kolkata and Bangkok-Sri Lanka routes by Thai airlines. FICN racketeers in Thailand work in tandem with documents forgers who facilitate clearance at Airports by forged travel documents for FICN carriers.

All the State Governments and State Police authorities have been advised to keep the security arrangement on maximum alert and to adopt effective counter measures to counter the menace of FICN. Authorities concerned with the security of airports needs to be sensitized to these threats for adoption of necessary counter measures urgently.

Based on the intelligence inputs received by it, IB has been bringing the seizures and route of smuggling of FICN into India through various countries to the notice of RAW. MoF had recently taken up the matter with MEA for taking up the matter at appropriate level with Bangladeshi authorities to address the issue in an effective manner. In response, Foreign Secretary informed that MEA had raised the matter at the level of Minister and also at his level”.

13. On the issue of indigenization of banknote paper and ink, the Department of Economic Affairs in their post-evidence reply stated as under :

“Presently, the bulk of Bank Note Paper and Security Printing Inks are being sourced from foreign companies. The Government has decided to set up a paper mill through joint venture between Security Printing and Minting Corporation of India (SPMCIL) and Bhartiya Reserve Bank Note Mudran Private Limited (BRBNMPL) at Mysore to augment the production of paper indigenously with a production capacity of 12,000 MT per annum. The modernization and expansion of Security Paper Mill (SPM), Hoshangabad is also underway. This would add further capacity of about 6,000 MT per annum. Thus, there will be indigenous production of 18,000 MT of Cylinder Mould Vat Made Watermarked Banknote (CWBN) paper per annum after operationalisation of these two projects over and above the existing production capacity of 3,000 MT per annum paper at SPM,

Hoshangabad. India would meet major requirement of bank note paper indigenously, which is being imported at present”.

14. Keeping in view the rising incidence of smuggling of Fake Indian Currency Notes, the Committee urge the Government to tighten the Customs/BSF/Police surveillance and gear up the enforcement machinery to bust networks, especially those operating from neighbouring countries. The Committee would like the Government to diplomatically engage the neighbouring countries and involve them through International Fora and discourse at various levels. The Committee desire that Central agencies like FCORD in addition to advising the State Government, agencies and police should objectively follow up important cases and help improve systematization with continual inputs and updating State level mechanism against counterfeit currency operators.

15. Since the bulk of Bank Note paper and Security Printing inks are being sourced from foreign companies and Fake Indian Currency Notes in circulation are having the same paper, ink and water mark, the Committee desire that in order to minimize the menace of fake currency notes in the country, the Government should make all concerted efforts to reduce its dependence on imported Bank Paper Notes and inks and indiginise the production of the same in the country in a time bound manner and introduce new security features in Indian currency notes from time to time.

D. (Recommendation Sl. No. 4)

**Withdrawal of High Denomination Currency Notes-
1996 & 2000 Series**

16. The Committee recommended as under :

“It has come to the notice of the Committee that most of the counterfeit notes seized by enforcement agencies pertain to 1996 and 2000 series. Further about 70% of the currency detected consists of higher denomination notes namely Rs. 500 and 1000. As remedial measure, the RBI has withdrawn the currency of 500 –rupee denomination belonging to 1996 series. They have also stated to have drawn up a plan for withdrawal of currency of different denominations including that of Rs.1000 denomination belonging to the affected series. Keeping in view the fact that a large volume of high denomination counterfeit currency is being

smuggled into and put in circulation in the country, the committee desire that the RBI should consider phased withdrawal from circulation of currency of Rs.1000 denomination as well of the 2000 series ,if its security features are found to have been successfully breached by the counterfeiters. The RBI should also constantly monitor the situation with regard to currency of the post -2000 series, although they have sought to assure that the security features introduced in 2005 have not been breached as yet.

17. The Ministry of Finance (Department of Economic Affairs) in their action taken reply, stated as follows :

“RBI has informed that during the last five years the following series of banknotes have been phased out :

Denomination (Rs.)	Series	Process initiated in
Rs 500	M G series 1996 M G series 2000	July 2008 October 2009
Rs 1000	M G series 2000	March 2011
Rs 100	M G series 1996	February 2012

RBI, in consultation with Gol, reviews the need for further phasing out of any notes series, periodically and takes action accordingly.

DEA has written to RBI on 27.05.2013 requesting them to initiate withdrawal of older series of banknotes in a time bound manner”.

18. The Committee note that their recommendation regarding phasing out of Rs. 1000 (MG series 2000) has been acted upon by RBI. The Committee desire such phasing out of notes periodically and as and when required should be continued.

E. (Recommendation Sl. No. 8)

Detection of counterfeit currency

19. The Committee recommended as under :

“The Committee note that with a view to preventing domestic printing, circulation and possession of FICNs, there are stringent provisions available in the Indian Penal Code (IPC) It is ironical that though the existing law is intended for the persons found to be involved in the crime, in reality, even a common man who innocently carries fake currency in the normal course suffers. It is therefore, imperative that the existing penal provision should be modified in a way that will protect the innocent common man and not burden him with the onus of proving his innocence. The Committee are of the view that ordinary people unknowingly in

possession of counterfeit currency should not be penalized. For this purpose, the existing legal provision may be appropriately modified. The requirement of filing an FIR in such cases should also be reviewed. Further, extensive awareness campaign should be conducted and sustained to educate the common man about the basis and recognizable features of a counterfeit note. In this regard, it may be appropriate to make available the Ultra Violet lamps in all bank branches across the country to facilitate easy detection of basis counterfeit features at bank cash counters.

20. The Ministry of Finance (Department of Economic Affairs) in their action taken reply, stated as under :

“RBI, in consultation with Gol, has revised the existing procedure for reporting of counterfeit notes by banks wherein, all cases of detection of counterfeit notes at the bank branches / treasuries need to be promptly reported to Police Authorities in the following manner:

(i) For cases of detection of counterfeit notes upto 4 pieces, in a single transaction, a consolidated report as per the format prescribed in the annex should be sent to the police authorities at the end of the month.

(ii) For cases of detection of counterfeit notes of 5 or more pieces, in a single transaction, FIRs should be lodged with the Nodal Police Station / Police Authorities as per jurisdiction.

The above process is expected to ensure that ordinary people unknowingly in possession of counterfeit notes are not penalized once such notes are detected by the banks.

RBI through its Regional Offices regularly conducts public awareness programmes on Indian banknotes. The Bank also launched a multimedia, multi lingual awareness campaign, initially through Doordarshan channels from August 15, 2010. The 60 second film is titled “Paisa Bolta Hai” and was shown in Hindi and eleven other languages, for a year. A dedicated microsite www.paisaboltahai.rbi.org.in, with information on Indian banknote has also been hosted in RBI’s website. Further, posters have been distributed to banks for display in their premises to educate the public on features of Indian banknotes.

The banks have been advised that all notes in denominations of ` 100 and above should be issued through counters and ATMs, only after subjecting them to machine processing so as to ensure that only clean and genuine notes are issued to the public.

On its part, the Ministry of Home Affairs, which coordinates FICN matters has informed that the required safeguard for misuse of 489 C of IPC

keeping in view that knowledge of the accused with regard to FICNs is an essential ingredient for proving the offence already exists.

All the Chief Secretaries/Administrators of all the States and Union Territories have been requested that a Police Station at each District Police Headquarters may be designated as the nodal police station wherein the offences relating to FICNs recovered by Banks can be reported. The Banks will also correspondingly designate a nodal officers in each of the Districts in their respective Banks who will be vested with the responsibility of reporting the seizures of the FICNs in the said District. The system of reporting will be monthly wherein details of recovery of all FICNs having 1 piece to 4 pieces in a single transaction are reported by the Banks by their respective nodal officer in consolidated manner. However, seizures involving five or more than five pieces in one single transaction will be reported as a separate FIR, immediately by the banks in the prescribed proforma”.

21. The Committee note that measures have been initiated by the RBI for compulsorily making available Ultra Violet Lamps and installing Note Sorting Machines at the High Cash Volume bank branches, branches in border areas, sensitive branches etc. Considering that the problem of circulation of counterfeit currency notes has become widespread in recent years, the Committee emphasize that cooperation with State and local level agencies should be increased and general public be made properly aware of the safety features of genuine Indian currency notes. Further, steps should be taken for expeditious and compulsory installation of Ultra Violet Lamps and Note Sorting Machine at the public areas in bank branches and market places.

New Delhi;
29 November, 2013
Agrahayana 8, 1935 (Saka)

YASHWANT SINHA,
Chairman,
Standing Committee on Finance.

MINUTES OF THE FIRST SITTING OF THE STANDING COMMITTEE ON FINANCE (2013-14)

The Committee sat on Friday, the 20th September, 2013 from 1100 hrs to 1410 hrs.

PRESENT

Shri Yashwant Sinha – **Chairman**

LOK SABHA

2. Dr. Baliram
3. Shri Gurudas Dasgupta
4. Shri Nishikant Dubey
5. Shri Chandrakant Khaire
6. Shri Bhartruhari Mahtab
7. Dr. Chinta Mohan
8. Shri Sanjay Brijkishorlal Nirupam
9. Shri S.S. Ramasubbu
10. Shri Thakur Anurag Singh
11. Dr. M. Thambidurai
12. Shri Shivkumar Udasi

RAJYA SABHA

13. Shri Naresh Agrawal
14. Shri Rajeev Chandrasekhar
15. Shri Piyush Goyal
16. Shri Satish Chandra Misra
17. Dr. Mahendra Prasad
18. Shri Ravi Shankar Prasad
19. Shri P. Rajeeve
20. Dr. Yogendra P. Trivedi

SECRETARIAT

1. Shri A.K. Singh – Joint Secretary
2. Shri Ramkumar Suryanarayanan – Additional Director
3. Shri Sanjay Sethi – Deputy Secretary
4. Shri Kulmohan Singh Arora – Under Secretary

Part I (1100 hrs. to 1145 hrs.)

- | | | | | |
|----|----|----|----|----|
| 2. | XX | XX | XX | XX |
| | XX | XX | XX | XX |
| 3. | XX | XX | XX | XX |
| | XX | XX | XX | XX |
| 4. | XX | XX | XX | XX |
| | XX | XX | XX | XX |

Part II
(1145 hrs. to 1410 hrs.)

WITNESSES

Ministry of Finance (Department of Economic Affairs)

1. Dr. Arvind Mayaram, Secretary
2. Shri P.K. Mishra, Joint Secretary (C&C)
3. Shri R. Gandhi, Executive Director, RBI
4. Shri B.P. Vijayendra, PCGM, RBI

Ministry of Home Affairs

1. Shri Anil Goswami, Home Secretary
2. Shri S. Jairaman, Secretary (IS)
3. Shri Rakesh Singh, Joint Secretary (IS-I)
4. Shri Satpal Chauhan, Joint Secretary (Admn)
5. Shri P.R.K. Naidu, Joint Director, NCRB

Research and Analysis Wing (R&AW)

Shri Alok Joshi, Secretary (R)

Intelligence Bureau (IB)

1. Shri S.A. Ibrahim, Director
2. Shri S.A. Rizvi, Joint Director

Central Bureau of Investigation (CBI)

1. Shri Ranjit Sinha, Director
2. Shri R.K. Dutta, Additional Director

National Investigation Agency (NIA)

Shri Sharad Kumar, Director General

Enforcement Directorate (ED)

1. Dr. Rajan Katoch, Director of Enforcement
2. Shri Balesh Kumar, Special Director of Enforcement

Directorate of Revenue Intelligence (DRI)

1. Shri Najib Shah, Director General
2. Shri Pranab Kumar Das, Commissioner (Anti Smuggling)

Financial Intelligence Unit (FIU)

Shri Praveen Kumar Tiwari, Director

Central Economic Intelligence Bureau (CEIB)

Shri R.K. Mahajan, Joint Secretary and Deputy Director General

Ministry of Finance (Department of Financial Services)

Shri Alok Nigam, Joint Secretary

5. The Committee took oral evidence of the representatives of the Ministry of Finance (Department of Economic Affairs), Reserve Bank of India, Ministry of Home Affairs, Research and Analysis Wing (R&AW), Intelligence Bureau (IB), Central Bureau of Investigation (CBI), National Investigation Agency (NIA), Enforcement Directorate (ED) and Directorate of Revenue Intelligence (DRI) on action taken by the Government on the recommendations contained in 79th Report (14th Lok Sabha) of the Committee on the subject "Counterfeit Currency Notes in Circulation". The major issues discussed during the sitting broadly related to gravity of the situation, emergence of new areas of origination, threat to national economic security, role in terrorism, co-relation between counterfeit currency and parallel economy, approximate quantity and denomination of currency in circulation and recovery, measures to strengthen crime detection, reporting mechanism, effectiveness of agencies to check ingress through airports, ports and various transit points. The Committee also deliberated upon success in tackling the menace of counterfeit currency, issue of co-ordination within and between various Central and State agencies involved, improvement in systemization and detection after establishment of FCORD, steps taken by Reserve Bank of India (RBI) in creating awareness and to check dispensation of fake notes through ATMs, difficulties/hazards of persons unknowingly being found in possession of counterfeit currency, number of cases instituted, people arrested and convicted and modernization of SPMCIL. The Chairman directed the representatives of Ministry of Finance (Department of Economic Affairs), Reserve Bank of India, Ministry of Home Affairs, Research and Analysis Wing (R&AW), Intelligence Bureau (IB), Central Bureau of Investigation (CBI), National Investigation Agency (NIA), Enforcement Directorate (ED) and Directorate of Revenue Intelligence (DRI) to furnish written replies to the points raised by the Members during the discussion within a period of 15 days.

The witnesses then withdrew.

A verbatim record of the proceedings was kept.

The Committee then adjourned.

MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON FINANCE (2013-14)

The Committee sat on Friday, the 29th November, 2013 from 1100 hrs to 1330 hrs.

PRESENT

Shri Yashwant Sinha – **Chairman**

MEMBERS

LOK SABHA

2. Shri Gurudas Dasgupta
3. Shri Nishikant Dubey
4. Shri Chandrakant Khaire
5. Shri Bhartruhari Mahtab
6. Shri Sanjay Brijkishorlal Nirupam
7. Shri S.S. Ramasubbu
8. Adv. A. Sampath
9. Shri Subodh Kant Sahai
10. Dr. M. Thambidurai
11. Shri Shivkumar Udasi

RAJYA SABHA

12. Smt. Renuka Chowdhury
13. Shri Piyush Goyal
14. Dr. Mahendra Prasad
15. Shri Praveen Rashtrapal

SECRETARIAT

1. Shri A.K. Singh – Joint Secretary
2. Shri Ramkumar Suryanarayanan – Additional Director
3. Shri Sanjay Sethi – Deputy Secretary
4. Shri Kulmohan Singh Arora – Under Secretary

Part I

(1100 hrs. to 1235 hrs.)

WITNESSES

2. XX XX XX XX
- XX XX XX XX

The witnesses then withdrew.

Part II
(1240 hrs. to 1320 hrs.)

WITNESSES

3. XX XX XX XX
 XX XX XX XX

The witnesses then withdrew.

A verbatim record of the proceedings was kept.

Part III
(1320 hrs. to 1330 hrs.)

4. The Committee, thereafter, took up the following draft Reports for consideration and adoption :-

- (i) Draft Report on action taken by the Government on recommendations contained in 79th Report (14th Lok Sabha) on 'Counterfeit Currency Notes in Circulation';
- (ii) Draft Report on action taken by the Government on recommendations contained in 6th Report (15th Lok Sabha) on 'Inflation and Price Rise'; and
- (iii) Draft Report on action taken by the Government on recommendations contained in 71st Report (15th Lok Sabha) on Demands for Grants (2013-14) of the Ministry of Corporate Affairs.

5. The Committee adopted the above draft reports without any modifications. The Committee authorised the Chairman to present these Reports to Parliament.

6. The Committee decided to hold their next sitting on 5th December, 2013 subject to other exigencies.

The Committee then adjourned.

APPENDIX

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SEVENTY-NINTH REPORT (14TH LOK SABHA) OF THE STANDING COMMITTEE ON FINANCE (FIFTEENTH LOK SABHA) ON 'COUNTERFEIT CURRENCY NOTES IN CIRCULATION'

	Total	% of Total
(i) Total number of Recommendations	10	
(ii) Recommendations/observations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 1,4, 5, 6,7, 8, 9 and 10)	08	80.00
(iii) Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies	NIL	0.00
(iv) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations at Sl. Nos. 2 and 3)	02	20.00
(v) Recommendation/observation in respect of which final reply of the Government is still awaited	NIL	0.00