

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2506  
ANSWERED ON:25.07.2014  
CURRENCY MANAGEMENT  
Sreeramulu Shri B.

**Will the Minister of FINANCE be pleased to state:**

- (a) the suggestions/recommendations made by the Naik Committee set up by the Reserve Bank of India (RBI) to go into the dynamics of currency management and the action taken thereon by the Government;
- (b) whether inefficient currency management is responsible for circulation of counterfeit currency in the country; and
- (c) if so, the details thereof and the steps taken by the Government to address the issue?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SMT. NIRMALA SITHARAMAN)

(a) Reserve Bank of India has informed that the recommendations of the Naik Committee for improving currency management in the country were on areas such as examination of existing systems; procedures and technologies for management of currency; improvements to present and future requirements; and examination of the work environment etc.

The recommendations of the Committee were examined by RBI and various measures adopted thereafter with a view to streamlining the systems and procedures in currency management are as under:

**Distribution Network**

Currency management is carried out through a wide network of 19 issue offices, a Currency Chest at Kochi and 4209 Currency Chests and 3966 Small Coin Depots (as on December 31 , 2013) spread across the country.

**Managing Soiled Notes/Improving Efficiency/ Mechanization**

The Clean Note Policy was adopted to ensure good quality notes in circulation. The banks were advised to do away with stapling of any note packet, issue only clean notes to public and to stop writing of any kind on watermark window of bank notes. Note Sorting Machines (NSMs) and high end Currency Verification and Processing Systems have been installed at banks and at RBI offices. Shredding and Briquetting Systems (SBS) have been installed at RBI's issue offices for destruction of unfit notes. With extensive adoption of mechanization in currency management, manual intervention has reduced and efficiencies have increased.

**Coinisation**

Keeping in view the high cost of printing smaller denomination notes, ` 1, 2, and 5 have been entirely coinized. Rs. 10 denomination has also been coinized, though notes also continue to exist in this denomination.

**Use of Information Technology**

An Information Technology driven online reporting system has been introduced for the currency chests and RBI's Issue Offices to ensure real time, speedy and accurate accounting.

**Packaging**

Shrink-wrapping has been introduced for wrapping banknotes in a secure manner.

**Surveillance System**

CCTV Cameras have been installed at Issue Offices and currency chests to enhance handling of notes in a more secure environment.

**Distribution – Use of Technology**

Banks are being encouraged to make use of Coin dispensing machines, cash recyclers, cash dispensers, low cost ATMs etc. for distribution of notes and coins. A scheme of incentives has also been introduced by RBI.

(b) & (c): No, Madam. However, in addition to implementation of the recommendations of Naik Committee, RBI has initiated several measures towards addressing the problems relating to counterfeit notes, some of which are as under:

RBI has initiated several measures to check the menace of counterfeiting of banknotes which are as follows:

i. RBI regularly conducts training programmes on detection of counterfeit notes for employees/officers of banks and other organisations handling large amount of cash.

ii. RBI initiated several measures for generating public awareness through posting information on its website/posters/leaflets conducting awareness programme etc.

iii. Instructions have been issued to banks that banknotes in denominations of ` 100/- and above should be re-issued by banks over their counters or through ATMs only if these banknotes are duly checked for authenticity/genuineness and fitness by machines. A directive in this regard under Section 35A of Banking Regulation Act, 1949 has also been issued to all scheduled banks.

iv. The process of reporting and detection of counterfeit notes, has been streamlined and rationalized in order to safeguard the interests of common man. Coming across counterfeit notes unknowingly and bringing under the revised procedure, all cases of detection of counterfeit notes at the bank branches / treasuries are required to be promptly reported to Police Authorities in the following manner:

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

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

v. In order to train bank staff engaged in cash handling on features of Indian banknotes, IBA has been advised to ensure to train all such personnel within a period of 3 years. RBI also provides faculty support and training materials.

vi. The banks have been advised to ensure that the notes received over the counters are re-circulated only after ensuring their proper authentication through machines.

vii. Instructions have been issued to the banks, in terms of which counterfeit notes will now be detected at the back office/currency chest of the bank and the banks will be compensated at the rate of 25% of the notional value of counterfeit notes in denomination of `100 and above for the loss incurred by them towards detection of such counterfeit notes subject to reporting to RBI and Police.

viii. Banks have been advised that penalties are to be imposed in case of detection of counterfeit notes in their soiled-note remittances to RBI and/or during inspections.

Further, the Ministry of Finance, the Ministry of Home Affairs, RBI, Security and Intelligence Agencies of the Centre and States, Central Bureau of Investigation (CBI) etc., are working in tandem to thwart the illegal activities related to FICNs. One special FICN Coordination (FCORD) Group has been formed in the Ministry of Home Affairs to share the intelligence/ information amongst different security agencies of State/Centre to counter the menace of circulation of fake currency notes in the country. It also coordinates with different security agencies to affect more seizures. This group coordinates all the matters relating to intelligence collection and collation in India and abroad for the member agencies. CBI and NIA are the central agencies for investigation of FICN cases. A Terror Funding & Fake Currency Cell is functioning in NIA to focus on terror funding & fake currency cases. A simplified mechanism for reporting and filing of FIR in FICN cases has been put in place. The issue has been raised in international multilateral fora constantly.