

**RBI/2006-2007/349**  
**DCM(NE)No. 7488 /08.07.18/2006-07**

**April 25, 2007**

The Chairman and Managing Director/  
Chief Executive Officer  
All Banks

Madam/Dear Sir,

**Acceptance of Small Denomination Notes and Coins**

A case involving refusal by a bank to accept demand draft involving fraction of a rupee came up before the Honourable High Court of Gujarat, Ahmedabad. The High Court of Gujarat, taking a serious view of the matter, has directed that appropriate steps may be taken in the matter as also regarding non-acceptance of small denomination notes / coins by banks in accordance with law, in the light of the extant instructions and, if required, issue fresh notifications to all the banks.

2. You are, therefore, advised to ensure that none of your bank branches/staff refuse to accept lower denomination notes and / or coins. You may issue strict instructions to all branches that the staff concerned should in no case refuse to accept small denomination notes and coins tendered at the counters. It may also be ensured that all the staff members are made fully conversant with the instructions in this regard and also comply strictly with the same. Stern action will be taken in the event of refusal / non-compliance by any staff member.

3. Please acknowledge receipt.

Yours faithfully,

(U.S. Paliwal)  
Chief General Manager