



भारतीय रिज़र्व बैंक  
**RESERVE BANK OF INDIA**  
www.rbi.org.in

RBI/2013-2014/179

DCM (CC) No. G- 10 /03.39.01/2013-14

August 12, 2013

The Chairman & Managing Directors /  
Chief Executive Officers  
All Scheduled Commercial banks  
(Including RRBs and UCBs)

Dear Sir/Madam

**Distribution of Banknotes and Coins - Review of Incentives and Penalties**

Please refer to paragraph 109 of the Monetary Policy Statement 2013-14 announced on May 03, 2013(extract enclosed). In this connection, a reference is invited to the [Master Circular DCM \(CC\) No. G – 3/03.39.01/ 2013-14 dated July 01, 2013](#) on the Scheme of Incentives and Penalties for bank branches including currency chests based on the performance in rendering customer service to members of public.

2. Accordingly, the existing Scheme of Incentives and Penalties has been reviewed taking into consideration the recent developments in the area of exchange and distribution of bank notes and coins to the public. The revised Scheme endeavors to provide improved customer service to the common person both by extending higher incentives to the banks as also by expanding the activities covered, with major thrust on technological interventions in the issue and distribution of banknotes and coins. The details of the revised incentives are enclosed.

3. These instructions come into force with immediate effect. All other instructions contained in the above Master Circular dated July 01, 2013, remain unchanged.

4. Please acknowledge receipt.

Yours faithfully,

(B. P. Vijayendra)  
Principal Chief General Manager

Encls: As above

## **Extract of Monetary Policy Statement 2013-14**

### **Currency Management**

#### **Distribution of Banknotes and Coins – Review of Incentives and Penalties**

109. In pursuance of the announcement made in the Monetary Policy Statement of April 2012, a roadmap for making available services relating to distribution of banknotes and coins to members of the public by identified branches of banks for improved customer service is being worked out.

**Revised Scheme of Incentives and Penalties:**

<b>Sl.No</b>	<b>Nature of service</b>	<b>Particulars of incentives</b>
1.	<b>i) Exchange of soiled notes</b> /adjudication of mutilated bank notes over the counter at bank branches.	<b><u>i) Exchange of soiled notes : ₹</u></b> 2.00/- per packet for exchange of soiled notes in denominations up to ₹ 50/-
	<b>ii) Distribution of coins over the counter.</b>	(i) ₹ 25/- per bag for distribution of coins over the counters.  (ii) The incentives would be paid on the basis of net-withdrawal from currency chest, without waiting for claims from banks.  (iii) Banks may put in place a system of checks and balances to ensure that coins are distributed to retail customers in small lots and not to bulk.  (iv) The distribution of coins shall be verified by RBI Regional Offices through inspection of currency chest/incognito visit to branches etc.
2	<b>Establishment of Coin Vending Machines:</b>	The existing level of incentive of  (a) Reimbursement of 50% of capital expenditure in case of urban/metro centers and reimbursement of 75% of capital expenditure in case of rural and semi urban centers and  (b) reimbursement of revenue cost @ ₹25/- per bag,  as applicable to commercial banks maintaining currency chests would now be applicable to all the scheduled commercial banks, including urban co-operative banks and regional rural banks (irrespective of whether they maintain currency chests or not).

Sl.No	Nature of service	Particulars of incentives
3	<p><b>Installation of Machines which extend cash related retail services to the public like –</b></p> <p>(i) Coin Pouch Vending Machines  (ii) Note Packet Vending machines  (iii) Cash Acceptors  (iv) Cash Recyclers  (v) Desktop banknote authenticating machines  (vi) ATMs dispensing lower denomination notes.</p>	50% of cost of installation in urban / metropolitan areas and 75% in semi-urban and rural areas.
4	<p><b>Installation of Note Sorting Machines (NSMs).</b></p>	Applicable only to RRBs and UCBs- 50% of cost of installation in urban / metropolitan areas and 75% in semi-urban and rural areas.