



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

RBI/2012-13/562

DCM (FNVD) No.5840/16.01.05/2012-13

June 27, 2013

The Chairman and Managing Directors/
Chief Executives Officers of
All Scheduled Commercial Banks

Madam / Sir,

Detection and Reporting of counterfeit notes

Please refer to the paragraph 115 (extract enclosed) of the Monetary Policy Statement for 2013-14 announced on May 3, 2013. It was indicated therein that the guidelines on the scheme of incentives for detection and reporting of counterfeit notes and the scheme of penalties for non-detection and non-reporting of counterfeit notes, by banks, would be issued by end-June 2013. A reference is also invited to Para 127 (extract enclosed) of the Monetary Policy Statement for 2012-13 announced on April 17, 2012, wherein it was indicated that banks may streamline their system in a manner which will make them bear the risk of counterfeit banknotes rather than the common man who unknowingly comes in possession of such notes and our Circular DCM (FNVD) No. 2165/16.21.005/2012-13 dated November 16, 2012 (copy enclosed) advising that failure on the part of the banks to impound counterfeit notes detected at their end will be construed as willful involvement of the bank concerned in circulating counterfeit notes, and appropriate penalty will be imposed.

2. It has been decided to compensate the banks 25% of the loss incurred in respect of counterfeit notes of ₹ 100 and above detected by them and reported to RBI and Police authorities.

3. The procedure for detection and reporting counterfeit notes and penalty there under have been reviewed in light of the above instructions as per details enclosed in the Annex. All other instructions remain unchanged.

4. These instructions become effective from July 1, 2013, and the banks should commence reporting to RBI from August 2013, as per format enclosed.

5. Kindly acknowledge receipt.

Yours faithfully,

(B. P. Vijayendra)
Principal Chief General Manager
Encl: As above

1. Monetary Policy Statement 2012-13 – Extract

Detection and Reporting of Counterfeit Banknotes

115. In view of the recommendation of the DPSC for addressing the menace of counterfeit notes, it has now been decided that in order to encourage banks to report counterfeit notes detected by them, a scheme of incentives for banks will be introduced. Simultaneously, the existing penalty for non-detection and non-reporting of counterfeit notes by banks is being revisited.

Detailed guidelines will be issued by end-June 2013.

2. Monetary Policy Statement 2012-13 – Extract

Detection and Reporting Mechanism of Counterfeit Banknotes

127. It has already been stipulated that bank notes in the denomination of ₹100 and above are processed through machines conforming to the standards/parameters prescribed by the Reserve Bank, before issuing them over their counters or through ATMs. The stipulation has been made, *inter alia*, to ensure that counterfeit notes are detected at bank/branch level itself, thereby preventing their entry back into circulation. It is also observed that despite the above measure and after rationalising the procedure of filing first information reports (FIRs), the detection and subsequent reporting of counterfeit bank notes by banks continue to be inadequate. This has serious repercussions in that the Reserve Bank is not in a position to assess the number of counterfeit notes in circulation and its ramifications for the economy. In order to address the above concerns, banks are advised:

- to ensure that the notes received over the counters are re-circulated only after ensuring their proper authentication through machines; and
- to streamline their system in a manner which will make them bear the risk of counterfeit bank notes rather than the common man who unknowingly comes in possession of such notes.

The Chairman and Managing Director / Chief Executive Officer
All Scheduled Commercial Banks (Including RRBs) and
Scheduled State Co-operative Banks/
Scheduled (Primary) Urban Co-operative Banks

Dear Sir/ Madam,

**Detection and Reporting of counterfeit notes –
Second Quarter Review of Monetary Policy 2012-13**

We invite your attention to Para Nos. 126 and 127 of the Second Quarter Review of Monetary Policy 2012-13 (copy enclosed) in terms of which failure of the banks to impound counterfeit notes detected at their end will be construed as willful involvement of the bank concerned in circulating counterfeit notes.

2. You are advised to immediately put in place a suitable system to ensure that counterfeit notes detected are duly impounded and reported, by following the prescribed procedure.
3. In case of any failure to adhere to the above instructions, penalty for violation of our Directive No. 3158/09.39.00 (Policy)/2009-10 dated November 19, 2009 will be imposed on the bank.
4. Please acknowledge receipt.

Yours faithfully,

(B P Vijayendra)
Chief General Manager
Encl: One

SECOND QUARTER REVIEW OF MONETARY POLICY 2012-13

Detection and Reporting Mechanism of Counterfeit bank notes

126. In May 2012, banks were advised to re-align their cash management to ensure that cash receipts in denomination of ₹100 and above are not put into re-circulation without being machine- processed for authenticity. Banks have option of either providing machines to their branches or ensuring that branches which do not have the machines, are supplied only machine processed notes for distribution among the public.

Detection and Reporting Mechanism of Counterfeit Bank Notes

127. It is observed, however, that reporting of detection of counterfeit notes has not improved on the expected lines. It needs to be emphasized that although 90 per cent of the currency chest are with the public sector banks, they account for reporting a mere 10 per cent of counterfeit notes, while private sector banks with less than 10 per cent of currency chests are reporting 90 per cent of such cases. A review on the status of implementation of the Reserve Bank's instructions issued on May 2012 will be made in the first week of November 2012. It is reiterated that wherever counterfeit notes are detected but not impounded and reported, it will be construed as willful involvement of the bank concerned in circulating counterfeit notes and may attract penal measures.

**Detection and reporting of counterfeit notes –
Revised Procedure, Compensation and Penalties**

1. Procedure for detection of counterfeit notes at banks

- i. Detection of counterfeit notes, at banks, should be at the back office / currency chest only. Banknotes when tendered over the counters may be checked for arithmetical accuracy and other deficiencies like whether there are mutilated notes, and appropriate credit passed on to the depositor / account or value in exchange given.
- ii. Thereafter the notes should be passed over to the back office / currency chest, as the case may be, for detailed verification and authentication through machines
- iii. The notes categorized as suspect during machine processing should be subjected to manual verification for checking their authenticity.
- iv. The notes identified as counterfeit should be kept separately with proper impounding stamp in the prescribed format (Annex I). Details of each impounded note should be recorded under authentication in a separate register.
- v. There will not be any requirement to issue acknowledgement to the tenderer.
- vi. In the cases of detection of upto four pieces of counterfeit notes, in a single transaction, consolidated monthly statement (Annex II) should be sent to the Nodal Police Station through the Nodal Officer of the bank. In case of detection of five or more pieces, FIR in the prescribed format (Annex III) should be lodged.
- vii. Banks should monitor the patterns / trends of such detection and suspicious trends / patterns should be brought to the notice of RBI /Police authorities immediately.
- viii. The reporting procedure to the Regional Offices of RBI in the prescribed format (Annex IV) will remain unchanged.

2. Compensation to banks

- i. The banks will be compensated by RBI to the extent of 25 % of the notional value of the counterfeit notes of ₹ 100 denomination and above, detected and reported to RBI and Police authorities.
- ii. Claims for compensation should be made through the Forged Note Vigilance Cell of the banks in the prescribed format (Annex V) on a monthly basis through [email](#) within fifteen days of the succeeding month.
- iii. Reimbursement will be done by RBI, Department of Currency Management, to begin with, on a quarterly basis.
- iv. A review of the above system will be conducted after one year.

3. Penalties

- i. Penalty on account of detection of counterfeit notes by RBI from soiled note remittance of banks and in currency chest balances will henceforth be three times the notional value of the counterfeit notes.
- ii. In case it is found during RBI inspection, etc. that a bank branch or currency chest has detected counterfeit notes but not reported the same to RBI or Police, strict regulatory measures against the bank including stringent disciplinary action and / or imposition of monetary penalty, will be taken by RBI

Annex I – Format for impounding stamp

Each banknote, which, on examination of various security features / parameters, is determined as a counterfeit one, shall be branded with a stamp "COUNTERFEIT BANKNOTE". For this purpose, a stamp with a uniform size of 5 cm x 5 cm with the following inscription may be used.

COUNTERFEIT BANKNOTE IMPOUNDED

BANK / TREASURY/ SUB-TREASURY

BRANCH / CURRENCY CHEST

SIGNATURE

DATE

Annex II – Detection of counterfeit notes – Cases of detection of up to four pieces – Reporting format to Police

1. Consolidated Monthly Reporting for the month of _____
2. Name of the Bank / District:
3. Name and Address of the Nodal Officer:
4. Detail of counterfeit notes

| Date of detection | Name of branch / currency chest | Denominations / pieces / serial numbers | Security features breached |
|-------------------|---------------------------------|---|----------------------------|
| | | | |
| | | | |

5. The counterfeit notes are enclosed herewith,
6. Kindly acknowledge receipt.

(Authorised signatory)

Encl:

Annex- III – Format for lodging FIR with Police

Name of the Bank
District
Name and Address of the Nodal Bank Officer
Ref. No. Date:
The Sr. Inspector of Police,
_____ Police Station,

Dear Sir,

Detection of counterfeit note/s – Request for investigation

We enclose the following counterfeit notes detected in our office on _____. The details of the counterfeit notes are furnished below.

2. As the printing and/or circulation of forged Indian Currency Notes is an offence under Sections 489A to 489E of the Indian Penal Code, we request you to lodge FIR and conduct the necessary investigation. In case it is decided to file criminal proceedings in the court of law, you may first arrange to send the notes to any of the Note Printing Presses, Forensic Science Laboratories etc. in terms of the provisions of Section 292(1) and 292(3) of the Code of Criminal Procedure) for examination. The expert opinion furnished may be produced in the court as evidence under Section 292 of the Criminal Procedure Code. The forged notes may please be returned to us after the completion of the investigation and/or proceedings in the court of law along with the detailed report of the investigation/decision of the court.

| Denominations /Number of pieces | Serial Number | Notional Value | Name and Address of the branch / currency chest where detection took place | Bank's Entry No |
|---------------------------------|---------------|----------------|--|-----------------|
| | | | | |

3. The counterfeit notes are enclosed herewith.

4. Please acknowledge receipt.

Yours faithfully,

Authorized Signatory

Encl:

Annex-IV – Detection of Counterfeit notes – Monthly Reporting to RBI, Issue Department

Name of the bank /District

Statement showing the details of counterfeit banknotes detected in the

branch during the month of _____

A. Details of counterfeit notes detected

| Type of detection | Name of branch / currency chest | Denomination-wise Details in pieces | | | | | | Total pieces |
|-------------------|---------------------------------|-------------------------------------|----|----|-----|-----|------|--------------|
| | | 10 | 20 | 50 | 100 | 500 | 1000 | |
| FIR | | | | | | | | |
| Non-FIR | | | | | | | | |

B) Details of cases filed with police

| | Pending with Police at the beginning of the month | Sent to Police during the month under report | Returned by the Police | Pending with the Police at the end of the month |
|---------------|---|--|------------------------|---|
| No. of cases | | | | |
| No. of pieces | | | | |

NB: Each FIR lodged comprises one case. The total number of forged notes covered by the FIR may be indicated in each of the columns above.

Forwarded to: -

1. The General Manager/Deputy General Manager, Reserve Bank of India, Issue

Department, _____

(Signature)

Name & Designation of the Authorised Official

**Annex V - Counterfeit notes detected by Banks – Claim for Compensation
(Consolidated data on All India Basis)**

Claim for the month of _____

Name of the bank _____

Address of the Forged Note Vigilance _____

E-mail address _____

State/Union territory-wise summary of Counterfeit Notes detected and Reported by the bank

| Name of State / UT | Particulars | Denominational detail in pieces | | | | | | Total |
|--------------------|--|---------------------------------|----|----|-----|-----|------|-------|
| | | 10 | 20 | 50 | 100 | 500 | 1000 | |
| | Banknotes Processed through machines | | | | | | | |
| | Counterfeit Notes Detected and Reported | | | | | | | |
| | Claim for compensation @ 25% of the notional value of counterfeit notes detected | | | | | | | |

₹To be indicated separately for each State / UT

Certified that (i) Consolidated Monthly Reporting /FIRs, as applicable, to Police have been done in respect of all notes indicated above, and (ii) the related data has been reported to the Issue Office of Reserve Bank of India concerned.

Name of Head of the FNV Cell _____

Designation _____

Date _____

Forwarded to Department of Currency Management, (FNV Division), Reserve Bank of India, Mumbai

NB: Claim to be prepared in MS Excel and transmitted by [e-mail](#) within 15 days of succeeding month.