



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/DCM/2025-26/131

DCM (CC) No.G-1/03.44.001/2025-26

April 01, 2025

The Chairman / Managing Director / Chief Executive Officer
All banks

Madam / Dear Sir,

Master Direction – Scheme of Penalties for bank branches and currency chests for deficiency in rendering customer service to the members of public

In terms of the Preamble to and Section 45 of the Reserve Bank of India Act, 1934 (RBI Act) and Section 35A of the Banking Regulation Act, 1949, Reserve Bank of India issues guidelines / instructions for realising the objectives of Clean Note Policy and enhancing the operational efficiency of currency management. In order to ensure that all bank branches provide proper customer service, the Bank has formulated a Scheme of Penalties for bank branches including currency chests, for deficiency in rendering customer service to the members of public.

2. The Master Direction incorporating the updated guidelines / circulars on the subject is at [Annex-I](#). The Frequently Asked Questions (FAQs) and few Illustrations are at [Annexes II](#) and [III](#) respectively.

Yours faithfully

(Sanjeev Prakash)
Chief General Manager-In-Charge

Encl: As above

Master Direction on the Scheme of Penalties for bank branches and currency chests for deficiency in rendering customer service to members of public

1. The Scheme of Penalties for bank branches and currency chests has been formulated to ensure that all bank branches / currency chests provide customer service to the members of public / linked bank branches keeping in view the objectives of Clean Note Policy and enhancing operational efficiency.

2. Penalties

Penalties to be imposed on banks for non- compliance with operational guidelines and Memorandum of Agreement, deficiencies in remittances sent to RBI, exchange of notes, operations of currency chests, replenishment of cash in ATMs, etc., are as follows:

Sr. No.	Nature of Irregularity	Penalty
i.	Shortages of notes in Soiled Note Remittances (SNRs) and shortages of notes and coins in currency chest balances	<p>For notes in denomination up to ₹50/- ₹50/- per piece in addition to the loss.</p> <p>For notes in denomination of ₹100/- & above Equal to the value of the denomination per piece in addition to the loss.</p> <p>For coins in all denominations Equal to the value of the denomination per piece in addition to the loss.</p> <p>The recovery of loss and levy of penalty shall be done immediately on detection of shortage, irrespective of number of pieces.</p>
ii.	Counterfeit notes detected in soiled note remittances and currency chest balances	Banknotes tendered over the counter shall be examined for authenticity through machines. Similarly, banknotes received directly at the back office / currency chest through bulk tenders shall also be examined through machines. Failure of the banks to impound counterfeit notes detected at their end will be construed as wilful involvement of the bank concerned in circulating counterfeit notes and penalty will be levied.

		Penalty shall be levied in terms of the instructions issued by DCM (FNVD) No. G-4/16.01.05/2025-26 dated April 1, 2025
iii.	Mutilated notes (including deliberately cut notes and built-up notes) detected in soiled note remittances and currency chest balances	<p>₹50/- per piece irrespective of the denomination in addition to the loss.</p> <p>The recovery of loss and levy of penalty shall be done immediately on detection, irrespective of number of pieces.</p>
iv.	<p>Non-compliance with operational guidelines by currency chests detected by RBI officials e.g.</p> <p>a) Non-functioning of CCTV, non-compliance with rules / guidelines pertaining to CCTV recording preservation period, and related issues</p> <p>b) Branch cash / documents kept in strong room (CC's vault)</p> <p>c) Non-utilisation of Note Sorting Machines (NSMs) for sorting of notes (NSMs not used for sorting of high denomination notes, i.e. notes of denomination ₹100 and above, received over the counter or not used for sorting notes remitted to chest / RBI), Non-updation of NSMs as per prescribed standards, non-functional NSMs etc.</p> <p>d) Non-conduct of surprise verification of currency chest balances - at (i) bimonthly intervals by officials unconnected with the operations of currency chest, and (ii) six-monthly intervals by officials from the Controlling Office</p>	<p>Penalty of ₹5,000/- for each instance of irregularity.</p> <p>Penalty shall be enhanced to ₹10,000/- in case of repetition / recurrence of irregularity in consecutive inspection cycles or earlier.</p> <p>Penalty shall be levied immediately.</p>
v.	Violation of any of the terms of agreement with RBI (for opening and maintaining currency chests) or deficiency in service in providing exchange facilities, as detected by RBI officials e.g.	<p>₹10,000/- for any violation of agreement or deficiency of service.</p> <p>₹5 lakh in case there are more than 5 instances of violation of agreement / deficiency in service by the currency chest / branch in consecutive</p>

	<p>a) Non-issue of coins over the counter to any member of public despite having stock.</p> <p>b) Refusal by any bank branch¹ to exchange soiled/ mutilated/ imperfect notes tendered by any member of public.</p> <p>c) Denial of facilities / services to linked branches / of other banks.</p> <p>d) Non acceptance of lower denomination notes (i.e. denomination of ₹50 and below) tendered by members of public and linked bank branches for exchange / deposit.</p> <p>e) Detection by RBI of mutilated, built up, counterfeit notes in re-issuable packets prepared by the currency chest branches.</p>	<p>inspection cycles or earlier. The levy of such penalty shall be placed in public domain.</p> <p>Penalty shall be levied immediately.</p>
vi	Non-replenishment of ATMs	<p>The Scheme of Penalty for non-replenishment of ATMs has been formulated to ensure that sufficient cash is available to public through ATMs. Penalty shall be levied in terms of provisions of circular DCM(RMMT) No. S153/11.01.01/2021-22 dated August 10, 2021 and instructions issued subsequently.</p>

3. Operational Guidelines on levy of penalties

3.1 Competent Authority

The Competent Authority to decide upon the nature of irregularity shall be the Officer-in-Charge of the Issue Department of the Regional Office under whose jurisdiction the defaulting currency chest / bank branch is located.

¹ Small Finance Banks (up to two years from the commencement of their banking business) and Payment Banks may exchange mutilated and defective notes at their option.

3.2 Appellate Authority

i. Appeal against the decision of the Competent Authority may be made by the Controlling Office of the currency chest / branch to the Regional Director / Chief General Manager / Officer-in-Charge of the Regional Office concerned, **within one month from the date of debit**, who shall decide whether the same can be accepted (in full or part) / rejected. Penalty waiver request would be considered only if the application for the same is made in the CyM-CC portal. Waiver requests in any other mode shall not be entertained. Appeals shall not be made in routine manner.

ii. Appeals for waiver of penalty made on grounds such as staff being new / untrained, lack of awareness, corrective action having been taken / shall be taken, etc., shall not be considered.

FREQUENTLY ASKED QUESTIONS

Master Direction – Scheme of Penalties for bank branches and currency chests for deficiency in rendering customer service to the members of public

1. What is Clean Note Policy?

It is a policy adopted by RBI to ensure availability of good quality banknotes to members of the public.

2. What is Memorandum of Agreement (MoA)?

Before considering the first specific application for opening of a currency chest, a general MoA is entered between the Reserve Bank of India and the bank concerned, setting out the terms and conditions governing the entrustment of currency chest responsibilities to the bank.

3. What are linked branches?

These are the bank branches linked with nearby currency chests under Linkage Scheme, formulated by RBI mainly with a view to provide chest facilities to all non-chest bank branches at the same centre as far as possible.

4. What are ‘soiled’, ‘mutilated’ and ‘imperfect notes’?

A ‘soiled note’ means a note which has become dirty due to normal wear and tear and also includes a two piece note pasted together wherein both the pieces presented belong to the same note and form the entire note with no essential feature missing. A ‘mutilated note’ means a note of which a portion is missing or which is composed of more than two pieces. An ‘imperfect note’ means any note, which is wholly or partially, obliterated, shrunk, washed, altered or indecipherable but does not include a mutilated note.

Illustration

Master Direction – Scheme of Penalties for bank branches and currency chests for deficiency in rendering customer service to the members of public

1. Penalty for shortages of notes in soiled note remittances (SNRs) and shortages of notes and coins in currency chest balances:

Example:

Shortage detected (in pieces)	Denomination	Penalty amount and loss recovered (₹) (Up to ₹50- ₹50/- per piece in addition to the loss) (₹100 & above- Equal to the value of the denomination per piece in addition to the loss)
100	20	Penalty amount ₹5,000/- (50*100) and loss ₹2,000/- (20*100)
50	100	Penalty amount ₹5,000/- (100*50) and loss ₹5,000/-+(100*50)

2. Penalty for Mutilated notes (including deliberately cut notes and built-up notes) detected in soiled note remittances and currency chest balances

Example:

Mutilated notes detected (in pieces)	Denomination	Penalty amount and loss recovered (₹) All denominations- ₹50/- per piece in addition to the loss
200	200	Penalty amount ₹10,000/- (50*200) and loss ₹40,000/-(200*200)

3. Non-compliance with operational guidelines by currency chests detected by RBI officials

In case of non-functioning of CCTV, non-compliance with rules / guidelines pertaining to CCTV recording, preservation period, and related issues, penalty of ₹5,000/- for each instance of irregularity shall be levied. Penalty shall be enhanced to ₹10,000/- in case of repetition / recurrence of irregularity in consecutive inspection cycles or earlier.

Example: If CCTV in the currency chest is found to be non-functional during inspection/ audit, a penalty of ₹5,000/- will be levied. If the same issue recurs during the next inspection cycle or earlier, ₹10,000/- will be levied.