



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

RBI/2016-17/23

DCM (CC) No.G-3/03.44.01/2016 – 17

July 20, 2016

The Chairman & Managing Director  
Chief Executive Officers  
All Banks

Madam / Dear Sir,

**Master Circular –Scheme of Penalties for bank branches based on performance in rendering customer service to the members of public**

Please refer to the [Circular DCM \(CC\) No.G-10/03.41.01/2015-16 dated May 05, 2016](#) on the revised scheme of incentives titled – CDES i.e. Currency Distribution and Exchange Scheme.

2. As advised therein, the provisions of incentives have now been segregated from those of penalties. Accordingly, the scheme of Penalties is annexed for information and necessary action.

3. This Master Circular is available on our website [www.rbi.org.in](http://www.rbi.org.in).

Yours faithfully

(P. Vijaya Kumar)  
Chief General Manager

Encl : As above

### Master Circular on the Scheme of Penalties for bank branches including currency chests based on performance in rendering customer service to members of public

1. The scheme of Penalties for bank branches including currency chests has been formulated in order to ensure that all bank branches provide better customer service to members of public with regard to exchange of notes and coins, in keeping with the objectives of Clean Note Policy.

#### 2. Penalties

Penalties to be imposed on banks for deficiencies in exchange of notes and coins/remittances sent to RBI/operations of currency chests etc. are as follows:

Sr.No.	Nature of Irregularity	Penalty
i.	Shortages in soiled note remittances and currency chest balances	<p><b>For notes in denomination upto ₹.50</b></p> <p>₹.50/- per piece in addition to the loss</p> <p><b>For notes in denomination of ₹.100 &amp; above</b></p> <p>Equal to the value of the denomination per piece in addition to the loss.</p> <p><b>Shortages of 100 pieces and above per remittance shall be debited immediately. Penalty may be levied on reaching a limit of 100 pieces in a cumulative manner.</b></p>
ii.	Counterfeit notes detected in soiled note remittances and currency chest balances.	Penalty on account of detection of counterfeit notes by RBI from soiled note remittance of banks and in currency chest balances shall be levied in terms of the instructions issued by DCM vide <a href="#">circular DCM (FNVD) No.776/16.01.05/2015-16 dated August 26, 2015.</a>

iii.	Mutilated notes detected in soiled note remittances and currency chest balances	₹ 50/- per piece irrespective of the denomination  <b>Mutilated notes of 100 pieces and above per remittance shall be debited immediately. Penalty may be levied on reaching a limit of 100 pieces in a cumulative manner.</b>
iv.	Non-compliance with operational guidelines by currency chests detected by RBI officials  a) Non-functioning of CCTV  b) Branch cash/documents kept in strong room  c) Non-utilization of NSMs for sorting of notes (NSMs not used for sorting of high denomination notes received over the counter or not used for sorting notes remitted to chest/RBI)	Penalty of ₹ 5000 for each irregularity.  Penalty will be enhanced to ₹.10,000 in case of repetition.  Penalty will be levied immediately.
v.	Violation of any term 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..  a) Non-issue of coins over the counter to any member of public despite having stock.  b) Refusal by any bank branch to exchange soiled notes / refusal by any currency chest branch to adjudicate mutilated notes tendered by any member of public  c) Non conduct of surprise verification of chest balances, at least at bimonthly intervals, by officials unconnected with the custody thereof and by the officials from the Controlling Office once in six months.	₹ 10,000 for any violation of agreement or deficiency of service.  ₹ 5 lakh in case there are more than 5 instances of violation of agreement/deficiency in service by the branch. The levy of such penalty will be placed in public domain.  Penalty will be levied immediately.

	<p>d) Denial of facilities/services to linked branches of other banks.</p> <p>e) Non acceptance of lower denomination notes (i.e. denomination of ₹ 50 and below) tendered by members of public and linked bank branches.</p> <p>f) Detection of mutilated /counterfeit notes in re-issuable packets prepared by the currency chest branches.</p>	
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### 3. Operational Guidelines on levy of penalties –

#### 3.1 Competent Authority –

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

#### 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 of the Regional Office concerned, **within one month from the date of debit**, who may decide whether the same can be accepted/ rejected.

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

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