



**THE ZOROASTRIAN CO-OPERATIVE BANK LIMITED**

**CLEAN NOTE POLICY**

**2019-20**

## INDEX

<b>Para Nos.</b>	<b>Subject</b>	<b>Page No.</b>
I	Facility for Exchange of Notes and Coins	1-3
II	Detection and Impounding of Counterfeit Notes	4-8

Keeping in view the various regulatory/statutory and the Bank's own internal requirements, the Bank has laid down the Clean Note Policy for Financial Year 2019-20.

The Bank's Clean Note Policy clearly defines the procedure for Facility for Exchange of Notes and Coins and Detection and Impounding of Counterfeit Notes.

As such the Clean Note Policy is formulated and updated in line with Reserve Bank of India guidelines and is placed before the Board of Directors for approval.

## **I. Facility for Exchange of Notes and Coins**

With respect to the Facility for Exchange of Notes and Coins, the Bank shall adhere to the below mentioned instructions:

1. All branches to issue good quality notes and coins of all denominations on demand, as also exchange soiled / mutilated / defective notes, accept coins and notes for transactions or exchange. Branches should not refuse to accept small denomination notes and / or coins tendered at their counter.
2. Soiled notes should not be issued to the public as re-issuable notes and shall be deposited in currency chests / current accounts maintained with other Banks for onward transmission to RBI offices. In order to facilitate quicker exchange facilities, the definition of soiled note has been liberalized. 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. Branches to accept these notes over the counters in payment of Government dues and for credit to accounts of the public maintained with banks.
3. Where the number of soiled notes presented by a person is upto 20 pieces with a maximum value of Rs. 5,000/- per day, the Bank should exchange them over the counter, free of charge. Where the number of soiled notes exceed 20 pieces or Rs. 5,000/- per day, the Bank to accept them against receipt for value to be credited against levy of service charges of a minimum of Rs 500/-.
4. **Mutilated Notes – Presentation and Passing:**  
A mutilated note is a note of which a portion is missing or which is composed of more than two pieces. Mutilated notes may be presented at any of the Bank branches. The notes so presented shall be accepted, exchanged and adjudicated by the branches in accordance with Reserve Bank of India (Note Refund) Rules 2009.
5. Notes which have turned extremely brittle or are badly burnt, charred or inseparably stuck up together and, therefore, cannot withstand normal handling, shall not be accepted by the Bank branches for exchange. Instead, the holders may be advised to tender these notes to the concerned Issue Office of the Reserve Bank of India.
6. The Branch Manager shall act as 'Prescribed Officer' to adjudicate the notes received at the branch for exchange in accordance with Reserve Bank of India, Rules, 2009.

**7. Exchange of mutilated and imperfect notes:**

- a. Where the number of notes presented by a person is up to 5 pieces, branches should normally adjudicate the notes and pay the exchange value over the counter. If the branches are not able to adjudicate the mutilated notes, the notes may be received against a receipt and sent to the linked currency chest branch of the currency chest Bank for adjudication. The probable date of payment should be informed to the tenderers on the receipt itself and the same should not exceed 30 days. Bank account details should be obtained from the tenderers for crediting the exchange value by electronic means.
  - b. Notes presented in bulk: Where the number of notes presented by a person is more than 5 pieces not exceeding Rs.5000 in value, branches to send such notes to nearby currency chest branch of Banks by insured post giving the customers Bank account details (a/c no, branch name, IFSC, etc.) or get them exchanged thereat in person. All other persons tendering mutilated notes whose value exceeds Rs.5000 should be advised to approach the nearby currency chest branch of Banks.
8. Mutilated / defective notes bearing 'PAY' / 'PAID' (or 'Reject') stamp of any RBI Issue Office or any Bank's Branch, if presented for payment at any of the Bank's branches shall be rejected under Rules 6(2) of Reserve Bank of India, Rules, 2009.
  9. Any note with slogans and messages of political nature written across shall cease to be legal tender and claim on such notes shall be rejected by the Bank.

**10. Deliberately cut notes:**

The notes, which are found to be deliberately cut, torn, altered or tampered with, if presented for payment of exchange value should be rejected under Rule 6(3)(ii) of the Reserve Bank of India (Note Refund) Rules, 2009. Although it is not possible to precisely define deliberately cut notes, a close look at such notes will clearly reveal any deliberate fraudulent intention, as the manner in which such notes are mutilated will follow a broad uniformity in the shape/location of missing portions of the notes, especially when the notes are tendered in large numbers. The details of the case such as the name of the tenderer, the number of notes tendered and their denominations should be reported thereafter to the Deputy/General Manager, Issue Department, Reserve Bank of India. The matter should also be reported to local police in case a large number of such notes are tendered.

11. The Bank's Branches shall display at their branch notice boards indicating the availability of note exchange facility with the legend 'SOILED / MUTILATED NOTES ARE ACCEPTED AND EXCHANGED HERE' for information of general public.

12. Cashiers at branches to do away with stapling of note packets and shall band the packets with paper/polythene bands so that the life of the currency notes is increased.
13. Branch Managers / Cashiers to educate the members of public, not to write on the currency notes to provide unrestricted facility for exchange of soiled and mutilated notes.
14. Branch Managers / Cashiers to exclusively provide currency exchange and distribution of small coins to suck out the bad notes.
15. The coins of denomination of 25 paise and below, issued from time to time, cease to be legal tender for payments as well as account with effect from June 30, 2011 in terms of Gazette Notification No.2529 dated December 20, 2010 issued by the Government of India.
16. Pre-2005 bank notes if received, shall not be exchanged as legal tender across the counter, and the cashiers/Branch Managers shall guide such customers to exchange such notes at the Issue Office of Reserve Bank of India.
17. In line with the Demonetization of Rs 500 and Rs 1000 banknotes, a policy enacted by the Government of India on 8<sup>th</sup> November 2016, all Rs 500 and Rs 1000 banknotes of the Mahatma Gandhi Series cease to be legal tender in India from the midnight of 8<sup>th</sup> November 2016. The scheme for the facility of exchange of the above mentioned High Denomination Notes of Rs 500 and Rs 1000 stand closed with the completion of business hours on 30<sup>th</sup> December 30, 2016.

## **II. Detection and Impounding of Counterfeit Notes:**

With respect to the detection and impounding of counterfeit notes, the Bank shall adhere to the below mentioned instructions:

1. Banknotes tendered over the counter through bulk tenders shall be examined for authenticity through note counting machines. No credit to customer's account is to be given for counterfeit notes, if any, detected in the tender received over the counter or at the back-office / currency chest.  
In no case, the counterfeit notes should be returned to the tenderer or destroyed by the bank branches. 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 and penalty will be imposed for violation of Directive No. 3158/09.39.00 (Policy)/2009-10 dated November 19, 2009 issued by the Reserve Bank.
2. **Impounding of counterfeit notes :**  
Notes determined as counterfeit shall be stamped as "COUNTERFEIT NOTE" and impounded in the prescribed format (Annex I). Each such impounded note shall be recorded under authentication, in a separate register.
3. When a banknote tendered at the counter of a Bank branch is found to be counterfeit, an acknowledgement receipt in the prescribed format (Annex II) shall be issued to the tenderer, after stamping the note. The receipt, in running serial numbers, shall be authenticated by the cashier and tenderer. Notice to this effect shall be displayed prominently at the branches notice boards for information of the public. The receipt is to be issued even in cases where the tenderer is unwilling to countersign it.
4. **Detection of Counterfeit Notes - Reporting to Police and other bodies:**  
The following procedure should be followed while reporting incidence of detection of counterfeit note to the Police:
  - a. For cases of detection of counterfeit notes upto 4 pieces, in a single transaction, a consolidated report in the prescribed format (Annex III) should be sent by the Nodal Bank Officer to the police authorities or the Nodal Police Station, along with the suspect counterfeit notes, at the end of the month.
  - b. For cases of detection of counterfeit notes of 5 or more pieces, in a single transaction, the counterfeit notes should be forwarded by the Nodal Bank Officer to the local police authorities or the Nodal Police Station for investigation by filing FIR in the prescribed format (Annex IV).  
A copy of the monthly consolidated report / FIR shall be sent to the Forged Note Vigilance Cell constituted at the Head Office of the Bank.

- c. Acknowledgement of the police authorities concerned has to be obtained for note/s forwarded to them both as consolidated monthly statement and FIR. If the counterfeit notes are sent to the police by insured post, acknowledgement of receipt thereof by the police should be invariably obtained and kept on record. A proper follow-up of receipt of acknowledgement from the police authorities is necessary. In case, any difficulty is faced by the Branches due to reluctance of the police to receive monthly consolidate statement / file FIRs, the matter may be sorted out in consultation with the Nodal Officer of the police authority designated to coordinate matters relating to investigation of counterfeit banknotes cases. The list of Nodal Police Station may be obtained from the respective Regional Office of Reserve Bank.
5. Branches to monitor the patterns / trends of such detection and suspicious trends / patterns should be brought to the notice of RBI /Police authorities immediately.  
The data on detection of counterfeit Indian notes at branches should be included in the monthly Returns forwarded to the Reserve Bank Issue Offices as furnished in Annex VI.
6. The branches should re-align their cash management in such a manner so as to ensure that cash receipts in the denominations of Rs 100 and above are not put into re-circulation without the notes being machine processed for authenticity. In order to obviate complaints regarding receipt of counterfeit notes through ATMs, branches to take adequate safeguards/checks before loading ATMs with notes. Dispensation of counterfeit notes through the ATMs would be construed as an attempt to circulate the counterfeit notes by the Bank concerned.
7. Penalty at 100% of the notional value of counterfeit notes, in addition to the recovery of loss to the extent of the notional value of such notes, will be imposed under the following circumstances:
  - a) When counterfeit notes are detected in the soiled note remittance of the bank.
  - b) If counterfeit notes are detected in the currency chest balance of a bank during inspection by RBI.
8. Each Bank shall establish at its Head Office, a Forged Note Vigilance Cell to undertake the following functions:
  - i. Dissemination of instructions issued by the Reserve Bank on counterfeit notes to Bank's branches. Monitoring the implementation of these instructions. Compilation of data on detection of counterfeit notes, and its submission to Reserve Bank and FIU-IND as per extant instructions. Follow-up of cases of counterfeit notes, with police authorities / designated nodal officer.
  - ii. Sharing of the information thus compiled with Bank's Designated Nodal Officer and report to him / her all cases of acceptance / issue of counterfeit notes over the counters.



- iii. Conducting periodic surprise checks at branches where shortages/ defective /counterfeit notes etc. are detected.
- iv. Ensuring operation of Note Sorting Machines of appropriate capacity at all the branches and closely monitoring the detection of Counterfeit Notes and maintaining the record of the same. Ensuring that only properly sorted and machine examined banknotes are fed into the ATMs / issued over the counters and to put in place adequate safeguards, including surprise checks, both during the processing and in transit of notes.

Forged Note Vigilance Cell shall submit status report on a quarterly basis covering the aforesaid aspects to the Chief General Manager, Department of Currency Management, Reserve Bank of India, Central Office, Amar Building, Fourth Floor, Sir P. M. Road, Fort, Mumbai 400 001, and to the Issue office of the Regional office of Reserve Bank under whose jurisdiction the FNV Cell is functioning, within a fortnight from the conclusion of the quarter under report. The said report should be sent by mail. **No hard copy need be sent.**

In order to update the record of the addresses of the Forged Note Vigilance Cells, the Bank shall furnish by e-mail, in the prescribed format (Annex V), the address etc. particulars to the Reserve Bank every year, as on 1st July. **No hard copy need be sent.**

**9. Scheme of Penalties for Bank branches including currency chests based on performance in rendering customer service to members of public:**

In line with RBI circular no DCM (CC) No.G-4/03.44.01/2018–19 dated 3<sup>rd</sup> July 2018 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.

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>For notes in denomination upto Rs.50 Rs. 50 per piece in addition to the loss For notes in denomination of Rs 100 &amp; above Equal to the value of the denomination per piece in addition to the loss.</p> <p>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.</p>

Sr. No.	Nature of Irregularity	Penalty
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 <u>DCM (FNVD) No.G-1/16.01.05/2018-19</u> dated July 02, 2018.
iii.	Mutilated notes detected in soiled note remittances and currency chest balances	Rs. 50 per piece irrespective of the denomination 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.
iv.	<p>Non-compliance with operational guidelines by currency chests detected by RBI officials</p> <p>a) Non-functioning of CCTV</p> <p>b) Branch cash/documents kept in strong room</p> <p>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)</p>	<p>Penalty of Rs 5000 for each irregularity.</p> <p>Penalty will be enhanced to Rs 10,000 in case of repetition.</p> <p>Penalty will be levied immediately.</p>
v.	<p>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.</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 branch to exchange soiled notes / refusal by any currency chest branch to adjudicate mutilated notes tendered by any member of public</p>	<p>Rs. 10,000 for any violation of agreement or deficiency of service.</p> <p>Rs. 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.</p> <p>Penalty will be levied immediately.</p>

<b>Sr. No.</b>	<b>Nature of Irregularity</b>	<b>Penalty</b>
	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.  d) Denial of facilities/services to linked branches of other banks.  e) Non acceptance of lower denomination notes (i.e. denomination of Rs. 50 and below) tendered by members of public and linked bank branches.  f) Detection of mutilated /counterfeit notes in re-issuable packets prepared by the currency chest branches.	

10. With regard to Master Circular on Detection and Impounding of Counterfeit Notes, the branches of the Bank shall display on their respective notice boards the name of designate Officer and single point of contact for all counterfeit note detection related activity. The name of the designated officer is as under:

**Name** : Mr. Hanosh S. Santok  
**Designation** : Asst. Chief Executive Officer – Nodal Officer  
**Bank's Name** : The Zoroastrian Co-operative Bank Limited  
**Bank's Address** : Nirlon House, 5<sup>th</sup> Floor, Dr. A. B. Road, Worli,  
Mumbai: - 400 030  
**Contact No.** : 022-61727608  
**Email ID** : [hsantok@zcbl.in](mailto:hsantok@zcbl.in)