

Currency management during 2016-17 was geared towards managing the process of demonetisation of specified bank notes effected in early November 2016 and the subsequent remonetisation by making available adequate quantity of banknotes to meet the legitimate demand of the public in the shortest possible time. Sustained efforts continued to be made towards indigenisation of banknotes production with sophisticated security features.

VIII.1 The volume of notes in circulation continued to increase till November 8, 2016 when the Government of India notified that banknotes of ₹500 and ₹1000 denominations of the existing series issued by the Reserve Bank of India till then (henceforth, specified bank notes), shall cease to be legal tender with effect from November 9, 2016 (also termed as demonetisation). Simultaneously, a new series (Mahatma Gandhi New Series) of banknotes of a different size and design, highlighting the cultural heritage and scientific achievements of the country, was introduced. In view of the withdrawal of legal tender character of nearly 86 per cent of value of notes in circulation on November 8, 2016, the focus of the Reserve Bank subsequently shifted to making available banknotes generated from printing presses to currency chests and from there to bank branches and ATMs in the shortest possible time. This process was facilitated by air lifting of notes as also direct remittances from the presses to currency chests wherever feasible and adopting a hub and spoke model of distribution. As a result, during a short span from November 9 to December 31, 2016, the Reserve Bank pumped in 23.8 billion pieces of bank notes into circulation aggregating ₹5,540 billion in value. The pace of remonetisation continued ceaselessly thereafter also and the notes in circulation (NiC) as on March

31, 2017 increased close to 74 per cent of the NiC prevailing on November 4, 2016. Sustained efforts were made towards indigenisation of banknotes production along with enhanced security features during the year. The Bank Note Paper Mill at Mysuru started commercial production. Efforts towards a greenfield project for production of security inks were also undertaken.

TRENDS IN CURRENCY

Banknotes in Circulation

VIII.2 The value of banknotes in circulation declined by 20.2 per cent over the year to ₹13,102 billion as at end-March 2017. The volume of banknotes, however, increased by 11.1 per cent, mainly due to higher infusion of banknotes of lower denomination in circulation following the demonetisation. In value terms, the share of ₹500 and above banknotes, which had together accounted for 86.4 per cent of the total value of banknotes in circulation at end-March 2016, stood at 73.4 per cent at end-March 2017. The share of newly introduced ₹2000 banknotes in the total value of banknotes in circulation was 50.2 per cent at end-March 2017. In volume terms, ₹10 and ₹100 banknotes constituted 62.0 per cent of total banknotes in circulation at end-March 2017 as compared with 53.0 per cent at end-March 2016 (Table VIII.1).

Table VIII.1: Banknotes in Circulation

Denomina- tion (₹)	Volume (million pieces)			Value (₹ billion)		
	Mar-15	Mar-16	Mar-17	Mar-15	Mar-16	Mar-17
1	2	3	4	5	6	7
2 and 5	11,672 (13.9)	11,626 (12.9)	11,557 (11.5)	46 (0.3)	45 (0.3)	45 (0.3)
10	30,304 (36.3)	32,015 (35.5)	36,929 (36.8)	303 (2.1)	320 (1.9)	369 (2.8)
20	4,350 (5.2)	4,924 (5.4)	10,158 (10.2)	87 (0.6)	98 (0.6)	203 (1.5)
50	3,487 (4.2)	3,890 (4.3)	7,113 (7.1)	174 (1.2)	194 (1.2)	356 (2.7)
100	15,026 (18.0)	15,778 (17.5)	25,280 (25.2)	1,503 (10.5)	1,578 (9.6)	2,528 (19.3)
500	13,128 (15.7)	15,707 (17.4)	5,882 (5.9)	6,564 (46.0)	7,854 (47.8)	2,941 (22.5)
1,000	5,612 (6.7)	6,326 (7.0)	89 (0.0)	5,612 (39.3)	6,326 (38.6)	89 (0.7)
2,000	-	-	3,285 (3.3)	-	-	6,571 (50.2)
Total	83,579	90,266	100,293	14,289	16,415	13,102

Note: Figures in parentheses represent the percentage share in total volume/value.

Coins in Circulation

VIII.3 Coins in circulation witnessed a sustained increase in demand during the year. The total value of coins in circulation increased by 14.7 per cent in 2016-17 as against 12.4 per cent last year, while the total volume of coins in circulation increased by 8.5 per cent as compared with 8.2 per cent in the previous year. Coins of ₹1 and ₹2 together constituted 69.2 per cent of the total volume of coins in circulation, while in value terms, these accounted for 44.8 per cent (Table VIII.2).

CURRENCY MANAGEMENT INFRASTRUCTURE

VIII.4 The currency management infrastructure consists of a network of 19 issue offices, 4,034 currency chests (including sub-treasury offices and a currency chest of the Reserve Bank at Kochi) and 3,707 small coin depots of commercial,

Table VIII.2: Coins in Circulation

Denomina- tion (₹)	Volume (million pieces)			Value (₹ billion)		
	Mar-15	Mar-16	Mar-17	Mar-15	Mar-16	Mar-17
1	2	3	4	5	6	7
Small coins	14,788 (14.9)	14,788 (13.8)	14,788 (12.7)	7 (3.6)	7 (3.2)	7 (2.8)
1	41,627 (42.2)	44,876 (41.9)	48,347 (41.6)	42 (21.7)	45 (20.6)	48 (19.2)
2	27,038 (27.3)	29,632 (27.7)	32,059 (27.6)	54 (27.8)	59 (27.1)	64 (25.6)
5	12,761 (12.9)	14,089 (13.2)	15,783 (13.6)	64 (33.0)	70 (32.1)	79 (31.6)
10	2,750 (2.7)	3,703 (3.4)	5,205 (4.5)	27 (13.9)	37 (17.0)	52 (20.8)
Total	98,964	107,088	116,182	194	218	250

Note: Figures in parentheses represent the percentage share in total volume/value.

cooperative and regional rural banks (RRBs) spread across the country (Table VIII.3).

VIII.5 In order to improve the currency distribution system by leveraging on technology, the Reserve Bank adopted a hub and spoke model for distribution of banknotes across the country. Fresh note remittances were sent to larger currency chests, which meet the currency needs of a designated area (such as a district), identified as hub chests and these, in turn, supplied notes to smaller currency chests in their vicinity which acted like spokes in the distribution model. Fresh

Table VIII.3: Currency Chests and Small Coin Depots as at end-March 2017

Category	No. of Currency Chest	No. of Small Coin Depot
1	2	3
State Bank of India (SBI)	1,893	1,793
SBI Associate Banks	754	722
Nationalised Banks	1,198	1,014
Private Sector Banks	168	164
Co-operative Banks	4	4
Foreign Banks	4	4
Regional Rural Banks	5	5
State Treasury Offices (STOs)	7	0
RBI	1	1
Total	4,034	3,707

Table VIII.4: Indent and Supply of Banknotes by BRBNMPL and SPMCIL (April-March)

(Million pieces)

Denomination (₹)	2014-15		2015-16		2016-17	
	Indent	Supply	Indent	Supply	Indent	Supply
1	2	3	4	5	6	7
5	0	0	0	0	0	0
10	6,000	9,417	4,000	5,857	3,000	2,785
20	4,000	1,086	5,000	3,252	6,000	4,118
50	2,100	1,615	2,050	1,908	2,125	2,700
100	5,200	5,464	5,350	4,910	5,500	5,738
500 (MG series)	5,400	5,018	5,600	4,291	5,725	2,013
500 (New design)	-	-	-	-	-	7,260
1,000	1,500	1,052	1,900	977	2,200	925
2,000	-	-	-	-	3,500	3,504
Total@	24,200	23,652	23,900	21,195	28,050	29,043

-: Not Applicable.
BRBNMPL: Bharatiya Reserve Bank Note Mudran Private Limited.
SPMCIL: Security Printing and Minting Corporation of India Limited.
@: Total excludes ₹1.

notes were distributed to every issue office of the Reserve Bank as per a planned allocation.

CLEAN NOTE POLICY

Demand Estimation and Supply of Currency

VIII.6 The Reserve Bank estimates the demand for currency using an econometric model which factor in, *inter alia*, expected real GDP growth, rate of inflation and denomination-wise disposal rate of soiled notes. However, 2016-17 was an exceptional year on account of the demonetisation and the gradual replenishment of withdrawn notes by new notes of different denominations. Accordingly, the

total number of banknotes supplied was higher at 29.0 billion pieces in 2016-17 as compared with 21.2 billion pieces in 2015-16. The total supply of notes was 3.5 per cent higher than the indent placed with the printing presses for 2016-17, while the indent itself was higher by around 17.4 per cent than that of the previous year (Table VIII.4).

VIII.7 Demand for coins have increased over the years as reflected in rising indents as well as supply (Table VIII.5). During the past three years, on an average, Mints have, however, been able to supply 62.3 per cent of the indented quantity due to capacity constraints.

Table VIII.5: Indent & Supply of Coins by Mints (April-March)

(Million pieces)

Denomination	2014-15		2015-16		2016-17	
	Indent	Supply	Indent	Supply	Indent	Supply
1	2	3	4	5	6	7
50 Paise	40	20	40	30	30	30
₹1	6,000	3,247	6,100	3,753	6,300	3,548
₹2	4,000	2,367	4,000	2,899	4,200	2,461
₹5	2,000	1,091	2,100	1,492	2,270	2,429
₹10	1,800	1,187	2,000	1,084	2,200	1,223
Total	13,840	7,912	14,240	9,258	15,000	9,691

**Table VIII.6: Disposal of Soiled Banknotes
(April-March)**

(Million pieces)

Denomination (₹)	2014-15	2015-16	2016-17
1	2	3	4
1,000	663	625	1,514
500	2,847	2,800	3,506
100	5,173	5,169	2,586
50	1,271	1,349	778
20	801	849	546
10	4,338	5,530	3,540
Up to 5	44	46	34
Total	15,137	16,368	12,503

Disposal of Soiled Notes

VIII.8 During 2016-17, 12.5 billion pieces of soiled notes were disposed as against 16.4 billion pieces last year; the reduction was evident across denominations of ₹100 and below, in contrast to the previous year (Table VIII.6).

COUNTERFEIT NOTES AND SECURITY PRINTING

Trends in Counterfeit Notes Detected in the Banking System

VIII.9 During 2016-17, 762,072 pieces of counterfeit notes were detected in the banking system, of which 95.7 per cent were detected by commercial banks (Table VIII.7). Detection of counterfeit notes was 20.4 per cent higher than the previous year. Barring ₹100, the detection of counterfeit notes increased across denominations – notably, ₹500 and ₹1,000 - during 2016-17 (Table VIII.8).

VIII.10 During 2016-17, the National Crime Records Bureau (NCRB), Ministry of Home Affairs designed a uniform proforma for collection of Fake Indian Currency Note (FICN) data. It also developed a web-enabled software for uploading data on FICN detected by banks and

**Table VIII.7: Number of Counterfeit Notes
Detected (April to March)**

(No. of pieces)

Year	Detection at Reserve Bank	Other Banks	Total
1	2	3	4
2014-15	26,128 (4.4)	568,318 (95.6)	594,446 (100.0)
2015-16	31,765 (5.0)	601,161 (95.0)	632,926 (100.0)
2016-17	32,432 (4.3)	729,640 (95.7)	762,072 (100.0)

Note: 1. Figures in parentheses represent the percentage share in total.
2. Does not include counterfeit notes seized by the police and other enforcement agencies.

law enforcement agencies. The Reserve Bank is facilitating implementation of the system in collaboration with NCRB. A survey-based estimation of FICN carried out by the Reserve Bank is presented in Box VIII.1.

VIII.11 The trail of deposits of SBNs into bank accounts may provide valuable information to the revenue authorities in tracing unaccounted money. During 2016-17, the number of suspicious transaction reports filed by banks and other financial intermediaries with the

**Table VIII.8: Denomination-wise Counterfeit
Notes Detected in the Banking System
(April to March)**

(No. of pieces)

Denomination (₹)	2014-15	2015-16	2016-17
1	2	3	4
2 and 5	0	2	80
10	268	134	523
20	106	96	324
50	7,160	6,453	9,222
100	181,799	221,447	177,195
500 (MG series)	273,923	261,695	317,567
500 (New design)	0	0	199
1,000	131,190	143,099	256,324
2,000	0	0	638
Total	594,446	632,926	762,072

Box VIII.1

Survey-Based Estimation of Fake Indian Currency Notes (FICNs)

Coincident with the announcement of the withdrawal of legal tender status of specified bank notes (SBNs) on November 8, 2016, the Reserve Bank launched a nation-wide exercise to estimate the density of fake Indian currency notes (FICNs) detected during the counting and verification of notes.

A two-stage cluster sampling technique was adopted to obtain the best estimate of FICNs detected at currency chests (CCs) and at the Reserve Bank in the post-demonetisation period, given the constraints, including time lags inherent in the verification processes. The currency chests located under the jurisdiction of the 19 issue offices of the Reserve

Bank were classified on the basis of four population groups, viz., rural; semi-urban; urban; and metro. Out of the total 76 clusters (19 issue offices x 4 population groups), 61 clusters were considered for sampling, excluding the 15 clusters with no currency chests (Table 1).

Samples were drawn from each of these clusters in two stages: in the first stage, CCs were selected randomly¹ from each cluster; in the second stage, SBNs were chosen randomly from the selected CCs². As the currency verification for fake notes in the bundle is carried out at the currency chest level as well as at the Reserve Bank, the sampling

Table 1: Population and Sample: Distribution of CCs (₹500)

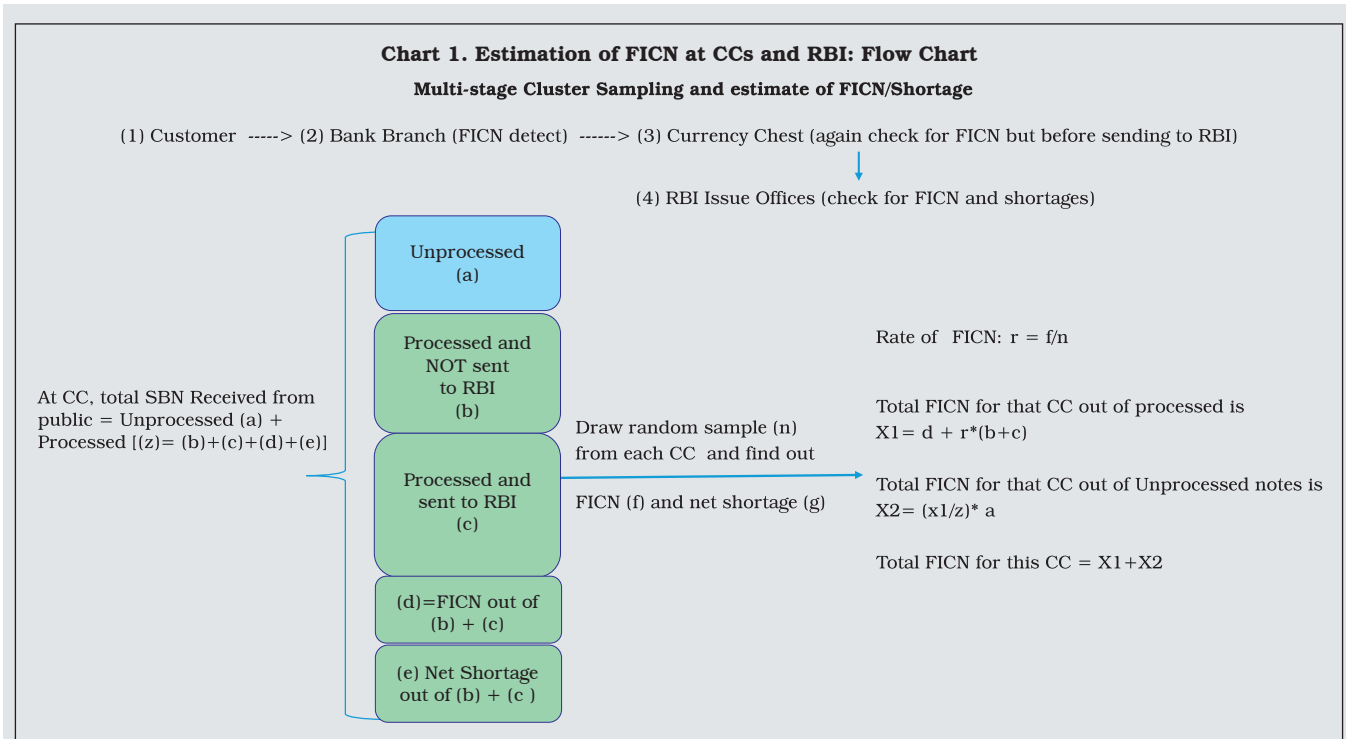
Row Labels	Number of CCs in Population*					RBI Office	Number of CCs selected in Sample				
	Metro	Rural	Semi Urban	Urban	Grand Total		Metro	Rural	Semi Urban	Urban	Grand Total
Ahmedabad	59	2	130	48	239	Ahmedabad	30	No Sample	8	15	53
Belapur	30	No CC	78	82	190	Belapur	15	No CC	23	25	63
Bengaluru	36	No CC	155	75	266	Bengaluru	18	No CC	16	27	61
Bhopal	43	7	128	50	228	Bhopal	27	2	21	7	57
Bhubneswar	No CC	6	66	48	120	Bhubneswar	No CC	4	33	32	69
Chandigarh	No CC	9	167	159	335	Chandigarh	No CC	1	8	27	36
Chennai	46	12	141	68	267	Chennai	17	1	28	22	68
Delhi	58	No CC	No CC	No CC	58	Delhi	22	No CC	No CC	No CC	22
Guwahati	No CC	58	79	39	176	Guwahati	No CC	7	15	21	43
Hyderabad	246	8	69	37	360	Hyderabad	81	2	4	8	95
Jaipur	63	No CC	180	54	297	Jaipur	29	No CC	23	15	67
Jammu	No CC	5	18	14	37	Jammu	No CC	1	4	7	12
Kanpur	71	27	87	76	261	Kanpur	21	2	17	20	60
Kolkata	63	17	56	81	217	Kolkata	33	8	18	29	88
Lucknow	41	No CC	98	87	226	Lucknow	17	No CC	13	23	53
Mumbai	61	No CC	No CC	No CC	61	Mumbai	30	No CC	No CC	No CC	30
Nagpur	31	1	150	53	235	Nagpur	12	No Sample	25	9	46
Patna	7	13	93	105	218	Patna	2	3	18	32	55
Thiruvananthapuram	No CC	7	135	68	210	Thiruvananthapuram	No CC	4	40	29	73
Grand Total	855	172	1830	1144	4001	Grand Total	354	35	314	348	1051

*: Relates to CCs dealing with ₹500 banknotes and may not tally with the number mentioned elsewhere.

¹ Instead of probability proportion to size (PPS) sampling to select CCs where weights are assigned according to the rate of FICNs detected at CCs, simple random sampling was adopted as no FICN was detected in nearly 40 per cent of CCs in 2015-16. In the first stage, n_i number of CCs out of the total of N_i CCs from the i^{th} cluster were selected using simple random sampling without replacement.

² In the second stage, m_j samples of SBNs were selected using simple random sampling without replacement pertaining to the j^{th} CC (if that CC is selected in the first stage) which has total M_j SBNs. In the next stage, the proportion of FICNs in the selected sample or p_j was calculated. The following notations are used to describe the sampling design for SBNs:

Notations	Descriptions	Notations	Descriptions
i	Cluster number, i.e., $i=1, \dots, 61$	j	currency chests number $j=1, \dots, 4009$
N_i	Number of CCs in i^{th} cluster	n_i	Number of sample CCs drawn from i^{th} cluster which has total N_i CCs
M_j	Number of SBNs in the j^{th} currency chest $j=1, \dots, 4009$	m_j	Number of sample SBNs checked pertaining to j^{th} CC which have total M_j SBNs
p_j	Proportion of FICN detected in the sample of j^{th} CC	q_j	$1 - p_j$



exercise was done separately at both levels³ to arrive at the total FICNs (Chart 1).

Based on this approach, overall, 25 per cent of CCs (1,051 CCs for ₹500 and 1,018 CCs for ₹1000) and 9.2 per cent (2.2 billion pieces) SBNs were selected in the sample and subjected to statistical tests to ensure the accuracy of the estimates derived from the sample.

The result showed the rate of FICN detected per million pieces of notes processed at the CC level at 7.1 pieces for ₹500 denomination and 19.1 pieces for ₹1000 denomination, which were higher than the rate of detection at the Reserve Bank (5.5 pieces for ₹ 500 and 12.4 pieces for ₹1000).

At the Reserve Bank's currency verification and processing system, during 2015-16, there were 2.4 pieces of FICNs of ₹500 denomination and 5.8 pieces of FICNs of ₹1000 denomination for every million pieces notes processed; which rose to 5.5 pieces and 12.4 pieces, respectively, during the post-demonetisation period. As compared to 2015-16, 12 clusters for ₹500 denomination and 14 clusters for ₹1000 denomination showed statistically significant higher rate of FICN detection during the post-demonetisation period. This implies a significant pick-up in the rate of FICN detection at the Reserve Bank level in the post-demonetisation period as compared to a year ago.

Financial Intelligence Unit, Government of India, witnessed a quantum jump (Table VIII.9).

Expenditure on Security Printing and Distribution

VIII.12 The total expenditure incurred on security printing stood at ₹79.65 billion for the current year (July 2016 – June 2017) as against ₹34.2 billion

during 2015-16. The upsurge in expenditure during the year was on account of change in the production plan of printing presses due to the introduction of new design notes in higher denominations as well as the requirement of larger volume of notes for replacement of the demonetised currency. Furthermore, in order to ensure availability of

³ Population : 23.9 billion pieces of SBNs in 4009 CCs across 19 RBI issue offices; Sample size at CC: 100 per cent of CCs and at least 90 per cent of SBNs in all clusters (as all CCs have already processed 90 per cent of their SBNs); Sample size at the RBI: at least 10 per cent of CCs and at least 2.5 per cent of SBNs per CC in all clusters.

Table VIII.9: Number of Suspicious Transaction Reports Filed

Reporting Entity	2014-15	2015-16	2016-17
1	2	3	4
Banks	45,858	61,361	361,214
Financial Institutions*	10,649	40,333	94,836
Intermediaries **	2,139	4,579	16,953

*: Includes RBI-regulated eight All-India Financial Institutions (AIFIs), insurance companies, housing finance institutions, non-banking financial companies, chit funds, etc.

** : Includes intermediaries registered with SEBI, viz., stock brokers, merchant bankers, portfolio managers, foreign institutional investors, venture capital funds, etc.

Source: Financial Intelligence Unit, Ministry of Finance, Government of India.

banknotes across the country at the shortest possible time subsequent to the demonetisation, banknotes had to be frequently air-lifted from the presses to the Issue Offices of the Reserve Bank as well as directly to currency chests wherever feasible, which partly contributed to the increase in the cost of distribution of banknotes.

DEPARTMENT OF CURRENCY MANAGEMENT

VIII.13 Currency management is a core function of the Reserve Bank of India. The Department of Currency Management plays a key role in meeting the legitimate demand of the public for banknotes and coins by ensuring continuous supply and circulation of notes and coins of various denominations across the country. Another major thrust during the year was to prudently manage the transition towards remonetisation following the demonetisation, through increased supply of new notes as well as proper distribution of those notes across the country in a prompt manner.

Agenda for 2016-17: Implementation Status

VIII.14 The implementation of the agenda for 2016-17 comprised (i) the accomplishment

of the tasks already identified in the previous year as part of ongoing currency management operations, and (ii) new tasks that emerged following the demonetisation and the subsequent remonetisation.

(i) Accomplishment of Tasks Identified in the Previous Year

Introduction of New Series of Banknotes

VIII.15 As a standard international practice, the design and security features of banknotes are reviewed periodically. In line with this practice, a new series (Mahatma Gandhi New Series) of banknotes in new design, dimensions and denominations, highlighting the cultural heritage and scientific achievements of the country, was introduced during the year. As part of this process, banknotes in the denominations of ₹500 and ₹2000 were introduced on November 8, 2016. New design notes in other denominations are due for phased introduction.

Customer Service

VIII.16 In order to enhance customer service, the scheme of incentives and penalties for banks for provision of banknotes and coin related services has been rationalised. In this regard, a revised scheme of incentives titled Currency Distribution and Exchange Scheme (CDES) was formulated and issued to banks. The process of amending Note Refund Rules, 2009 to include the new Mahatma Gandhi series of ₹500 and ₹2000 denomination banknotes has also been initiated.

Indigenisation of Security Features for Indian Banknotes

VIII.17 The Reserve Bank continued with its medium/long term objective of indigenisation of security features for Indian banknotes during the

year. In this regard, the report of the High Level Steering Committee on indigenisation of security features of banknotes under the Chairmanship of former Deputy Governor, Shri R. Gandhi, has been submitted to the Government of India. In order to make India self-reliant in banknote paper production, indigenous production of Cylinder Mould Vat Made Watermarked Bank Note (CWBN) paper at the Bank Note Paper Mill India Private Limited (BNPMIPL), Mysuru, started during the year. A proposal to set up a security ink factory at Mysuru was accorded in-principle approval.

Mechanisation of Vaults

VIII.18 With the objective of introducing mechanised vaults, a greenfield project at the Reserve Bank, Naya Raipur, and a brownfield project at the Reserve Bank, Belapur, have been taken up on a pilot basis by the Reserve Bank.

High Level Committee on Currency Storage and Movement (HLCCSM) and Committee on Currency Movement (CCM)

VIII.19 Two committees, *i.e.*, High Level Committee on Currency Storage and Movement (HLCCSM) (Chairman: Shri N. S. Vishwanathan) and Committee on Currency Movement (CCM) (Chairman: Shri Deepak Mohanty), have been set up to review the security aspects of the storage and movement of treasure in transit up to currency chest level and further downstream.

Counterfeit Notes

VIII.20 Smuggling and circulation of high quality counterfeit notes has been brought under the ambit of the Unlawful Activities (Prevention) Act (UAPA), 1967 and the Government has framed High Quality Counterfeit Currency (Offences) Rules, 2013 as part of UAPA, 1967.

(ii) Accomplishment of New Tasks Following the Demonetisation

Withdrawal of Legal Tender Character of ₹500 and ₹1000 Old Series Banknotes and Subsequent Demonetisation thereof

VIII.21 Following the withdrawal of Specified Bank Notes (SBNs), a scheme for exchange/deposit of the SBNs was formulated by the Reserve Bank whereby members of public were advised to deposit SBNs till December 30, 2016 in their bank account or exchange these for other legal tender notes up to specified limits across the country. The offices of the Reserve Bank, bank branches and post offices offered the exchange/deposit facility to the general public.

Exchange/Deposit and Cash Withdrawal Limits

VIII.22 The exchange of SBNs for legal tender notes was allowed at commercial bank branches (barring branches of district central co-operative banks, except for four days from November 10-14, 2016) till November 25, 2016. Subsequently, the exchange facility was restricted to the Reserve Bank Offices. Limits on withdrawal from bank counters and ATMs were also imposed to gradually meet the demand for new currency following the demonetisation. However, these limits were modified and relaxed from time to time, enabling higher withdrawals for essential purposes in line with the evolving situation. To ensure availability of currency for people in remote/unbanked areas various measures, *viz.*, deployment of Micro ATMs near village panchayat offices and at military outposts, use of mobile vans, *etc.* were undertaken.

Special Measures for Agrarian/Rural Requirements

VIII.23 In order to address agricultural requirements during the *rabi* crop season, SBNs

were allowed to be used for purchase of seeds. Additional withdrawal limit for farmers and traders registered with Agricultural Produce Market Committee (APMC) markets/*mandis* were put in place. Banks were also advised to open accounts (in a camp mode) for workers, while currency chests were advised to ensure adequate cash supply to the district central co-operative banks (DCCBs)/regional rural banks (RRBs).

Allocation and Distribution of Banknotes-Special Measures

VIII.24 In view of the logistical difficulties in supplying banknotes to all currency chests in a short span, the Hub and Spoke model was adopted for distribution of notes across the country. Fresh notes were distributed to every Issue Office in accordance with a planned allocation. The Regional Office-wise allocation of notes was revised during the last quarter of 2016-17 based on the SBNs deposited and cash supplied in issue circles during the demonetisation period. The annual indent and projections for demand of banknotes and coins were also revised accordingly.

VIII.25 In order to improve availability, direct remittances were increasingly sent to various currency chests from the printing presses. More than 100 direct remittances were sent to currency chests in various issue circles. Keeping in view the necessity for urgent and timely supply of notes across the country, notes were also air lifted from presses/regional offices of the Reserve Bank to various centres as well as directly to currency chests, wherever possible. Banks managing the currency chests were allowed to make inter-circle diversions at their discretion to even out cash availability.

Evacuation of SBNs Collected

VIII.26 In order to decongest the accumulation of SBNs at bank branches, a Guarantee Scheme was re-initiated at Reserve Bank offices and a new scheme at the district level was introduced, whereunder bank branches (other than those of DCCBs) not linked to any currency chest were advised to deposit the SBNs with them in any Issue Office of the Reserve Bank or a currency chest on or before December 31, 2016.

Remonetisation

VIII.27 Keeping in view the urgent need for making available adequate cash to all parts of the country at the shortest possible time, concerted efforts were made by the Reserve Bank and the printing presses to augment the production and supply of bank notes. Reflecting these measures, total NiC increased rapidly to ₹15.06 trillion as on June 30, 2017, which was about 85 per cent of the NiC as on November 4, 2016. Remonetisation continues to progress at a steady pace with enhanced focus on printing and distribution to meet the currency demand.

Closure of the Scheme and Facility to Deposit SBNs during the Grace Period

VIII.28 The Government of India notified the Specified Bank Notes (Cessation of Liabilities) Act 2017 on February 27, 2017. In terms of the provisions of the Act, the SBNs ceased to be the liabilities of the Reserve Bank of India and ceased to have the guarantee of the Central Government. However, a grace period was provided during which the SBNs could be deposited by Indian citizens who were outside India between November 9 and December 30, 2016; in this context, as per Government of India notification dated December

30, 2016, the last date for Resident Indians was March 31, 2017, while that for Non-Resident Indians (NRIs) was June 30, 2017.

VIII.29 While there was no monetary limit for deposit of SBNs for eligible resident Indians, the limit for NRIs was fixed at ₹25,000 in line with the relevant regulation under the Foreign Exchange Management Act (FEMA). The facility was provided at five Reserve Bank offices (Mumbai, New Delhi, Chennai, Kolkata, and Nagpur) subject to verification of documents including customs certification evidencing import of the SBNs (for NRIs) and copies of bank account statements.

VIII.30 The Government of India subsequently issued two Gazette notifications, viz., Specified Bank Notes (Deposit of Confiscated Notes) Rules, 2017 dated May 12, 2017 and Specified Bank Notes (Deposit by Banks, Post Offices and District Central Co-operative Banks) Rules, 2017 dated June 20, 2017. Accordingly, deposit of SBNs confiscated / seized by law enforcement agencies before December 30, 2016 and deposits by banks, post offices and district central co-operative banks

which could not deposit the SBNs at the Reserve Bank/currency chests before December 30, 2016 were allowed.

BHARATIYA RESERVE BANK NOTE MUDRAN PRIVATE LIMITED (BRBNMPL)

VIII.31 BRBNMPL is a wholly owned subsidiary of the Reserve Bank, which is playing a crucial role in the indigenisation of security features of banknotes in India. The Reserve Bank infused ₹10 billion of capital into BRBNMPL during 2016-17 for setting up of a security ink factory at Mysuru, upgradation/acquisition of machines, etc.

Agenda for 2017-18

VIII.32 The processing and destruction of SBNs deposited/exchanged by the public and kept in various currency chests and regional offices of the Reserve Bank pose a challenge. In this regard, the agenda for 2017-18 includes the procurement of Currency Verification and Processing System (CVPS)/Shredding and Briquetting Systems (SBS); introduction of new series banknotes in other denominations; procurement of security features; and introduction of varnished banknotes.