

Reserve Bank of India (Note Refund) Rules, 2009

Part I

Introduction

The Reserve Bank has been extending facilities to the public for exchanging cut and mutilated notes at all its Issue Offices and currency chest branches of commercial banks. In order to make the Note Refund Rules easy to understand and to apply, these have been comprehensively revised and simplified. It has also been decided that any officer of the designated branch can adjudicate mutilated notes presented thereat. It is hoped that simplification and liberalisation of the Rules would help both, the prescribed officers as well as the tenderers of mutilated notes to easily comprehend the revised Rules and enable the former to apply the Note Refund Rules without leaving any scope for subjectivity.

While the facility for exchange of soiled notes is to be provided by all banks at all of their branches, the facility of exchange of mutilated notes would be available at designated bank branch/es (including cooperative banks and RRBs) to all tenderers whether they are account holders or not. This is a duty that the banking system as a whole owes to the public. It needs no emphasis that the object of simplification of RBI Note Refund Rules and its extension is to help members of the public exchange the cut/mutilated notes in their possession without difficulty. The designated bank branches should play an active role and ensure that the facility is operated for the benefit of the members of public at large and is not pre-empted by a group of persons.

This booklet contains Rules and Procedures to be followed under the Scheme. The procedure required to be followed by the branches for acceptance, adjudication, and maintenance of records of mutilated notes is also laid down in this booklet. All further instructions to be issued on the subject will be with reference to this booklet and branches of the banks shall update the booklet by making necessary amendments to it. If any clarification is needed on the scheme, a reference should be made either to the Issue Department of the Reserve Bank of India at its offices or the Chief General

Manager, Reserve Bank of India, Central Office, Department of Currency Management, Mumbai – 400 001 ([Click here to send e-mail](#)).

Part II:

Reserve Bank of India (Note Refund) Rules 2009 with explanations:

A. Provisions in the Reserve Bank of India Act, 1934:

Section 28: Notwithstanding anything contained in any enactment or rule of law to the contrary, no person shall of right be entitled to recover from the Central Government or the Bank, the value of any lost, stolen, mutilated or imperfect currency note, provided that the Bank may, with the previous sanction of the Central Government, prescribe the circumstances in and the conditions and limitations subject to which the value of such currency notes or bank notes may be refunded as of grace and the rules made under this proviso shall be laid on the table of Parliament.

Section 58(1): The Central Board may, with the previous sanction of the Central Government, by notification in the Official Gazette, make regulations consistent with this Act to provide for all matters for which provision is necessary or convenient for the purpose of giving effect to the provisions of this Act.

Section 58 (2): In particular and without prejudice to the generality of the foregoing provisions, such regulations may provide for all or any of the following matters, viz.:-

- (a)
- (b)
- (c)
-
- (q) the circumstances in which, and the conditions and limitations subject to which the value of any lost, stolen, mutilated or imperfect currency note of the Government of India or bank note may be refunded.

PUBLISHED IN THE GAZETTE OF INDIA,
PART III; SECTION 4,
RESERVE BANK OF INDIA
NOTIFICATION

Mumbai, the 4th of August 2009

F. No. .-In exercise of the powers conferred by the proviso to section 28, read with clause (q) of the sub-section (1) and (2) of section 58, of the Reserve Bank of India Act, 1934 (2 of 1934) and in supersession of the Reserve Bank of India (Notes Refund) Rules, 1975, except as respect things done or omitted to be done before such supersession, the Central Board with the previous sanction of the Central Government, hereby makes the following rules for specifying the circumstances in, and the conditions and limitations subject to which, the value of lost, stolen, mutilated or imperfect note may be refunded as a matter of grace, namely:-.

1. Short title, application and commencement :- (1) These rules may be called the Reserve Bank of India (Note Refund) Rules, 2009.

(2) They shall apply to a note, which is a legal tender on the date of its presentation before the Bank

(3) They shall come into force on the date of their publication in the Official Gazette.

2. Definitions:-

In these rules, unless the context otherwise requires:-

(a) "Act" means the Reserve Bank of India Act, 1934 (2 of 1934);

(b) 'Bank' means the Reserve Bank of India constituted by section 2 of the Act;

(c) "Bank note" means any note issued by the Bank, but does not include a Government note other than one rupees note, which has been deemed to be bank note as per the Notification no. G.S.R 426, dated the 28th March, 1980 issued by the Government of India, Ministry of Finance, Department of Economic Affairs;

(d) "essential features" means the features, including security features, which are necessary for the identification of a note, namely-,

- (i) the name of the issuing authority in Hindi and/or English, that is; Bank or Government of India, as the case may be;
- (ii) the guarantee clause in Hindi and/or in English;
- (iii) the promise clause in Hindi and/or in English;
- (iv) the signature in Hindi and/or in English;
- (v) the Ashoka Pillar emblem or Mahatma Gandhi portrait, as the case may be; and
- (vi) the water-mark of the Ashoka Pillar emblem or Mahatma Gandhi portrait, as the case may be.

Explanation: For the purposes of this clause,

(A) the security features of a note, for deciding the genuineness or otherwise, include,

- (i) paper quality;
- (ii) size and shape of numbers;
- (iii) security Thread;
- (iv) intaglio printing;
- (v) latent Image in vertical band;
- (vi) electrotpe watermark (in watermark window);
- (vii) micro lettering;
- (viii) fluorescence (number panels and central band);
- (ix) optically Variable Ink (in rupee five hundred and rupee one thousand denominations);
- (x) see-through Register, and
- (xi) any other security feature that may be introduced by the Bank.

(B) the essential features of a note have been enumerated with a view to help the prescribed officer to establish the genuineness or otherwise of a mutilated note;

(e) "Government note" means any note issued by the Central Government or supplied by the Central Government to the Bank and issued by the Bank,

provided the liability for the payment of the value in respect of such note has devolved on and been taken over by the Bank;

(f) "imperfect note" means any note, which is wholly or partially, obliterated, shrunk, washed, altered or indecipherable but does not include a mutilated note;

(g) "mutilated note" means a note of which a portion is missing or which is composed of more than two pieces;

(h) "mismatched note" means a mutilated note which has been formed by joining a half note of any one note to a half note of another note:

Explanation: For the removal of doubts, it is hereby declared that a mismatched note can be identified on the basis of number, signature etc. and /or after examining other security features;

(i) 'note" means a Bank note or a Government note;

(j) 'Prescribed Officer' means any officer of the Issue Department of the Bank or any officer of an agent of the Bank/ designated by the Bank by arrangement through agreement in this behalf as authorised to receive mutilated notes for adjudication under these rules;

(k) "soiled note:" means a note which, has become dirty due to usage and also includes a two piece note pasted together wherein both the pieces presented belong to the same note, and form the entire note.

(2) Words and expression used herein not defined but defined in the Act have the same meaning as assigned to them in the Act.

3. Decision on Adjudication of mutilated note- If any dispute arises in relation to adjudication of mutilated note the same shall be referred to the Bank for its decision and its decision shall be binding on the claimant, his nominees and legal heirs or representatives as the case may be .

4. Presentation and disposal of claim- A claim in respect of any note may be presented before the Prescribed Officer for adjudication and payment of value under these rules.

5. Right to call for information or to hold enquiries-The prescribed officer may, if it is considered necessary so to do, call for any information or hold any inquiry relating to any claim presented before him under these rules, and where the genuineness of the note is doubtful, he shall send such doubtful note for expert opinion to the General Manager, Currency Note Press, Nashik Road or to any other authority as designated under any law in force for this purpose.

6. General provisions in relation to all claims- (1) No claim in respect of a note, which is alleged to have been stolen, lost or wholly destroyed, shall be entertained.

(2) If the Prescribed Officer is satisfied that a mutilated note presented before him is one which appears to have been cancelled at any office of the Bank or the claim is one which appears to have already been paid under these rules, he may, after making enquiries under rule 5 above reject the claim on such note.

(3) A claim in respect of a note, which, -

- (i) cannot be identified with certainty as a genuine note for which the Bank is liable under the Act;
- (ii) has been made imperfect or mutilated, thereby causing the note to appear to be of a higher denomination, or has been deliberately cut, torn, defaced, altered or dealt with in any other manner, not necessarily by the claimants, enabling the use of the same for making of a false claim under these rules or otherwise to defraud the Bank or the public,
- (iii) carries any extrinsic words or visible representations intended to convey or capable of conveying any message of a political or religious character or furthering the interest of any person or entity;
- (iv) has been imported into India by the claimant from any place outside India in contravention of the provision of any law;
- (v) any information called for by the Prescribed Officer or the Bank, as the case may be, is not furnished by a claimant within a period of three months from the date of receipt of the notice or letter asking for the information, or

(vi) in the opinion of the Prescribed Officer, a deliberate fraudulent intention appears in respect of such a claim shall be rejected and shall not be eligible for consideration under any other Law for the time being in force.

7. Imperfect note - The value of an imperfect note may be paid for full value/half value as specified in the tables given in rule 8, if-

- (a) the matter, which is printed on the note has not become totally illegible , and
- (b) the Prescribed Officer is satisfied, having regard to the printed matter which is legible on the note, that it is a genuine note.

8. Mutilated notes- (1) The adjudication of claims in respect of notes of one rupee, two rupee, five rupee, ten rupee and twenty rupees denomination shall be made in the following manner, namely,

- (i) if the area of the single largest undivided piece of the note presented is more than 50 percent of the area of the respective denomination, rounded off to the next complete square centimetre, full value on mutilated notes of the above denominations shall be payable;
- (ii) If the area of the largest undivided piece of the note presented is less than or equal to 50 percent of the area of the note, the claim shall be rejected.

Explanation: For the purposes of this sub-rule, it is hereby clarified that the value of a mutilated note of one rupee, two rupee, five rupee, ten rupee and twenty rupees denomination may be refunded in full if the undivided area of the single largest piece of the note, as specified in the Table-1 below, presented is equal to or more than 31, 34, 38, 44, and 47 square centimetres (cms) respectively.

TABLE-1

Denomination	Length (centimetre)	Width (centimetre)	Area (in centimetre ²)	Minimum area (in centimetre ²) required for payment*
1	9.7	6.3	61	31
2	10.7	6.3	67	34
5	11.7	6.3	74	38
10	13.7	6.3	86	44
20	14.7	6.3	93	47

*Indicated as the next complete higher square centimeter after half of the area of the notes in a particular denomination.

(2) The payment of claim in respect of note of rupees fifty and above denominations shall be made in the following manner, namely-,

(i) Full value of the mutilated notes of the above denominations shall be payable if the area of the single largest undivided piece of the note presented is more than 65 percent of the area of the respective denomination rounded off to the next complete square centimeter;

(ii) if the undivided area of the single largest undivided piece of the note presented is equal to or more than 40 percent and less than or equal to 65 percent of the area of the respective denomination rounded off to the next complete square centimeter, half the value of the note is payable.

(iii) If the area of the single largest undivided piece of the note is less than 40 percent, no value shall be payable, and the claim shall be rejected.

(iv) if the claim of mutilated notes of rupees fifty to rupees one thousand denomination notes consists of a note composed of two pieces of the same note and the two pieces, individually, have an area equal to or more than 40 percent of the total area of the note in that denomination, then the claim may be refunded for full value and need not be treated as consisting of two tenders for half value.

Explanation: For the purposes of this sub-rule, it is hereby clarified that, as specified in Table-2 below,-

(a) if the area of the single largest undivided piece of the mutilated note of rupees fifty, rupees one hundred, rupees five hundred and rupees one thousand note presented is at least 70, 75, 80 and 84 square centimeters, respectively, the same may be paid for full value;

(b) if the area of the largest undivided piece is less than as specified above, the claim may be considered for payment of half value as provided for at clause 2(ii) of sub-rule 8 above;

(c) the value of a mutilated bank note of rupees fifty, rupees one hundred, rupees five hundred and rupees one thousand may be paid for half value, if the area of the single largest undivided piece of the note presented is at least or more than 43, 46, 49 and 52 square centimetres, respectively.

(d) if the area of the single largest undivided piece is less than the above specification, the claim shall be rejected.

TABLE-2

Denomination	Length (cm)	Width (cm)	Area (in cm ²)	Minimum area (in cm ²) required for payment of full value@	Minimum area (in cm ²) required for payment of half value**
50	14.7	7.3	107	70	43
100	15.7	7.3	115	75	46
500	16.7	7.3	122	80	49
1000	17.7	7.3	129	84	52

@ Rounded off to the next complete higher square centimeter of 65 % of the area of the note in a particular denomination.

** Rounded off to the next complete higher square centimeter of 40 % of the area of the notes or 40% area of the note in a particular denomination.

9. Payment of claim in respect of mismatched note- The payment of claim in respect of a mismatched note may be dealt with as follows, namely,-

(a) in case of notes upto rupees twenty denomination notes, the area of the larger of the two pieces presented may be measured and adjudicated as per the provisions of sub-rule (1) of Rule 8, ignoring the smaller half.

(b) if none of the two pieces presented meets the minimum area stipulated as per the provisions of clause (i) of sub-rule 1 of rule 8 above, the claim shall be rejected.

(c) in case of rupees fifty and above denominations, the two pieces may be treated as two separate claims and dealt with accordingly.

10. Claimants to be bound by rules- (1) Any payment which is provided under these rules shall be made only as matter of grace and the Bank may, as it deems fit, from time to time issue such supplementary or detailed instructions for carrying out the provisions of these rules, for the guidance of the Prescribed Officer.

(2) Any person who makes any claim on account of an imperfect note or mutilated note shall be deemed to have made the said claim under the proviso to section 28 of the Act and subject to the provisions of these rules, which shall be deemed to be binding on all claimants and their heirs or assigns.

11. Retention and destruction of note- Notwithstanding the denomination of a note or the decision of the Prescribed Officer on the claim, a note presented before the Prescribed Officer for the purpose of making a claim shall be retained and destroyed or otherwise disposed of by the Bank in the following manner, namely-,

(a) in the case of a note in respect of which full payment is made, at any time after the payment; and

(b) in the case of a note in respect of which no payment is made, or on which half value payment has been made, on the expiry of a period of three months from the date of the decision rejecting the claim or to pay half-value, as the case may be, unless within this period, an order from a competent Court is submitted to any office of the Bank or branch of the designated bank restraining the Bank from destroying or otherwise disposing of the said note.

12. Payment to Legal heirs or nominees- (1) If a claimant who has submitted a claim under these rules, is dead, his legal representatives shall be eligible to receive the payment due to the claimant subject to the determination of the claim by the Prescribed Officer.

(2) The legal representatives shall be entitled to receive the payment due to the claimant, if any, upon furnishing to the Prescribed Officer an indemnity bond executed by the legal representative in favour of the branch or office of the Bank or any other institution or entity as designated by the Bank for this purpose;

Provided payment upto an amount of rupees five hundred may be made to the legal heir of the claimant on a declaration for this purpose.

(3) In case of mutilated note presented at the Bank through Triple Lock Receptacle (TLR) cover, the tenderer shall indicate his name and address alongwith other details, such as, bank account number, etc. as specified on the cover, and the individual tenderers, may, at their option, in addition, also indicate on the cover, the name and address of the nominee who may receive the amount that is determined to be due on the claim without production of indemnity, subject to proper identification.

13. Printed Forms- Where any indemnity bond as referred to in rule 12 is to be executed in favour of the Bank a printed copy of the bond shall be supplied free of cost to the claimant or the person eligible to receive the payment under these rules.

14. Stamp Duty- The value of the stamp duty on the indemnity bond shall be paid by the person executing the bond.

15. Procedure when payee is untraced- (1) In case of the note having been adjudicated at the office of the Bank, the value or part of the value of a note is payable to the claimant and if such claimant, is not found or is dead, his legal representatives or the nominee specified by him cannot be found or fails within a period of three months from the date of communication to him the decision to take steps to receive payment, the amount payable shall be paid to the Banking Department of the Bank

(2) In case of the mutilated note having been adjudicated at the branch of designated bank or other entities, such payment may be credited with the Issue Office of the Bank after a period of three months from the date of communication to the tenderer of the decision to take steps to receive the exchange value.

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