



बेटी बचाओ
बेटी पढ़ाओ

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

RBI/DCM/2026-27/393
DCM (CC) No. G-3/03.06.001/2026-27

April 01, 2026
(Updated as on May 27, 2026)

The Chairman / Managing Director / Chief Executive Officer
All banks

Madam / Dear Sir,

Master Direction on Incentives for Currency Distribution and Exchange and Penalties / Penal Provisions for Bank Branches and Currency Chests for Deficiency in Rendering Customer Service and Reporting of Transactions / Balances

In terms of the Preamble to and Section 45 of the Reserve Bank of India Act, 1934 (RBI Act) and Section 35A read with Section 56 of the Banking Regulation Act, 1949, Reserve Bank of India issues guidelines / instructions for realising the objectives of Clean Note Policy and enhancing the efficiency of currency management operations. With a view to furthering these objectives, the Bank has formulated a Scheme of incentives to encourage banks for setting up requisite Currency Chest (CC) infrastructure and facilitating distribution / exchange of notes and coins. Further, the Bank has also prescribed a Scheme of penal interest/penalties in order to ensure accurate and timely reporting of CC transactions and provision of proper customer service to the members of public by CCs/branches/ATMs of banks.

2. A [Master Direction](#) incorporating and updating the extant guidelines / instructions / directives along with few illustrations has been prepared to enable banks to have all current instructions on the subject at one place for reference and the same are enclosed at [Annex I](#) and [Annex II](#). All Master Directions and circulars issued earlier on the subject as given at [Annex III](#) stand withdrawn with the issuance of this Master Direction.

Yours faithfully,

(Suman Nath)
Chief General Manager

Encl: As above

मुद्रा प्रबंध विभाग, केंद्रीय कार्यालय, चौथी मंजिल, अमर भवन, सर पी .एम .रोड, मुंबई - 400 001

DEPARTMENT OF CURRENCY MANAGEMENT, CENTRAL OFFICE, AMAR BUILDING, 4TH FLOOR, SIR P M ROAD, MUMBAI - 400001

फोन / TELEPHONE No. 22663000 / 22604000; ई-मेल / E-mail: cgmindcm@rbi.org.in

हिन्दी आसान है, इसका प्रयोग बढ़ाइए।

Master Direction on Incentives for Currency Distribution and Exchange and Penalties / Penal Provisions for Bank Branches and Currency Chests for Deficiency in Rendering Customer Service and Reporting of Transactions / Balances

Table of Contents

<u>Chapter I – Preliminary</u>	<u>2</u>
1. Short Title and Commencement.....	2
2. Introduction	2
3. Applicability.....	2
4. Definitions.....	2
<u>Chapter II – Scheme of Incentives</u>	<u>4</u>
1. Incentives.....	4
2. Operational Instructions on Payment of Performance-based Incentive....	5
<u>Chapter III – Penalties for deficiency in rendering customer service</u>	<u>6</u>
1. Penalties for Bank Branches for Deficiency in Rendering Customer Service.....	6
2. Penalties for ATM Cash-out.....	7
3. Penalties for Deficiency in Operations of CCs	7
<u>Chapter IV – Penal provisions in reporting of transactions/ balances</u>	<u>11</u>
1. Reporting Procedure.....	11
2. Levy of Penal Interest.....	12
3. Levy of Penalty.....	13
<u>Chapter V – Operational Guidelines on Levy of Penalty/ Penal Interest</u>	<u>14</u>
1. Competent Authority.....	14
2. Appellate Authority.....	14
3. General Guidelines on Appeal for Waiver for Penalty/Penal Interest.....	14

Chapter I - Preliminary

1. Short Title and Commencement

- 1.1 These Directions shall be called the Master Direction on Incentives and penal provisions for bank branches and CCs in respect of currency operations.
- 1.2 These directions shall become effective on the day these are placed on the official website of the Reserve Bank.

2. Introduction

- 2.1 In terms of the Preamble to and Section 45 of the Reserve Bank of India Act, 1934 (RBI Act), Section 35A and Section 56 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.
- 2.2 With a view to furthering these objectives, the Bank has formulated a framework of incentives to encourage all the bank branches to provide better customer services to the members of public.
- 2.3 Further, in order to ensure that all bank branches provide proper customer service, the Bank has formulated a Scheme of Penalties for bank branches including CCs, for deficiency in rendering customer service to the members of public.
- 2.4 To ensure smooth operations of the CCs and timely and accurate reporting of CC transactions, instructions on the subject have been issued from time to time.
- 2.5 The updated guidelines/instructions on the above are compiled in this Master Direction.

3. Applicability

Scheme of incentives and Penalties mentioned in Chapter II and Chapter III will be applicable to all banks. Penal provisions for deficiency in operations of CCs will be applicable to all banks having CCs.

4. Definitions

4.1 Clean Note Policy

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

4.2 Currency Chests

To facilitate the distribution of banknotes and rupee coins, the Bank has authorised select scheduled banks to establish currency chests. These are storehouses where banknotes and rupee coins are stocked on behalf of the Reserve Bank for distribution to bank branches in their area of operation.

4.3 Capital and Revenue cost

Capital costs are one-time expenditures incurred for acquiring fixed assets or infrastructure necessary to set up a CC. Revenue costs are recurring expenses incurred on day-to-day operations and maintenance of a CC. The actual nature of expenditure shall be ascertained by the concerned Issue Office (IO) of RBI at the time of reimbursement of cost to the bank.

4.4 Memorandum of Agreement (MoA)

Before considering the first specific application for opening of a CC by a bank, 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 CC responsibilities to the bank.

4.5 Linked branches

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

4.6 Soiled Note

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.

4.7 Mutilated Note

A 'mutilated note' means a note of which a portion is missing or which is composed of more than two pieces.

4.8 Imperfect Note

An 'imperfect note' means any note, which is wholly or partially, obliterated, shrunk, washed, altered or indecipherable but does not include a mutilated note.

Chapter II - Scheme of Incentives

The Scheme of incentives, for bank branches including CCs, based on performance in rendering customer service to the members of public has been formulated to encourage all the banks / bank branches to provide better customer service to the members of public keeping in view the objectives of Clean Note Policy.

1. Incentives

As per the scheme, banks are eligible for the following financial incentives/ service charges for setting up requisite infrastructure and facilitating exchange/ distribution of notes and coins:

Sr. No.	Nature of Service	Particulars of Incentives/ Service Charges
1.1	Opening of and maintaining CCs in North-Eastern region and at inaccessible/ hilly places (as considered by State Governments/ any appropriate authority) of Jammu & Kashmir and Ladakh Union Territories.	a. Capital Cost: Up to 100% of capital expenditure is eligible for reimbursement subject to the ceiling of ₹50 lakh (inclusive of all taxes). b. Revenue cost: 50% of revenue expenditure is eligible for reimbursement for the first 5 years of CC operations (inclusive of all taxes). <i>(The revised instructions would be applicable to new applications for opening of CCs in these areas received on or after April 25, 2025)</i>
1.2	Exchange of soiled notes / adjudication of mutilated notes over the counter at bank branches / CCs	a. Exchange of soiled notes – ₹2/- per packet for exchange of soiled notes in the denominations of ₹50/- and below. b. Adjudication of mutilated notes – ₹2/- per piece.
1.3	Distribution of coins	a. ₹65/- per bag ¹ for distribution of coins. b. An additional incentive of ₹10/- per bag shall be paid for coin distribution in rural and semi-urban areas on the submission of a Concurrent Auditor (CA) certificate to this effect.
1.4	Cash deposit by non-chest branches under Linkage scheme with CCs	Service charge to be levied by the CC on the non-chest branches a. Large modern CCs ² – ₹11/- per 100 pieces. b. Other CCs – ₹8/- per 100 pieces.

¹ For incentive calculation, 5000 pieces of 50 paise coins; 2500 pieces of ₹1, ₹2 or ₹5 coins; 2000 pieces of ₹10 or ₹20 coins would be deemed to constitute one bag.

² Large modern CCs are those CCs which fulfil the Minimum Standards for a CC as detailed in the [circular RBI/2018-19/166 DCM\(CC\) No. 2842/03.39.01/2018-19 dated April 08, 2019](https://www.rbi.org.in/press/2019/04/19/166_DCM(CC)_No._2842/03.39.01/2018-19_dated_April_08,_2019).

2. Operational instructions on payment of performance-based incentive

2.1 The incentives in respect of bank notes shall be paid on the basis of:

2.1.1 Soiled notes actually received in the Issue Office of the RBI

2.1.2 Adjudicated notes received along with the SNR or sent separately by registered/ insured post in a sealed cover to the RBI.

2.2 The incentive for distribution of coins shall be paid on the basis of net withdrawal from the CC.

2.3 The CC holding banks shall raise invoice to RBI for claiming incentives.

2.4 The CC branch shall pass on the incentive to the linked branches for the soiled notes deposited/ coins distributed/ mutilated notes adjudicated by them on pro-rata basis.

2.5 The distribution of coins shall be verified by RBI Regional Offices through inspection of CCs/ incognito visit to branches, etc.

Chapter III – Penalties for Deficiency in Rendering Customer Service and Non-compliance with Guidelines on CC Operations

The Reserve Bank of India has a mandate to issue banknotes and the banks are fulfilling this mandate by dispensing banknotes to the public through their wide network of branches and ATMs. Banks / White Label ATM Operators (WLAOs) shall strengthen their systems/ mechanisms to monitor availability of cash in ATMs and ensure timely replenishment to avoid cash-outs.

All bank branches have been advised to provide customer service to the members of public in terms of [Master Direction on Facility for Exchange of Notes and Coins](#) keeping in view the objectives of Clean Note Policy. Further, terms and conditions / guidelines governing the entrustment of CC responsibilities to the banks are prescribed in the MoA signed with the CC holding banks as also conveyed at the time of granting approval for opening of CCs. Compliance with these terms and conditions / guidelines / provision of customer services are verified from time to time by RBI Regional Offices / officials through inspection of CCs, incognito visits etc.

Any non-compliance with guidelines and MoA, deficiencies in exchange of notes and coins, remittances sent to RBI, replenishment of cash in ATMs, operations of CCs etc., will attract penalty as mentioned below:

1. Penalties for bank branches for deficiency in rendering customer service

Sr. No.	Nature of Irregularity	Penalty
1.1	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) 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. c) Refusal by any bank branch ³ to exchange soiled/ mutilated/ imperfect	₹10,000/- for any deficiency of service. ₹5 lakh in case there are more than 5 instances of deficiency in service by the branch in a calendar year or earlier. The levy of such penalty shall be placed in public domain. Penalty shall be levied immediately.

³ Small Finance Banks (up to two years from the commencement of their banking business) and Payment Banks may exchange mutilated and imperfect notes at their option.

	notes tendered by any member of public.	
1.2	Counterfeit notes detected in ATM dispensations / disbursement over the counter or wilful non-impounding of counterfeit notes detected at the banks.	A monetary penalty of ₹10,000 (Rupees Ten Thousand) per instance shall be imposed for counterfeit notes detected in ATM dispensations/ disbursement over the counter or for wilful non-impounding of counterfeit notes detected at the banks. This shall also be applicable to WLAOs.

2. Penalties for ATM Cash-out

Sr. No.	Nature of Irregularity	Penalty
2.1	Non-replenishment of ATMs - Condition for counting instances of cash-outs in an ATM will be based on the instances when the customer is not able to withdraw cash due to non-availability of cash in a particular ATM.	Cash-out at any ATM of more than ten hours in a month will attract a flat penalty of ₹ 10,000/- per ATM. This shall also be applicable to White Label ATM Operators (WLAOs).

For this purpose, banks/WLAOs shall submit system generated statement on downtime of ATMs due to non-replenishment of cash to the IO of RBI under whose jurisdiction these ATMs are located. The banks/ WLAOs are required to report the total hours in a month when the ATM was not functioning due to cash-out, for the ATMs where the cash-out is more than 10 hours in a month. The duly audited such statements shall be submitted every month by end of the ensuing month.

3. Penalties for deficiency in operations of CCs

Sr. No.	Nature of Irregularity	Penalty
3.1	Shortages of notes in Soiled Note Remittances (SNRs) and shortages of notes and coins in CC 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</p>

		<p>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> <p>Penalty as above, shall be levied for the denominations in which shortages are found, irrespective of whether any excess is found in any other denomination in the same SNR. The value of excess shall be adjusted against the loss amount at the time of recovery.</p>								
3.2	Counterfeit notes detected in SNRs	<p>Denominations of ₹5, ₹10 and ₹20: Recovery of loss to the extent of notional value of counterfeit notes.</p> <p>Denomination of ₹50: A penalty at 50% of notional value of counterfeit notes in addition to the extent of recovery of notional value of counterfeit notes.</p> <p>Denomination of ₹100 and above: A graded penalty linked to Counterfeit notes per Million (CPM⁴) pieces of soiled notes processed at RBI for a particular CC in a single remittance as per the following structure, in addition to the recovery of notional value of counterfeit notes:</p> <table border="1"> <thead> <tr> <th>CPM</th> <th>Penalty</th> </tr> </thead> <tbody> <tr> <td>CPM < 5</td> <td>100% of notional value of counterfeit notes</td> </tr> <tr> <td>5 ≤ CPM < 20</td> <td>150% of notional value of counterfeit notes</td> </tr> <tr> <td>CPM ≥ 20</td> <td>200% of notional value of counterfeit notes</td> </tr> </tbody> </table>	CPM	Penalty	CPM < 5	100% of notional value of counterfeit notes	5 ≤ CPM < 20	150% of notional value of counterfeit notes	CPM ≥ 20	200% of notional value of counterfeit notes
CPM	Penalty									
CPM < 5	100% of notional value of counterfeit notes									
5 ≤ CPM < 20	150% of notional value of counterfeit notes									
CPM ≥ 20	200% of notional value of counterfeit notes									

⁴ CPM = (No. of counterfeit notes in ₹100 and above denomination X 10,00,000) / Number of pieces in the remittance in ₹100 and above denomination

3.3	Counterfeit notes detected in CC balance during inspection / audit by RBI.	<p>Denominations of ₹5, ₹10 and ₹20: Recovery of loss to the extent of notional value of counterfeit notes.</p> <p>Denomination of ₹50: A penalty at 50% of notional value of counterfeit notes in addition to the extent of recovery of notional value of counterfeit notes.</p> <p>Denomination of ₹100 and above: A penalty at 200% of notional value of counterfeit notes in addition to the extent of recovery of notional value of counterfeit notes.</p>
3.4	Mutilated notes (including deliberately cut notes and built-up notes) detected in SNRs and CC 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>
3.5	<p>Non-compliance with operational guidelines by CCs 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, etc.</p>	<p>Penalty of ₹5,000/- for each instance of irregularity. 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>

	d) Non-conduct of surprise verification of CC balances - at (i) bimonthly intervals by officials unconnected with the operations of CC, and (ii) six-monthly intervals by officials from the Controlling Office	
3.6	<p>Violation of any of the terms of agreement with RBI (for opening and maintaining CCs) as detected by RBI officials e.g.</p> <p>a) Denial of facilities/ services to linked branches/ of other banks.</p> <p>b) Detection by RBI of mutilated, built up, counterfeit notes in re-issuable packets prepared by the CC branches.</p>	<p>₹10,000/- for any violation of terms of agreement.</p> <p>₹5 lakh in case there are more than 5 instances of violation of terms of agreement/ by the CC in consecutive inspection cycles or earlier. The levy of such penalty shall be placed in public domain.</p> <p>Penalty shall be levied immediately.</p>

Chapter IV - Penal Provisions for Reporting of Transactions/ Balances at CCs

To ensure smooth operations of the CCs and timely and accurate reporting of CC transactions following guidelines shall be applicable.

1. Reporting Procedure

1.1 Minimum Transaction Amount

The minimum amount of deposit into / withdrawal from CC shall be ₹50,000/-and thereafter, in multiples of ₹10,000/-.

1.2 Reporting Timelines

The CCs shall invariably report all transactions through CyM-CC portal on the same day by **7 pm**.

1.3 CCs reporting in CyM on Sundays or Holidays

In case CyM CC portal is available on the day a specific CC is permitted to operate (i.e. on a local holiday), the CC shall report the transactions in CyM on the same day by 7 PM. In case CyM-CC portal is not available on the said day (i.e. on a global holiday/ 2nd or 4th Saturdays of the month/ Sunday), the CC shall report denomination-wise consolidated deposit and/ or withdrawal amount and denomination-wise chest closing balance of the day by 7 pm to the concerned Issue Office of RBI by e-mail and report day's transactions in CyM on the next working day.

1.4 Business Continuity Plan

The CyM-CC portal has the capability for switching/ interchanging the user within a bank across the country ([user manual](#) is attached for ready reference) for transaction reporting and raising other requests. If a CC is unable to access CyM Portal due to connectivity or other technical issues in that particular CC, the Back Office (BO) Administrator of the bank can map the user-id of another CC of that bank to the CC having connectivity issues for making transactions. On completion of the transactions the user rights shall be restored to the original CC. This functionality would help CCs to avoid delayed reporting and consequent punitive action. Proper record of such authorisations shall be maintained for audit purposes. CC holding banks are advised to include this aspect in their CC Business Continuity Plan (BCP). Relaxation in the reporting period on account of strike situation shall be considered on case-to-case basis.

2. Levy of Penal interest

2.1 Delayed / Wrong Reporting of CC Transactions

As debits / credits to banks' current accounts are raised on the basis of the transactions reported by the CCs, it is expected that CCs would ensure the correctness of figures reported on the CyM-CC portal. Particular care shall be taken to ensure that remittances of fresh / re-issuable notes sent to CCs from RBI / Note Printing Presses are not reported as 'deposit' transactions. Penal interest shall be levied in all cases where the bank has enjoyed 'ineligible' credit in its current account with Reserve Bank on account of delayed / wrong reporting of transactions.

2.2 Inclusion of Ineligible Amounts in the CC Balances

(i) Only cash held in the custody of joint custodians and 'freely available' to them is eligible for inclusion in the chest balances. Thus, cash kept outside the vault / outside the coverage of CCTV cameras / cash kept for safe custody in sealed covers for whatever reasons / in trunks / under single lock / unlocked / in bins under the lock and key of any official/s other than the Joint Custodians or bearing a third lock put by any official in addition to the two locks of the Joint Custodians, is not eligible for being included in the chest balances. If such amounts are included in the chest balances, these shall be treated as instances of wrong reporting and shall attract penal interest.

(ii) In all the above cases (except shortages in chest balances / remittances, shortages due to pilferage / frauds, counterfeit banknotes detected in chest balances / remittances), penal interest shall be levied from the date of inclusion of 'ineligible' amounts in chest balances till the exclusion of such amounts from chest balances as mentioned below:

Sr. No.	Nature of Irregularity	Penal provisions
1.	Delayed / Wrong reporting of CC transaction	In the event of delayed / wrong reporting CC transactions, penal interest at the rate of 2% over the prevailing Bank Rate shall be levied on the amount due from the CC for the period of delay / till the date of receipt of corrected advice by the Reserve Bank. Penal interest shall be calculated on T+0 basis (T being the date of transaction).

3. Levy of Penalty

3.1 Reporting of Soiled note remittances to RBI

Soiled note remittances sent to RBI shall not be shown as withdrawal by CCs and in case of such reporting penalty shall be levied.

3.2 Reporting of Diversions

All CC diversions (both between CCs of the same bank and between CCs of different banks) have to be reported through the 'Diversion Module' of CyM-CC Portal. The CC sending the diversion should initiate the entry and the receiving CC should acknowledge the same. Diversions should not be reported as deposit / withdrawal and in case of any such wrong reporting penalty shall be levied.

3.3 Delayed reporting where CCs had 'Net Deposit'

For delayed reporting of instances where CCs had reported 'net deposit', penal interest shall not be charged. However, to ensure discipline in reporting of CC transaction, a flat penalty shall be levied for such delayed reporting as under:

Sr. No.	Nature of Irregularity	Penal provisions
1.	a. Reporting of SNRs to RBI as withdrawal. b. Reporting of Diversion in CyM-CC portal as deposit / withdrawal c. Delayed / reporting of CC transaction where CCs had "Net Deposit"	A flat penalty of ₹50,000/- shall be levied irrespective of the amount involved.

Chapter V - Operational Guidelines on Levy of Penalty / Penal Interest

1. Competent Authority

The Competent Authority to decide on the nature of irregularity and levy penal interest/ penalty thereof shall be the Officer-in-Charge of the Issue Department of the Regional Office under whose jurisdiction the defaulting CC / bank branch / ATM is located.

2. Appellate Authority

Appeal against the decision of the Competent Authority may be made by the Controlling Office of the CC / bank branch to the Regional Director / Chief General Manager / Officer-in-Charge of the Regional Office concerned, **within one month from the date of debit / imposition of penalty**, who shall decide whether the same can be accepted (in full or part) / rejected. Appeals shall not be made in routine manner.

3. General guidelines on appeal for waiver for penalty/penal interest

3.1 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.

3.2 Given the business continuity capability provided by the CyM, there should ordinarily be no occasion for banks to request for reconsideration of the Reserve Bank's decision on penal interest / penalty imposed for delayed reporting of transaction. However, representations, if any, on account of genuine difficulties faced by CCs especially in hilly/ remote areas and those affected by natural calamities, etc., may be made to the appellate authority.

3.3 Any penalty/ penal interest waiver request shall be considered, only if the application for the same is made in the CyM-CC portal within the prescribed timelines. Non-CC holding banks, not having credentials of CyM-CC portal may apply for waiver request through email to the concerned Regional Office. Waiver requests in any other mode shall not be entertained.

3.4 In the case of wrong reporting, representation for waiver shall not be considered.

3.5 As the intention behind the levy of penal interest/ penalty is to inculcate discipline among banks so as to ensure prompt/ correct reporting, requests by banks for waiver of penal interest on grounds that delayed/ wrong reporting did not result in utilisation of the Reserve Bank's funds or shortfall in the maintenance of CRR/ SLR or that they

were the result of clerical mistakes, unintentional or arithmetical errors, first time error, inexperience of staff, expiry of digital certificate, etc., shall **not** be considered as valid grounds for waiver of penal interest.

3.6 In case of penalties for non-replenishment of ATMs in time, appeals would be considered only in cases of genuine reasons beyond the control of bank / WLAOs such as, imposition of lockdown by the State / Administrative authorities, strike, etc.

Illustrations

A. Incentive payable to CCs

1. Opening of and maintaining CCs in North-Eastern region/ at inaccessible/ hilly places (as considered by State Governments/ any appropriate authority) of Jammu and Kashmir/ Ladakh Union Territories:

Illustration 1: Reimbursement of Capital Expenditure

Capital Cost incurred and claimed by the bank: ₹75 lakh (inclusive of taxes) **(A)**

Capital Cost to be reimbursed: 100% of **(A)** (subject to a ceiling of ₹50 lakh per CC)
= ₹50 lakh (inclusive of taxes)

Illustration 2: Reimbursement of Revenue Expenditure

Type of Expenditure claimed	Period	Amount Claimed (inclusive of taxes) (A)	Amount Reimbursed (inclusive of taxes) 50% of (A)
Revenue Cost	1 st Year	₹15 lakh	₹7.5 lakh
	2 nd Year	₹16 lakh	₹08 lakh
	3 rd Year	₹16 lakh	₹08 lakh
	4 th Year	₹17 lakh	₹8.5 lakh
	5 th Year	₹18 lakh	₹09 lakh

2. Incentive for Exchange of soiled notes/ adjudication of mutilated notes over the counter at bank branches:

Illustration 1: Incentive for Exchange of Soiled Notes Over the Counter at Bank Branches:

Details of Soiled Notes Remittance Received			
Denomination	₹10 / ₹20 / ₹50		₹100
	Scenario 1	Scenario 2	
No. of pieces	5500	7500	5000
No. of packets	55	75	50
Total discrepancies (Shortage / Mutilated / Counterfeit) in pieces	110	75	245
Total banknotes considered for incentives	5390	7425	NA
Total packets considered for incentive	53	74	NA
Incentive Amount * (before tax)	106	148	NA

* ₹2 per complete packet

Illustration 2: Incentive for Adjudication of Mutilated Notes Over the Counter at Bank Branches

No. of pieces received	400
Total discrepancies (Shortage / Counterfeit) in pieces	05
Total pieces considered for incentive	395
Incentive Amount (before tax)	790

* @ ₹2 per piece

3. Incentives for distribution of coins:

Illustration:

Total Pieces (Deposited)	Total Pieces (Withdrawn)	Total Bags (Deposited)	Total Bags (Withdrawn)	Net Standard Bags (Withdrawn)
4000	2500	1.6	1	-0.6
0	7500	0	3	3
2000	4000	1	2	1
Total (Total sum including decimals)				3.4
Net Bags considered for incentives (Only Full bags considered)				3

Coin Distribution in Urban Area: Incentive Amount for 3 bags @ ₹65 per bag: **₹195 (before tax)**

Coin Distribution in Semi-Urban/ Rural Area: Incentive Amount for 3 bags @ ₹75 per bag: **₹225 (before tax)**

Note: 5000 pieces of 50 paise coins; 2500 pieces of ₹1, ₹2 or ₹5 coins; 2000 pieces of ₹10 or ₹20 coins would be deemed to constitute one bag.

B. Penalties for bank branches and CCs 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 CC balances:

Illustration

Scenario	Recovery/Credit*	Penalty Amount*
Shortage of 200 pieces detected in ₹20 denomination in SNR	Recovery of loss ₹4,000/- (₹20*200)	Penalty amount ₹10,000/- (₹50*200)
Shortage of 50 pieces detected in ₹100 denomination in SNR	Recovery of loss ₹5,000/- (₹100*50)	Penalty amount ₹5,000/- (₹100*50)
Shortage of 80 pieces in ₹100 denomination detected in CC balance	Recovery of loss ₹8,000/- (₹100*80) will be done immediately	Penalty amount ₹8,000/- (₹100*80)

Shortage of 50 pieces in ₹100 denomination and excess of 20 pieces in ₹200 denomination detected in CC balance/ SNR	Since the amount of shortage is more than amount of excess, the net shortage amount (₹5000-₹4000 = ₹1000) will be recovered (debited) from Current Account of the bank. The transaction will be done immediately.	Penalty amount ₹5,000/- (₹100*50) for shortage 50 pieces.
Shortage of 100 pieces in ₹10 denomination and excess of 50 pieces in ₹20 denomination (Net balance tallies) detected in CC balance	Since the amount of shortage is equal to amount of excess no recovery (debit) or excess credit will be done in Current account of the bank.	Penalty amount ₹5,000/- (100*₹50) for shortage of 100 pieces
Shortage of 100 pieces in ₹50 denomination and excess of 100 pieces in ₹100 (Net excess balance) denomination detected in CC balance	Since the amount of excess is more than amount of shortage, the net excess amount (₹10,000-₹5000 = ₹5000) will be credited in the Current Account of the bank.	Penalty amount ₹5,000/- (100*₹50) for shortage of 100 pieces

* The recovery/credit transaction will be done immediately. The penalty will be calculated on the basis of net shortage/ deficiency after complete processing of the lot.

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

Illustration

Scenario	Loss Recovered	Penalty Amount
Mutilated notes of 200 pieces detected in ₹200 denomination	Recovery of loss ₹40,000/- (₹200*200)	Penalty amount ₹10,000/- (₹50*200)

3. Penalty for detection of Counterfeit Notes

Illustration 1: Counterfeit notes detected in ATM dispensations/ disbursement over the counter or for wilful non-impounding of counterfeit notes detected at the banks

The following violations, if established during inspection/ audit of a CC/ FNV Cell of bank by RBI officials or based on a complaint received from public:

- Counterfeit notes returned to the tenderer without impounding
- Disbursement of counterfeit notes over the counter
- Dispensation of counterfeit notes through ATMs.

For each instance of such violation, a monetary penalty of ₹10,000/- shall be imposed.

Illustration 2: Counterfeit notes detected in soiled note remittances

A CC has sent the following soiled notes remittance to an Issue Office of RBI for processing and the below mentioned counterfeit notes are detected:

Denomination	₹5	₹10	₹20	₹50	₹100	₹200	₹500	₹2000
No. of pieces in the remittance	1,30,000	21,50,000	13,40,000	11,00,000	11,92,000	90,000	1,70,000	20,000
No. of counterfeit notes detected at RBI	0	0	4	9	40	2	2	1

Then the penalty imposed for the counterfeit notes detected shall be as under:

- Denominations of ₹5, ₹10 and ₹20: Recovery of notional value of counterfeit notes i.e., ₹20*4 = ₹80.
- Denomination of ₹50: Recovery of notional value of counterfeit notes i.e., ₹50*9= ₹450 and penalty @ 50% of the notional value i.e., ₹225, i.e., a total of ₹675 shall be recovered.
- Denomination of ₹100 and above: Recovery of notional value of counterfeit notes i.e., ₹100*40 + ₹200*2 + ₹500*2 + ₹2000*1 = ₹7400 and penalty as per CPM of 30.57 (>20), i.e., @ 200% of notional value = ₹14800.

$$\text{CPM} = [(40+2+2+1) * 10,00,000] / [1192000+90000+170000+20000] = 30.57.$$

Illustration 3: Counterfeit notes detected in the CC balance during inspection / audit by RBI

During the audit/inspection of CC by IO, RBI. the following counterfeit notes are detected:

Denomination	₹5	₹10	₹20	₹50	₹100	₹200	₹500	₹2000
No. of counterfeit notes detected during inspection/audit by RBI	0	4	2	8	16	20	15	10

Then the penalty imposed for counterfeit notes detected would be as under:

- Denominations of ₹5, ₹10 and ₹20: Recovery of notional value of counterfeit notes i.e., ₹10*4 + ₹20*2 = ₹80.

- b. Denomination of ₹50: Recovery of notional value of counterfeit notes i.e., ₹50*8 = ₹400 and penalty @ 50% of the notional value i.e., ₹200, totalling ₹600.
- c. Denomination of ₹100 and above: Recovery of notional value of counterfeit notes i.e., ₹100*16 + ₹200*20 + ₹500*15 + ₹2000*10 = ₹33,100 and penalty @ 200% of the notional value i.e., ₹66,200. A total of ₹99,300 shall be recovered.

4. Non-compliance with operational guidelines by CCs 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.

Illustration:

Scenario	Penalty
CCTV in the CC 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.
Preservation of CCTV footage of less than mandated period observed during inspection/audit.	

List of Circulars/Master Directions Withdrawn

1. [DCM \(CC\) No. G-1/03.44.001/2025-26 dated April 01, 2025 – Master Direction on Scheme of Penalties for Bank Branches and Currency Chests for Deficiency in Rendering Customer Service to the Members of Public](#) (including earlier MDs/MCs on the subject).
2. [DCM \(CC\) No. G-2/03.35.01/2025-26 dated April 01, 2025 – Master Direction on Penal Provisions in Reporting of Transactions/ Balances at Currency Chest](#) (including earlier MDs/MCs on the subject).
3. [DCM \(CC\) No. G-3/03.41.01/2025-26 dated April 25, 2025 – Master Direction on Framework of Incentives for Currency Distribution & Exchange Scheme for Bank Branches Including Currency Chests](#) (including earlier MDs/MCs on the subject).
4. [DCM \(RMMT\) No. S153/11.01.01/2021-22 dated August 10, 2021 – Monitoring of Availability of Cash in ATMs](#)