

RBI/2009-10/228

DCM. No. Cir. NPD . 3161/09.39.00 (Policy)/2009-2010

November 19, 2009

The Chairman and Managing Director/ Chief Executive Officer  
All Scheduled Commercial Banks(Including RRBs )/  
Scheduled State Co-operative Banks /  
Scheduled (Primary) Urban Co-operative Banks

Dear Sir,

**Sorting / Processing of Notes – Installation of Note Sorting Machines**

Please refer to paragraph 176 of the Second Quarter Review of Monetary Policy for the year 2009-10 announced on October 27, 2009 ([copy enclosed](#)).

2. With the sheer increase in the number of physical bank notes in circulation and the increase in the number of counterfeit notes detected/seized in recent period it is apparent that steps have to be taken by all stakeholders to address the issue regarding sorting of banknotes and detection of counterfeit notes. Ensuring detection of counterfeits and preventing their re-issue as well as providing good quality genuine bank notes is of paramount importance.

3. The High Level Group on Systems and Procedures for Currency Distribution, which submitted its report in August 2009 observed that the growing volumes of banknotes in circulation and the need to ensure that only clean and genuine banknotes are put into circulation by banks has made several suggestions in this regard. Use of appropriate machines help in detection of counterfeit notes at the time of entry in the banking channel itself.

4. It has therefore been decided that bank notes in denominations of Rs. 100/- and above may be re-issued by banks over their counters or through ATMs only if these banknotes are duly checked for authenticity / genuineness and fitness by machines. For this purpose, banks should:

- (i) Use such machines in all their branches having average daily cash receipts of Rs. 1 crore and above by March 2010.
- (ii) Use such machines in all their branches having average daily cash receipts between Rs. 50 lakh and Rs. 1 crore by March 2011.

5. Such machines should conform to the standards / parameters prescribed by Reserve Bank of India from time to time.

6. Accordingly, our Directive DCM No.Dir. NPD /3158/2009-10 dated November 19, 2009 is enclosed.

6. Please acknowledge receipt.

Yours faithfully,

(R. Gandhi)

Chief General Manager

Encl: As above

**Sorting of Notes – Installation of Note Sorting Machines**

In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 the Reserve Bank of India, considering it necessary and expedient in public interest so to do, hereby directs that banks shall ensure that all notes in the denomination of Rs. 100/- and above are processed through machines conforming to the standards / parameters prescribed by Reserve Bank of India from time to time, before issuing them over their counters or through ATMs. The Reserve Bank of India further directs that:

- (i) All bank branches having average daily cash receipts of over Rs. 1 crore shall start using such machines by March 2010.
- (ii) All bank branches having average daily cash receipts between Rs. 50 lakh to Rs. 1 crore shall have start using such machines by March 2011.

(V K Sharma)  
Executive Director