

RBI halts destruction of withdrawn notes

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Return of more notes than expected seen as reason; audit of 4,075 currency chests begins



Mumbai, January 9:

The Reserve Bank of India has halted the destruction of withdrawn Rs. 500 and Rs. 1,000 currency notes.

“All RBI regional offices have been directed to stop destruction of the demonetised notes. Consequently, the process was stopped at the end of last week,” said a source in the RBI.

No reasons have been cited for the decision.

The apex bank has also commenced a comprehensive audit of the 4,075 currency chests to verify the number/nature of the currency notes that have been returned.

The move comes as a surprise because RBI staff were expecting commencement of a second shift to handle the disposal of the huge volume of notes returned to the RBI following the demonetisation announcement on November 8.

As per RBI data, of the 9,026 crore currency notes that were in circulation prior to demonetisation, the withdrawn Rs. 500 and Rs. 1,000 notes accounted for around 2,200 crore.

The return of more notes than expected could be one of the reasons for halting the routine destruction, said sources.

If the number of notes returned is higher than expected, it is a serious issue warranting examination for fake notes and duplication in note numbers/series.

So far, there has been no authentic data on the old notes returned to banks from November 9 till December 31. According to reports, around Rs. 14.5 lakh crore of the total recalled value of Rs. 15.4 lakh crore have come back.

In a statement issued last week, the RBI said the process of counting was on. “Any estimate may not indicate the actual numbers that have been returned,” it said.

Destruction of soiled/unfit notes beyond redemption is a regular activity at RBI offices.

All withdrawn notes will be processed through the currency verification system, which also helps in identifying fake notes. They are then converted into small briquettes, which are auctioned by the RBI for industrial use.