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Press Release

The Hon'ble President has approved the promulgation of the Specified bank Notes (Cessation of Liabilities) Ordinance, 2016 on 30th December 2016.

The Ordinance is a follow up to the decision taken by the Government to cancel the legal tender character of the existing series of banknotes, as on November 08, 2016, in the denominations of Rs. 500 and Rs. 1000 (Specified Bank Notes-SBNs) in circulation.

The main objectives of the Ordinance are (i) to provide clarity and finality to the liability of the Reserve Bank of India and the Government of India for the SBNs; (ii) to provide an opportunity to those persons who were unable to deposit the SBNs within the time provided; and (iii) to declare holding, transferring or receiving SBNs as illegal, with provisions for penalty for contravention of any of the provisions of the Ordinance.

This decision follows a number of steps taken to eliminate the menace of unaccounted money in the economy including setting up of a Special Investigation Team(SIT); enacting a law regarding undisclosed foreign income and assets; amending the Double Taxation Avoidance Agreements between India and Mauritius and India and Cyprus; reaching an understanding with Switzerland for getting information on bank accounts held by Indians with HSBC; encourage the use of non-cash and digital payments; amendments to the Benami Transactions Act; and implementation of the Income Declaration Scheme 2016. It is a move in line with the government's initiatives to curb unaccounted money in the system, money laundering and tax avoidance.

As on 30th December 2016 a part of the Specified Bank notes (SBN) have come back to the Reserve Bank of India and these is now a part of the formal financial system, increasing the deposit base of the banks and improving their ability to lend. People have also embraced and are continuing to adopt different digital forms of payments. The ecosystem of digital payments infrastructure is continually being improved and strengthened to make it easier for more people to adapt this form of payment.

As was notified on 08th November 2016 those persons who were unable to exchange or deposit the SBNs in their bank accounts on or before 30th December 2016 shall be given an opportunity to do so. Accordingly, this facility has been granted to all Indian citizens who were outside India from 09th November 2016 to 30th December 2016 to tender these SBNs at the specified Issue Offices of RBI until 31st march 2017. For those citizens of India who are not resident in India, this facility would be available till June 30, 2017 in order to allow them adequate time to plan a visit as per their convenience.

The above facility would be subject to the regulations of the notification 'Foreign Exchange management (Export and Import of Currency) regulations, 2015. As per these regulations bringing back such currency into the country is restricted to Rs 25,000/- per person. Separate FEMA provisions are applicable to persons in Nepal and Bhutan which would continue to apply.

At the time of return to India the number and denominations of the SBN will need to be declared to the Customs authorities at the airports and other entry points. Necessary form for such declaration will be given out by the CBEC. The details of the declaration and statements that are required to be submitted along with the SBNs at the time of deposit in RBI Issue Offices will be separately announced by RBI. Any false declaration will invite a fine of Rs 50,000 or five times the amount of the face value of the SBN tendered, whichever is higher.

After the period of exchange is over, the liability of the Reserve Bank and the guarantee of the Central Government towards the Specified bank Notes will stand extinguished. Further, to prevent any continued parallel transactions with the SBNs by unscrupulous element after this period, holding, transferring and receiving SBNs will attract a fine of Rs 10,000 or five times the amount of the face value of the SBN involved in the contravention, whichever is higher.

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January 11, 2017

Melbourne