

Bill Summary

The Specified Bank Notes (Cessation of Liabilities) Bill, 2017

- The Specified Bank Notes (Cessation of Liabilities) Bill, 2017 was introduced in Lok Sabha on February 3, 2017. The Bill replaces the Specified Bank Notes (Cessation of Liabilities) Ordinance, 2016 promulgated on December 30, 2016.
- The Bill provides that the specified bank notes (old Rs 500 and Rs 1,000) will cease to be liabilities of the Reserve Bank of India (RBI) from December 31, 2016 onwards. Further, these notes will no longer be guaranteed by the central government.
- These notes were demonetised on November 8, 2016 through a notification issued under the RBI Act, 1934. The notification had allowed these notes to be deposited in banks or post offices by December 30, 2016.
- **Grace period:** The central government will specify a grace period after December 31, 2016 during which the following persons may deposit the specified notes with the RBI: (i) an Indian citizen who makes a declaration that he was outside India between November 9, 2016 to December 30, 2016, or (ii) any other class of persons specified by the central government. Any such persons depositing old notes will be required to make declarations or statements as specified by the RBI.
- **Verification of claims:** The RBI will verify if the reasons for delay in depositing the specified bank notes are genuine. If satisfied, it will credit these notes to the person's Know Your Customer (KYC) compliant account.
- Any person aggrieved by the RBI's refusal to credit notes to their account may approach the RBI central board within 14 days.
- **Punishment for false declaration:** Any person wilfully making a false declaration will be punishable with a fine: (i) which may extend to Rs 50,000, or (ii) five times the value of notes deposited, whichever is higher.
- **Prohibitions related to specified notes:** A person will be prohibited from holding, transferring or receiving the specified bank notes from December 31, 2016 onwards. It exempts persons from this prohibition if: (i) a person holds up to 10 old notes (irrespective of denomination), (ii) a person holds up to 25 notes for the purposes of study, research or numismatics (collection or study of coins or notes), or (iii) a person holds notes on the direction of a court. In addition, the RBI or any person authorised by it, are also exempted from this prohibition.
- **Punishment for holding specified bank notes:** Any person holding the specified bank notes, except in the circumstances mentioned above, will be punishable with a fine: (i) which may extend to Rs 10,000, or (ii) five times the value of notes possessed, whichever is higher.
- **Offences by companies:** If a person acting on behalf of a company commits an offence under the Bill, the company would also be held liable for such an offence.
- **Authority for imposing fines:** Any fine for contravening provisions of the Bill will be imposed by the Court of a Magistrate of the First Class or the Court of a Metropolitan Magistrate.

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