

RBI Order on Pre-2005 Notes

In a move that is likely to hit currency hoarders and counterfeiters, the Reserve Bank of India (RBI) has decided to withdraw from circulation all currency notes issued prior to 2005. From April 1, the public will be required to approach banks for exchanging these notes. Banks will provide exchange facility for these notes.

Some of the frequently asked questions about the order are given below:

Q: Why are the notes being recalled?

A: Since 2005, the government has printed notes with much better security features. The circulation of the old notes with fewer safety features was defeating the purpose of the new notes. Most fake notes being pumped in were copies of pre-2005 notes.

Q: Will all notes before 2005 stop being money after April 1?

A: No. The notes will remain legal tender and will be valid for all monetary transactions till RBI or the government decides otherwise and announces it.

Q: Why rush to change the notes?

A: There is no rush, but as responsible citizens it's your duty to change the pre-2005 notes. The step is being taken to weed out fake notes from the system, and also curtail the flow of black money. Moreover, some day the RBI may declassify these notes as legal tender.

Q: Where are these pre-2005 notes?

A: There could be some if you have cash saved up for years or if you have received a large cash component as part of any deal. You could be getting them in your daily transactions too.

Q: How can the notes be changed?

A: You can walk into any bank branch and change these notes over the counter. Soon, RBI will come out with a detailed procedure that banks have to follow.

Q: Is there a limit on the number of old notes that can be exchanged?

A: The RBI has not set any limits. The usual ones in dealing with cash- like the PAN for any cash transaction of above Rs 50,000- will apply. Any transaction above Rs 10 lakh is reported to the Financial Intelligence Unit (FIU) under the Prevention of Money Laundering Act. If you have 20-30 notes or even more, they can be changed over the counter.

Q: How long can we exchange the old notes?

A: The drive starts from April 1. But, you can exchange these notes even now. Deposit these notes into your account at bank branches or through the ATM and they will be automatically replaced.

Q: Are any documents needed for exchanging the notes? **A:** If you are a customer of the bank you have approached, you only need to identify yourself to exchange the notes. Since July 1, you need to provide proof of identity and residence if you are not an account holder of the bank you

have approached and want to exchange more than 10 notes of Rs 500 or Rs 1000 denomination. The RBI will soon come out with a detailed procedure.

Q: What if any of the notes you want to exchange turns out to be fake?

A: Banks will follow RBI guidelines. It says if there are five or more fake notes in one transaction, an FIR has to be lodged.

Q: Is there any need to worry or panic?

A: If you are a law-abiding citizen, you need not worry. Just exchange whatever few old notes you may have and make sure you do not get any during your transactions. Those who deal in large cash transactions, particularly in properties, and have major cash stashes may face some difficulty.

Q: Why did RBI suddenly decide on removing the old notes?

A: This is not a sudden move. For the last several years, whenever a pre-2005 note came to a bank, it was sent to the RBI for disposal. This is the central bank's first step to suck out the notes from the general public.

Q: How to identify pre-2005 notes?

A: All notes printed since 2005 have the year of printing in the middle of the bottom strip on the reverse side (the side that doesn't have the Gandhi ji pic).