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

(ACT NO. 2 OF 2017)

[*As on the* 1st *September*, 2026]

THE SPECIFIED BANK NOTES (CESSATION OF LIABILITIES) ACT, 2017

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SECTIONS

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THE SPECIFIED BANK NOTES (CESSATION OF LIABILITIES) ACT, 2017

ACT NO. 2 OF 2017

[27*th February*, 2017.]

An Act to provide in the public interest for the cessation of liabilities on the specified bank notes and for matters connected therewith or incidental thereto.

BE it enacted by Parliament in the Sixty-eighth Year of the Republic of India as follows:—

1. Short title and commencement.—(*1*) This Act may be called the Specified Bank Notes (Cessation of Liabilities) Act, 2017.

(*2*) It shall be deemed to have come into force on the 31st day of December, 2016.

2. Definitions.—(*1*) In this Act, unless the context otherwise requires,—

(*a*) "appointed day" means the 31st day of December, 2016;

(b) "grace period" means the period to be specified by the Central Government, by notification, during which the specified bank notes can be deposited in accordance with this Act;

(*c*) "notification" means a notification published in the Official Gazette;

(*d*) "Reserve Bank" means the Reserve Bank of India constituted by the Central Government under section 3 of the Reserve Bank of India Act, 1934 (2 of 1934);

(*e*) "specified bank note" means a bank note of the denominational value of five hundred rupees or one thousand rupees of the series existing on or before the 8th day of November, 2016.

(*2*) The words and expressions used and not defined in this Act but defined in the Reserve Bank of India Act, 1934 (2 of 1934) or the Banking Regulation Act, 1949 (10 of 1949) shall have the meanings respectively assigned to them in those Acts.

3. Specified bank notes to cease to be liability of Reserve Bank or Central Government.—On and from the appointed day, notwithstanding anything contained in the Reserve Bank of India Act, 1934 (2 of 1934) or any other law for the time being in force, the specified bank notes which have ceased to be legal tender, in view of the notification of the Government of India in the Ministry of Finance, number S.O. 3407(E), dated the 8th November, 2016, issued under sub-section (*2*) of section 26 of the Reserve Bank of India Act, 1934, shall cease to be liabilities of the Reserve Bank under section 34 and shall cease to have the guarantee of the Central Government under sub-section (*1*) of section 26 of the said Act.

4. Exchange of specified bank notes.—(*1*) Notwithstanding anything contained in section 3, the following persons holding specified bank notes on or before the 8th day of November, 2016 shall be entitled to tender within the grace period with such declarations or statements, at such offices of the Reserve Bank or in such other manner as may be specified by it, namely:—

(*i*) a citizen of India who makes a declaration that he was outside India between the 9th November, 2016 to 30th December, 2016, subject to such conditions as may be specified, by notification, by the Central Government; or

(*ii*) such class of persons and for such reasons as may be specified by notification, by the Central Government.

(*2*) The Reserve Bank may, if satisfied, after making such verifications as it may consider necessary that the reasons for failure to deposit the notes within the period specified in the notification referred to in section 3, are genuine, credit the value of the notes in his Know Your Customer compliant bank account in such manner as may be specified by it.

(*3*) Any person, aggrieved by the refusal of the Reserve Bank to credit the value of the notes under sub-section (*2*), may make a representation to the Central Board of the Reserve Bank within fourteen days of the communication of such refusal to him.

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Explanation.—For the purposes of this section, the expression "Know Your Customer compliant bank account" means the account which complies with the conditions specified in the regulations made by the Reserve Bank under the Banking Regulation Act, 1949 (10 of 1949).

5. Prohibition on holding transferring or receiving specified bank notes.—On and from the appointed day, no person shall, knowingly or voluntarily, hold, transfer or receive any specified bank note:

Provided that nothing contained in this section shall prohibit the holding of specified bank notes—

(*a*) by any person—

(*i*) up to the expiry of the grace period; or

(*ii*) after the expiry of the grace period,—

(*A*) not more than ten notes in total, irrespective of the denomination; or

(*B*) not more than twenty-five notes for the purposes of study, research or numismatics;

(*b*) by the Reserve Bank or its agencies, or any other person authorised by the Reserve Bank;

(*c*) by any person on the direction of a court in relation to any case pending in the court.

6. Penalty for contravention of section 4.—Whoever knowingly and wilfully makes any declaration or statement specified under sub-section (*1*) of section 4, which is false in material particulars, or omits to make a material statement, or makes a statement which he does not believe to be true, shall be punishable with fine which may extend to fifty thousand rupees or five times the amount of the face value of the specified bank notes tendered, whichever is higher.

7. Penalty for contravention of section 5.—Whoever contravenes the provisions of section 5 shall be punishable with fine which may extend to ten thousand rupees or five times the amount of the face value of the specified bank notes involved in the contravention, whichever is higher.

8. Offences by companies.—(*1*) Where a person committing a contravention or default referred to in section 6 or section 7 is a company, every person who, at the time the contravention or default was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention or default and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to punishment if he proves that the contravention or default was committed without his knowledge or that he had exercised all due diligence to prevent the contravention or default.

(*2*) Notwithstanding anything contained in sub-section (*1*), where an offence under this Act has been committed by a company and it is proved that the same was committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary, or other officer or employee of the company, such director, manager, secretary, other officer or employee shall also be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Explanation.—For the purpose of this section,—

(*a*) "a company" means any body corporate and includes a firm, a trust, a co-operative society and other association of individuals;

(*b*) "director", in relation to a firm or trust, means a partner in the firm or a beneficiary in the trust.

9. Special provisions relating to offences.—Notwithstanding anything contained in section 29 of the Code of Criminal Procedure, 1973 (2 of 1974), the court of a Magistrate of the First Class or the court of a Metropolitan Magistrate may impose a fine, for contravention of the provisions of this Act.

10. Protection of action taken in good faith.—No suit, prosecution or other legal proceeding shall lie against the Government, the Reserve Bank or any of their officers for anything done or intended to be done in good faith under this Act.

11. Power to make rules.—(*1*) The Central Government may, by notification, make rules for carrying out the provisions of this Act.

(2) Every rule made under this Act shall be laid, as soon as may be after it is made, before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

12. Power to remove difficulties.—(*1*) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act, as may appear to it to be necessary or expedient for removing the difficulty:

Provided that no such order shall be made under this section after the expiry of a period of two years from the date of commencement of this Act.

(*2*) Every order made under this section shall, as soon as may be after it is made, be laid before each House of Parliament.

13. Repeal and savings.—(*1*) The Specified Bank Notes (Cessation of Liabilities) Ordinance, 2016 (Ord. 10 of 2016) is hereby repealed.

(*2*) Notwithstanding such repeal, anything done or any action taken under the said Ordinance shall be deemed to have been done or taken under the corresponding provisions of this Act.

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STATEMENT OF OBJECTS AND REASONS

In order to eliminate the unaccounted money and fake Indian currency notes from the financial system, the Government, on the recommendations of the Central Board of the Reserve Bank, *vide* its notification number S.O. 3407(E), dated the 8th November, 2016, declared that the existing series of the bank notes of the denominational value of five hundred rupees and one thousand rupees as not legal tender with effect from the 9th November, 2016 to the extent specified in the said notification.

2. Subsequent to the issuance of the aforesaid notification, it was felt necessary to provide clarity and finality on the following issues—

(*a*) sub-section (*1*) of section 34 of the Reserve Bank of India Act, 1934 provides that the liabilities of the Reserve Bank shall be an amount equal to the total of the amount of the currency notes of the Government of India and bank notes for the time being in circulation. Since the Reserve Bank cannot discharge its liabilities on its own for such notes, it necessary by law to discharge such liabilities;

(*b*) sub-section (1) of section 26 of the Reserve Bank of India Act, 1934 provides that every bank note shall be guaranteed by the Central Government. Though the legal tender character of the Specified Bank Notes has ceased by the aforesaid notification issued by the Government of India, it is necessary by law to withdraw the said guarantee; and

(*c*) there is possibility of running in a parallel economy by unscrupulous elements with Specified Bank Notes unless the possession of such note is declared illegal.

3. In view of the above, it was necessary to bring a legislation on Specified Bank Notes. As Parliament was not in session and an urgent legislation was required to be made, the President promulgated the Specified Bank Notes (Cessation of Liabilities) Ordinance, 2016 (Ord. 10 of 2016) on 31st December, 2016 for cessation of liabilities in the Specified Bank Notes.

4. The Specified Bank Notes (Cessation of Liabilities) Ordinance, 2016, *inter alia*, provides the following, namely:—

(*a*) to provide that the specified bank notes which have ceased to be legal tender shall cease to be liability of the Reserve Bank of India and the Central Government;

(*b*) to provide that a citizen of India (who makes a declaration that he was outside India between 9th November to 30th December, 2016) holding specified bank notes on or before the 8th November, 2016 shall be entitled to tender within the grace period with such declarations or statements, at such offices of the Reserve Bank or in such other manner as may be specified by it;

(*c*) to prohibit the holding, transferring or receiving of the Specified Bank Notes from the appointed day *i.e*. the 31st December, 2016;

(*d*) to impose penalty for contravention of provisions of the proposed Ordinance and to confer power upon the court of a first class Magistrate to impose such penalty.

5. The Bill seeks to replace the aforesaid Ordinance.

ARUN JAITLEY.

NEW DELHI;
The 30*th January*, 2017.

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