

***The High Denomination Bank Notes (Demonetisation) Act, 1978***  
**ACT NO. 11 OF 1978**

**1245**

[30th March, 1978]

An Act to provide in the public interest for the demonetisation of certain high denomination bank notes and for matters connected therewith or incidental thereto.

WHEREAS the availability of high denomination bank notes facilitates the illicit transfer of money for financing transactions which are harmful to the national economy or which are for illegal purposes and it is therefore necessary in the public interest to demonetise high denomination bank notes;

BE it enacted by Parliament in the Twenty-ninth Year of the Republic of India as follows:-

**1. Short title, extent and commencement.** (1) This Act may be called the High Denomination Bank Notes (Demonetisation) Act, 1978.

(2) It extends to the whole of India.

(3) It shall be deemed to have come into force on the 16th day of January, 1978.

**2. Definition.** In this Act, unless the context otherwise requires,-

(a) "bank" means-

- (i) a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);
- (ii) the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955);
- (iii) a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959);
- (iv) a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970);
- (v) a regional rural bank established under sub-section (1) of section 3 of the Regional Rural Banks Act, 1976 (21 of 1976);
- (vi) a co-operative bank as defined in section 2 of the Reserve Bank of India Act, 1934 (2 of 1934); and includes every branch thereof;

- (b) "bank notes" means the bank notes issued by the Reserve Bank of India under section 22 of the Reserve Bank of India Act, 1934 (2 of 1934);
- (c) "distinctive number" in relation to a high denomination bank note means the number including the alphabetical and numerical prefixes appearing on the face of the note ;
- (d) "high denomination bank note" means a bank note of the denominational value of one thousand rupees, five thousand rupees or ten thousand rupees, issued by the Reserve Bank ;
- (e) "public sector bank" means a bank referred to in sub-clause (ii), (iii) or (iv) of clause (a);
- (f) "Reserve Bank" means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 (2 of 1934);
- (g) "scheduled bank" means a public sector bank or any other bank, being a bank included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934);
- (h) "State Bank" means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955);

**3. High denomination bank notes to cease to be legal tender.** On the expiry of the 16th day of January, 1978, all high denomination bank notes shall, notwithstanding anything contained in section 26 of the Reserve Bank of India Act, 1934, (2 of 1934) cease to be legal tender in payment or on account at any place.

**4. Prohibition of transfer and receipt of high denomination bank notes.** Save as provided by or under this Act, no person shall, after the 16th day of January, 1978, transfer to the possession of another person or receive into his possession from another person any high denomination bank-note.

**5. Declaration of high denomination bank notes by banks and Government treasuries.** (1) Every bank and Government treasury shall prepare and send to the Reserve Bank in the manner provided in this section a return showing separately under each denominational value the total value of high denomination bank notes of that value held by it at the close of business on the 16th day of January, 1978 and distinctive numbers of high denomination bank notes of that value:

Provided that a bank or a Government treasury in which the currency chest of the Issue Department of the Reserve Bank has been established shall also submit a separate return showing separately under each denominational value the total value of high denomination bank notes held in such currency

chest at the close of business on the 16th day of January, 1978 and the distinctive numbers of high denomination bank notes of that value.

(2) Every such return shall be prepared and presented as provided in sub-section (3) in triplicate and shall be signed by the Manager of the bank or other person in charge of the bank or the Government treasury.

(3) Every return under sub-section (1) shall be presented for forwarding to the Reserve Bank to the Manager of the sub-office, office or branch of the Reserve Bank at the places specified under sub-section (2) of section 7, or to the District Magistrate or to the Sub-divisional Magistrate or, if such Manager or Magistrate is not available, to the senior-most Revenue or Police Officer available not later than 3.00 P.m. on the 17th day of January, 1978:

Provided that if it is not feasible to present the return to any such person as aforesaid, it may be presented by handing two copies thereof not later than 3.00 P.m. on the 17th day of January, 1978 to a telegraph office, one copy for despatch by express telegram to the Reserve Bank at Bombay at the expense of the bank or the Government treasury, as the case may be, and the other copy for return to the person presenting it in the manner provided in sub-section (4), and by despatching the third copy required by sub-section (2) by registered post on the same day to the Reserve Bank at Bombay.

(4) The officer to whom the return is presented shall give back to the person presenting it one copy thereof under his signature and seal of office in acknowledgement of receipt on which shall also be recorded the time and date of receipt, and such officer shall without delay forward one copy of the return to the Reserve Bank at Bombay.

(5) The Manager or other person in charge of every bank or Government treasury shall, immediately after the preparation of the returns required to be submitted under this section, cause the high denomination bank notes mentioned therein to be kept in a separate receptacle and seal the same with his seal and of the officers having custody of such receptacle.

**6. Exchange of high denomination bank notes held by banks and government treasuries.** (1) A bank other than a public sector bank may obtain from the Reserve Bank or a public sector bank an equivalent amount in exchange for the high denomination bank notes declared by it in the return referred to in section 5 by credit to an account maintained with the Reserve Bank or a public sector bank or in bank notes.

(2) A public sector bank may obtain from the Reserve Bank an equivalent amount in exchange for the high denomination bank notes declared by it in the return referred to in section 5 or the high denomination bank notes received by it in exchange under sub-section (1) by credit to an account with the Reserve Bank or in bank notes.

(3) A Government treasury may obtain from the Reserve Bank an equivalent amount in exchange for the high denomination bank notes declared by it in

the return referred to in section 5 in bank notes or by credit to Government account.

(4) Notwithstanding anything contained in sub-sections (1), (2) and (3), where the return referred to in section 5 is presented in the manner provided in the proviso to sub-section (3) of that section, the exchange referred to in this section may be effected only by the Reserve Bank at Bombay.

(5) Every application for the exchange of high denomination bank notes under this section shall be accompanied by the copy of the return received under sub-section (4) of section 5 which contains the distinctive numbers of such bank notes.

**7. Exchange of high denomination bank notes held by other persons.** (1) Notwithstanding anything to the contrary contained in the Reserve Bank of India Act, 1934 (2 of 1934), any high denomination bank note owned by a person other than a bank or Government treasury may be exchanged after the 16th day of January, 1978, only on tender of the note-

- (a) where the high denomination bank note is owned by an individual, by the individual himself; or where the individual is absent from India, by the individual concerned or some persons duly authorised by him in this behalf ; or where the individual is mentally incapacitated from attending to his affairs, by his guardian or by any other person competent to act on his behalf ;
- (b) where the high denomination bank note is owned by a Hindu undivided family, by the karta, and, where the karta is absent from India or is mentally incapacitated from attending to his affairs, by any other adult member of his family ;
- (c) where the high denomination bank note is owned by a company, by the managing director thereof, or, where for any unavoidable reason such managing director is not able to tender the note, or; where there is no managing director, by any director thereof (d) where the high denomination bank note forms part of the assets of a firm, by the managing partner thereof, or, where for any unavoidable reason such partner is not able to tender the note, or where there is no managing partner as such, by any partner thereof not being a minor;
- (e) where the high denomination bank note is owned by any other association of persons, by any member of the association or the principal officer thereof; and

(f) where the high denomination bank note is owned by any other person, by that person or by some person competent to act on his behalf; and within the time and in the manner provided in this section.

(2) Every person desiring to tender for exchange a high denomination bank note under this section shall prepare in the form set out, in the Schedule three copies of a declaration signed by him giving in full the particulars required by that form and shall not later than the 19th day of January, 1978, deliver such copies, in person together with the high denomination bank notes he desires to exchange-

(a) to either of the offices of the Reserve Bank at Bombay or to the sub-office, office or branch, as the case may be, of that bank at Ahmedabad, Bangalore, Bhubaneswar, Calcutta, Gauhati, Hyderabad, Jaipur, Kanpur, Madras, Nagpur, New Delhi and Patna; or

(b) to the main office or branch of the State Bank at the headquarters of a district; or

(c) to any other office of a public sector bank notified in this behalf by the Reserve Bank :

Provided that if such person resides in a place not within convenient reach of any such office or branch, or if, by reason of age, infirmity or illness he is unable to attend thereat, he may forward the high denomination bank notes he desires to exchange together with three copies of the declaration in respect thereof by insured post to the Reserve Bank at Bombay not later than the 19th day of January, 1978.

(3) Every declaration under this section shall, for the purpose of identifying the person making it, be attested by the manager or other person in charge of the bank, if any, with which he maintains an account, or by a salaried Magistrate or a Justice of the Peace or a police officer not below the rank of an Inspector of Police,

(4) Unless it appears that the declaration has not been complete in all material particulars, the Reserve Bank, the State Bank or any bank notified under clause (c) of sub-section (2), as the case may be, to which an application for exchange of high denomination bank notes is made under this section, shall pay the exchange value of the said notes for credit to a properly introduced account of the owner or the declarant, as the case may be, with any scheduled bank :

Provided that if the owner or declarant, as the case may be, does not have a bank account, the exchange value of the said notes shall be paid only on proper identification and until payment is so made, the amount shall remain in the custody of the Reserve Bank or the bank, as the case may be, to which the high denomination bank notes were tendered :

(5) Where it appears that the declaration has not been completed in all material particulars, the Reserve Bank, the State Bank or the notified bank, as the case may be, to which such application as aforesaid is made shall, unless the declarant is able to supply the omission without delay, refuse to accept and pay for the bank notes to which the declaration relates, and where it does so refuse, shall return one copy of the declaration to the declarant after entering therein the date on which it is presented and shall refer the matter to the Central Government to which it shall forward a copy of the declaration with a brief statement of the reasons for refusing to pay for the bank notes.

(6) The Central Government may require any declarant referred to in sub-section (5) to, amplify his declaration to such extent and in respect of such particulars as it thinks fit and may, unless the declarant is able to fully comply with such requirement, refuse, for reasons to be recorded in writing, to sanction the exchange of the high denomination bank notes to which the declaration relates.

(7) The Central Government or any person or authority authorised by it in this behalf may, by order in writing and for reasons to be recorded therein, extend in any case or class of cases the period during which high denomination bank notes may be tendered for exchange under this section.

**8. Exchange of notes after the time limit specified in section 7.** (1) Notwithstanding anything contained in section 7, any person who fails to apply for exchange of any high denomination bank notes within the time provided in that section may tender the notes together with the declaration required under that section to the Reserve Bank at any of the places specified in clause (a) of sub-section (2) of that section, not later than the 24th day of January, 1978 together with a statement explaining the reasons for his failure to apply within the said time limit :

Provided that if such person resides in a place not within convenient reach of the sub-office, office or branch of the Reserve Bank at any of the said places or if, by reason of age, infirmity or illness, he is unable to attend thereat, he may forward the high denomination bank notes he desires to exchange together with three copies of the declaration required under section 7 by insured post to the Reserve Bank at Bombay not later than the 24th day of January, 1978, along with a statement explaining the reasons for his failure to apply within the time specified in section 7.

(2) The Reserve Bank may if satisfied after making such inquiries as it may consider necessary that the reasons for the failure to submit the notes for exchange within the time provided in section 7 are genuine, pay the value of the notes in the manner specified in sub-section (4) of that section.

(3) Any person aggrieved by the refusal of the reserve Bank to pay the value of the notes under sub-section (2) may prefer an appeal to the Central Government within fourteen days of the communication of such refusal to him.

**9. Closing of banks and Government treasuries.** (1) All banks and Government treasuries shall be closed on the 17th day of January, 1978 for the transaction of all business except the preparation and presentation or, as the case may be, receipt of the returns referred to in section 5.

(2) Subject to sub-section (1), the 17th day of January 1978 shall for the purposes of the Negotiable Instruments Act, 1881 (2 of 1881), be deemed to be a public holiday notified under that Act.

**10. Penalties.** (1) If any bank fails to prepare and present within the time and in the manner provided by section 5 any return referred to in that section, or presents any return under that section which is false in any material particular, the manager or other person in charge of the bank shall, unless he proves that the failure took place or the false return was presented, without his knowledge or that he exercised all due diligence to prevent the same, be punishable with imprisonment for a term which may extend to three years, or with fine, or with both.

(2) Whoever knowingly makes in any declaration under section 7 any statement which is false or only partially true or which he does not believe to be true or contravenes any provision of this Act or the rules made thereunder shall, be punishable with imprisonment for a term which may extend to three years or with fine or with both.

(3) An officer of a scheduled bank who makes payment out of the amount, being the exchange value of a high denomination bank note credited under sub-section (4) of section 7 to an account maintained with such bank shall, unless such account is an account which has been opened after proper introduction, be punishable with imprisonment for a term which may extend to three years, or with fine, or with both.

**11. Special provisions relating to offences.** (1) No prosecution for an offence punishable under this Act shall be instituted except with the previous sanction of the Central Government.

(2) Notwithstanding anything 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 trying an offence punishable under this Act may impose a fine exceeding five thousand rupees.

**12. Protection of action taken in good faith.** No suit, prosecution or other legal proceeding shall lie against the Government or any officer of the Government or against the Reserve Bank or any public sector bank or any officer of such bank for anything done or intended to be done in good faith under this Act.

**13. Removal of difficulties.** If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by notification in the Official Gazette, make any order, not inconsistent with the provisions of this Act, which appears to it to be necessary for the purpose of removing the difficulty:

Provided that every such order shall, as soon as may be after it is made, be laid before each House of Parliament.

**14. Power to make rules.** (1) The Central Government may make rules for giving effect to the provisions of this Act.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely :-

- (a) the custody and disposal of high denomination bank notes tendered for exchange under this Act and of the declarations in respect thereof;
- (b) the time within which applications referred to in sub-section (5) of section 6 may be made; and
- (c) the time within which and the manner in which the State Bank and public sector banks notified under clause (c) of sub-section (2) of section 7 may claim reimbursement from the Reserve Bank of payments made by them in respect of high denomination bank notes accepted by them under that section.

(3) Every rule made by the Central Government 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.

**15. Repeal and saving.** (1) The High Denomination Bank Notes (Demonetisation) Ordinance, 1978 (1 of 1978), is hereby repealed.

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