

## UNIT 3 - List of Currency Terms With Explanation



Money as a means of payment consists of coins, paper money and withdrawable bank deposits.

### Legal tender:

As per provisions of coinage Act 1996, bank notes, currency notes and coins (Re. 1 and above) are legal tender for unlimited amount. The subsidiary coins (below Re. 1) are legal tenders for sum not exceeding Re 1. Issue of 1, 2 and 3 paisa coins discontinued wef Sep 16, 1981.

### Currency chest:

Currency chests are operated by the Reserve Bank of India (RBI) so that they can provide good quality currency notes to the public. However, RBI has appointed commercial banks to open and monitor currency chests on behalf of RBI. The money kept in currency chests in the commercial banks is considered to be kept in RBI.

### Small coin depot:

The bank branches are also authorized to establish Small Coin Depots to stock small coins. The Small Coin Depots also distribute small coins to

other bank branches in their area of operation.

### Soiled note:

"Soiled note" means a note which, has become dirty due to usage and also includes a two piece note pasted together wherein both the pieces presented belong to the same note and form the entire note.

### Mutilated Note:

Mutilated banknote is a banknote, of which a portion is missing or which is composed of more than two pieces.

### Imperfect Note:

Imperfect banknote means any banknote, which is wholly or partially, obliterated, shrunk, washed, altered or indecipherable but does not include a mutilated banknote.

Soiled and Mutilated banknotes can be exchanged for value. All banks are authorized to accept soiled banknotes for full value. They are expected to extend the facility of exchange of soiled notes even to non-customers. All currency chest branches of commercial banks are authorized to adjudicate mutilated banknotes and pay value for these, in terms of the Reserve Bank of India (Note Refund) Rules, 2009

#### **A mutilated banknote can be exchanged for full value if:**

- For denominations of Re. 1, Rs. 2, Rs. 5, Rs. 10 and Rs. 20, the area of the single largest undivided piece of the note presented is more than 50 percent of the area of respective denomination, rounded off to the next complete square centimeter.
- For denominations of Rs. 50, Rs.100, Rs. 500 and Rs. 1000, the area of the single largest undivided piece of the note presented is more than 65 percent of the area of respective denomination, rounded off to the next complete square centimeter.