Specified Bank Notes (Cessation of Liabilities) Ordinance, 2016

Why in news?

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The President recently approved the promulgation of the Specified Bank Notes (Cessation of Liabilities) Ordinance, 2016.

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What the new ordinance says?

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- The Cabinet headed by Prime Minister Narendra Modi had approved promulgation of the Ordinance.
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- The three-month window, January 1-March 31, 2017, for deposit of old currency notes in specified offices of the RBI after submitting a declaration form will remain open.
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- The ordinance makes holding, transferring or receiving these old notes as illegal, with provisions for penalty for contravention.
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- This ordinance ends the Reserve Bank of India's liability on extinguished notes and permanently ends the legal tender status of the old Rs 1,000 and Rs 500 notes.
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- After the period of exchange is over, **the liabilities of the Reserve Bank and the guarantee of the Central Government towards the Specified Bank Notes will stand extinguished.**
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- Further, to prevent any continued parallel transactions with the SBNs by unscrupulous elements, after this period, holding, transferring and receiving SBNs will attract a fine of Rs.10,000 or five times the amount of the face value of the SBN involved in the contravention, whichever is higher.
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What are the provisions for non residents?

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- For those citizens of India who are not resident in India, the note exchange facility would be available till June 30, 2017, the finance ministry said in a statement.
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- This exchange facility will be subject to **Foreign Exchange Management (Export and Import of Currency) Regulations, 2015**.
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- These rules restrict bringing back Indian currency into the country to Rs 25,000 per person.
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