

## **RBI planning to introduce plastic currency notes next year**

The Reserve Bank of India (RBI) is planning to introduce plastic currency notes next year on a pilot basis and improve security features to defeat the efforts of counterfeiters. It also aims to set up a national bill payments system that could eliminate middlemen and bring in efficiencies.

"The Reserve Bank of India is also looking at other alternatives for improving the life of bank notes," the central bank said in its annual report for 2013-14. The central bank floated a tender for plastic currency notes in January after years of deliberation. Depending on the trial, the notes should be introduced widely next year.

"Plastic notes are coming... Tender bids have come for 1 billion notes. In five cities, pilot testing would be done, including Shimla," RBI governor Raghuram Rajan said in May after a board meeting in Shimla. "In 2015, it would be launched based on the results of pilot testing."

Plastic notes are stain proof and don't tear easily. Several countries have tried using polymer-based currency notes, although these are costlier than cotton-fibre based paper currency.

The plastic notes may be introduced in Kochi, Mysore, Jaipur, Bhubaneswar and Shimla - centres with different weather conditions. Notes of low denomination will be used in the pilot project.

To further the cause of financial inclusion and protect consumers, the central bank is also planning to review Know Your Customer (KYC) norms without weakening anti-money laundering requirements. It will also review priority sector guidelines, according to changing economic priorities.

To make payment mechanisms more efficient, the central bank is also planning to consolidate systems which offer similar services or cater to the requirements of same market segments.

*(Economic Times)*