



## **NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA**

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Pursuant to Article 25, paragraph 5 of the Law on the National Bank of the Republic of North Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 123/12, 43/14, 153/15, 6/16, 83/18 and Official Gazette of the Republic of North Macedonia No. 110/21), the National Bank of the Republic of North Macedonia Council adopted the following

### **DECISION on the conditions and the manner of supplying banknotes and coins (Official Gazette of the Republic of North Macedonia No. 149/21)**

#### **I. GENERAL PROVISIONS**

1. This Decision shall set forth the conditions and the manner of supplying banknotes and coins.

2. The National Bank of the Republic of North Macedonia (hereinafter: the National Bank) shall be responsible for supplying banknotes and coins (hereinafter: cash), which are legal tender in the Republic of North Macedonia.

3. Cash shall be supplied by banks that are founded and operate in accordance with the provisions of the Banking Law (Official Gazette of the Republic of Macedonia No. 67/07, 90/09, 67/10, 26/13, 15/15, 153/15, 190/16, 7/19 and Official Gazette of the Republic of North Macedonia No. 101/19) and cash supplying companies (hereinafter: cash centers) that are trade companies registered in the register of trade companies, which meet the conditions for cash supply provided by this Decision and which will conclude a cash supply agreement with the National Bank.

4. Cash shall be supplied by withdrawing banknotes and coins from the National Bank, transporting to the users, collecting the cash from the users, processing, packing and returning the cash to the National Bank by the banks and the cash centers.

5. The terms used in this Decision shall denote the following:

- "Processing cash" shall denote the procedure for checking the cash by determining its authenticity, number, selection and sorting into fit and unfit cash, so that it can be recirculated;

- "Authentic cash" shall denote the cash that possesses the main features determined by the National Bank regulations;

- "Checking the authenticity of cash" shall denote the procedure for checking the cash for the purpose of selecting the cash samples for which there is a suspicion that they are counterfeit cash;

- "Cash fit for circulation" shall denote the cash checked in terms of its authenticity, fulfilling the conditions for circulation prescribed by the National Bank;

- "Cash unfit for circulation" shall denote the cash which, upon conducted checking, was determined to be damaged and/or worn out, or the cash produced with error, which as such is unfit for recirculation;

- "Worn-out banknotes" shall denote banknotes which, in the process of use, are worn-out, thinned, folded which is why they have become soft and as such are unfit for circulation, i.e. they are significantly faded, soiled, the quality of the paper and the color is reduced, which is why some of their main features (denomination, motives of the banknotes, protection elements) are dimly visible and the banknotes are unfit for further use.

- "Damaged banknotes" shall denote banknotes whose remaining surface is more than 60% and have at least one undamaged (visible) numerical sign (serial number of the banknotes), the banknotes which are slightly torn off and taped, which are torn off on several parts and taped, and the comparison of the serial numbers may establish that it is unquestionably the same banknote, which are torn off for more than 5 mm, which have one or more holes, that have been written on, drawn on, which are corroded, rotten, faded due to washing, smoked, crumpled with multiple folds, which are poured with ink, paint, grease, chemical, which are burnt, and the charred part is less than 40% of the surface of the banknote and which are painted with a strong color that chemically protects the banknotes in transport, i.e. when the banknotes are painted in case of forced opening of the packaging with banknotes.

- "Worn-out and damaged coins" shall denote coins that have become unusable for further circulation under the influence of some external force, which caused mechanical deformation, disturbance of the relief of the coins or their main features are hardly visible under the influence of chemical damage and are unfit for further use.

- "Banknotes and coins produced with error" shall denote samples of banknotes and coins that are produced with certain errors and as such are put into circulation.

- "Suspect counterfeit cash" shall denote the cash for which there is a suspicion that differs from the authentic cash in all or in individual security features;

- "Counterfeited cash" shall denote the cash defined by the National Bank regulations for determining the procedure for detecting and withdrawing counterfeited cash;

- "Selection and sorting the cash" shall denote a procedure for control of the cash authenticity and fitness by cash processing machines;

- "Cash processing machines" shall denote devices operated by trained employees of banks, cash centers or customers with possibility for automatic identification and physical separation of suspect counterfeit and unfit cash from the genuine, without any possibility to influence in any manner the selection and sorting proceedings performed by the trained employee handling the machine;

- "Testing the cash processing machines" shall denote the procedure for testing the operating manner of the machine on part of the National Bank by determining the authenticity, number, selection and sorting of cash, based on defined technical procedures;

- "Trained employees" shall denote the employees of banks and cash centers who went through the training in the National Bank, acquiring a certificate of manual checking of the authenticity and fitness of the cash in circulation;

- "Manual cash processing" shall denote visual checking of the cash authenticity by trained employees by use of equipment for checking the authenticity, as well as visual checking of the cash for further circulation.

## **II. CONDITIONS FOR CARRYING OUT CASH SUPPLY ACTIVITY**

6. For cash supplying, banks and cash centers must meet the following conditions:

- to have a vault and/or cash desks in their business premises;

- the vault and the cash desk to be easily accessible for security units in case of a threat to safety, or in case of a fire or other natural disaster;
- the cash to be processed in a separate room, which must be separated from the remaining commercial real estate with partitions of firm and full material and with a lockable door;
- the premises where the cash is processed to be located in a space in which the movement is limited and in which there is constant access control, as well as to be secured by security systems and protective measures that imply continuous video surveillance with recording, alarm systems, timely fire alarm sensors and access control system;
- constant physical security of the premises where the cash is processed;
- adopted Rules of Procedure, which should contain the organizational setup, should have a written procedure and an explanation for the manner of performing the service, to specify the manner of controlling the risks in the operations, the manner of establishing the internal control systems, as well as the organizational, technical and safety standards for the successful and safe performance of the service;
- the responsible person and the employees from the organizational unit that performs the cash supply operations not to be convicted by effective court decision for a criminal offense, except for a criminal offense jeopardizing the safety of the transport committed through negligence, or not to be subjected to a criminal procedure for a criminal offense for which they are persecuted ex officio.

"Vault" in terms of this item shall denote: special premises built of steel, concrete or other firm material, with a vault door with at least two locks with different keys, out of which each has at least one spare key;

"Cash desk" in terms of this item shall denote: space protected against thefts, whose at least one internal wall has a length up to one meter, built of steel or other firm material, with a door with at least two locks with keys, out of which each has at least one spare key;

"Key" in terms of this item shall also denote a code.

7. Cash centers, in addition to the conditions prescribed in item 6 of this Decision, should also meet the following conditions:

- to be established with a capital of 1,230,000.00 denars;
- the legal entity not to be subjected to a bankruptcy or liquidation proceeding;
- to make regular payment of taxes and contributions in the Public Revenue Office;
- the founders of the cash centers not to be convicted by effective court decision for a criminal offense, except for a criminal offense jeopardizing the safety of the transport committed through negligence, and not to be subjected to a criminal procedure for a criminal offense for which they are persecuted ex officio.

The cash centers shall be obliged to meet the stated conditions before signing the cash supply agreement with the National Bank.

In case of initiating a bankruptcy and/or liquidation proceeding in the cash centers, the National Bank shall withdraw the withdrawn cash, and shall pay a sum of money in the amount of the withdrawn cash, into the account of the cash centers in bankruptcy, i.e. liquidation.

8. For cash processing, banks and cash centers must meet the following conditions:

- To have cash processing machines;
  - The machines with which the cash processing will be performed to be put in the list of successfully tested machines published on the website of the National Bank;
- and

- The employees who perform the cash processing must have a document that they have successfully passed the National Bank training for manual cash processing for the purpose of its recirculation.

9. Banks and cash centers shall process cash as follows:

- With cash processing machines put on the list of successfully tested machines by the National Bank; and
- With manual cash processing by trained employees.

10. Banknote handling machines are divided into two categories:

- Customer-operated machines; and
- Machines operated by trained employees.

Banknote handling machines should fulfill the technical requirements of Annex I to this Decision.

11. Coin processing machines are divided into two categories:

- Customer-operated machines; and
- Machines operated by trained employees.

Coin processing machines should identify the suspect counterfeit coins with certainty.

12. Banks and cash centers shall notify the National Bank on installing a cash processing machine, before it starts to be used.

With the notification, banks and cash centers obligatorily submit a statement from the manufacturer, the supplier or the authorized representative of these machines on the territory of the Republic of North Macedonia, which guarantees that the machine has identical features and has a software solution that enables cash processing in the same way as the machine of the same type, which is published on the website of the National Bank.

13. Banks and cash centers shall require from the National Bank to test the cash processing machines, if they are not put on the list of successfully tested machines, published on the website of the National Bank or if they use a software solution that has not been tested, prior to their utilization.

14. The National Bank shall perform the testing of the functionality of cash processing machines on the basis of a request submitted by the bank, the cash centers, the manufacturer, the supplier or the authorized representative of these machines on the territory of the Republic of North Macedonia.

All required data, referring to the functionality of the cash processing machine, shall be entered in the request.

15. The procedure for testing the cash processing machines by the National Bank shall include checking the functionality of the machine by controlling the authenticity, number, selection and the sorting of cash into fit and unfit for circulation.

The procedure for testing the cash processing machines by the National Bank shall be made on the basis of samples of counterfeited cash and cash that is fit and unfit for circulation.

16. Upon conducted testing, the National Bank shall issue a confirmation on the successfully conducted testing of the cash processing machine. The confirmation is issued for a limited period of one year, from the day of the testing. Upon expiry of the validity of the confirmation, the machine is subject to second testing.

The cash processing machine that does not have a positive result after the testing of its functionality shall be put out of use.

The machines may be used with standard manufacturer adjustment, including all updated test versions, unless the National Bank prescribes more strict criteria.

17. The National Bank produces a list of successfully tested cash processing machines, published on its website.

Banks and cash centers may put in use cash processing machines if they are tested and if they are put on the list published on the website of the National Bank.

18. After each conducted software or hardware upgrade of the cash processing machines that were successfully tested, the bank, the cash center, the manufacturer or the authorized representative shall submit request for second testing of the functionality of the machine.

19. The National Bank shall not be responsible if a successfully tested cash processing machine does not process the cash in the manner as stipulated by this Decision.

20. To manually process the cash for the purpose of their recirculation, banks and cash centers should have trained employees who have passed the training conducted by the National Bank.

Until the acquisition of the status of "trained employee", manual processing of the cash in circulation can be carried out also by employees working under the supervision of an employee who holds a certificate from the National Bank of "trained employee". These employees shall obligatorily attend the training for acquiring a status of "trained employee" within one year from the day when they started the manual processing of the cash in circulation.

### **III. MANNER OF SUPPLYING CASH**

21. Banks withdrawing cash from the National Bank shall pay funds from their account through the Macedonian Interbank Payment System (hereinafter: MIPS) into a special account with the National Bank in the amount they want to withdraw.

Banks that return cash, for the amount of returned cash, shall receive payment through MIPS on their accounts from the National Bank.

Cash centers shall pay and receive the funds in the cases referred to in paragraphs 1 and 2 of this item through their bank accounts.

For the issuance and return of cash, the National Bank shall charge commission in accordance with the National Bank regulations that prescribe the fees for services rendered by the National Bank.

22. Banks may recirculate banknotes via customer-operated machines, which refers to those banknotes processed via banknote handling machines and banknotes delivered directly by the National Bank.

Banknotes processed via banknote handling machines and which are classified as authentic and fit may be recirculated.

23. Banknotes which are processed manually by trained employees can be recirculated only through banks' teller desks.

24. As an exception, when a determined event causes a significant delay in the supply of banknotes, only on the basis of written permission by the National Bank,

banks and cash centers may perform manual processing of banknotes, and may recirculate them through machines operated by the bank customers.

25. Banknotes, checked by machines operated by the bank customers shall be classified and processed in accordance with Annex II-a to this Decision.

26. Banknotes, checked by machines operated by trained employees shall be classified and processed in accordance with Annex II-b to this Decision.

Banknotes that are suspected to be counterfeited according to the classification made in accordance with Annexes II-a or II-b to this Decision, or are determined by manual processing of trained employees, shall be processed in accordance with the regulation which determined the procedure for detecting and withdrawing counterfeited cash.

27. The selection and sorting of banknotes for circulation shall be made in accordance with the minimum determined standards and procedures referred to in Annexes III-a and III-b to this Decision, for machine and manual banknotes processing.

28. Banknotes not checked and processed in accordance with the cash processing proceedings shall not be recirculated.

29. Banks and cash centers shall provide smooth implementation of the procedure to check the authenticity and fitness of the received coins for circulation, as well as their recirculation.

30. Implementing the procedure for checking the authenticity and fitness of coins represents a process by which banks and cash centers confirm that coins are authentic and fit for circulation.

31. Coins processing customer-operated machines and trained employees should provide, in the course of processing, checking the authenticity of coins in a manner in which they shall separate the suspect counterfeit samples from the genuine ones and shall perform selection of fit from unfit coins for circulation.

If banks redistribute coins through teller desks, they should provide manual cash processing on the part of trained employees.

32. Coins, the authenticity and fitness of which shall be determined in checking procedure, in accordance with this Decision, shall be recirculated.

Coins that are suspected to be counterfeited cash shall be processed in accordance with the regulation which determines the procedure for detecting and withdrawing counterfeited cash.

33. Banks and cash centers that during the processing of cash will identify banknotes and coins in accordance with the criteria provided by this Decision as unfit for circulation shall be obliged to remove them from circulation, to pack them and submit them to the National Bank.

34. Banks, through their organizational units, shall receive and replace banknotes and coins that have become unfit for circulation from natural persons and legal entities.

35. Banknotes and coins that have become unfit for circulation shall not be recirculated and shall be submitted to the National Bank.

36. The National Bank shall process the banknotes and coins that have become unfit for circulation and shall replace them.

37. The National Bank shall replace and withdraw the banknotes and coins that have become unfit for circulation if they meet the criteria of this Decision.

38. The National Bank may decline to exchange banknotes or coins if their designs are damaged, misshaped or perforated, or if more than forty percent of their surface has been lost. Such banknote or coin shall be withdrawn and destroyed without indemnity to the owner, unless there is evidence that the missing portions have been totally destroyed, in which case the National Bank may grant compensation in whole or in part.

39. The National Bank may confiscate without compensation any banknotes that have been altered in their external appearance, including in particular banknotes that have been written on, painted on, stamped or perforated, or to which adhesive substance has been applied.

40. Damaged banknotes that will be detected during the processing in the National Bank and whose degree of damage is greater than the criteria established in this Decision shall be considered a shortage.

41. Banks and cash centers, on the basis of a report prepared by the National Bank, should compensate the determined shortage within three working days from its receipt.

42. The National Bank shall replace the damaged coins if it is possible to determine whether they are genuine (taking into account the size, the weight, the color, the type of alloy, the engraving and the other signs).

43. The National Bank shall replace the banknotes and coins made with an error in full amount, after they are submitted by the banks and the cash centers.

44. To monitor the activities of banks and cash centers in relation to cash circulation, the National Bank shall collect data from banks and cash centers and receive information on the following:

- type and number of cash processing machines;
- location of each cash processing machine;
- data on processed cash by the cash processing machines and manually processed cash.

Banks and cash centers' data on processed cash shall be submitted according to the number of pieces (number), aggregate, by quarter and by denominations.

Data shall be submitted to the National Bank quarterly by the 15th day after the end of the reporting quarter.

#### **IV. COSTS**

45. Costs that occurred due to fulfillment of the obligations arising from this Decision shall be borne by the banks and cash centers.

46. The National Bank shall not be responsible for the costs made by banks and cash centers due to changed or new safety features of the cash.

## **V. TRANSITIONAL AND CLOSING PROVISIONS**

**47.** The Governor of the National Bank shall adopt Instructions prescribing in detail the manner of implementing this Decision.

48. With the entry into force of this Decision, the Decision on the supplying banks with banknotes and coins (Official Gazette of the Republic of Macedonia No. 112/15 and 61/16), Decision on the authenticity and fitness checking and recirculation of banknotes and coins and the manner of conducting supervision (Official Gazette of the Republic of Macedonia No. 54/17) and the Decision on the manner and conditions for replacement of banknotes and coins that have become unfit for circulation (Official Gazette of the Republic of Macedonia No. 112/15) shall become void.

49. This Decision shall enter into force on the eighth day from the day of its publication in the Official Gazette of the Republic of North Macedonia.

**D No.02-15/IX-1/2021  
30 June 2021  
Skopje**

**Anita Angelovska Bezhoska  
Governor and Chairperson  
of the Council of the National Bank  
of the Republic of North Macedonia**



## ANNEX I

### BANKNOTE HANDLING MACHINES

1. General technical requirements shall be the following:

**1.1.** To qualify as banknote handling machine, the machine has to be capable of processing banknotes, classifying and physically separating them according to their classifications without the intervention of the trained machine operator, in accordance with Annexes II-a and II-b. The machines should have the required number of exits and/or other means to provide reliable selection and sorting of processed banknotes.

1.2. Banknote handling machines must have a possibility for adjustment in order to detect new counterfeited cash with certainty. Furthermore, they should be adjustable in order to enable setting of more or less restrictive selection and sorting standards, if necessary.

2. Categories of banknote handling machines:

- customer-operated machines; and
- staff-operated machines.

2.1. Customer-operated machines, where cash is deposited and which allow for traceability of the account holder are the following:

**Table 1**

1	<b>Machines for depositing cash (Cash in Machines – CIMs)</b>	These machines enable bank customers to deposit banknotes in their bank accounts by using the bank card, but have no function to issue banknotes. CCMs check the authenticity of banknotes and allow for traceability of the account holder. Checking the fitness for circulation is not obligatory.
2	<b>Machines for depositing and withdrawing cash (Cash recycling machines – CRMs)</b>	These machines enable the bank customers to deposit and withdraw banknotes in/from their bank accounts, by using the bank card. CRMs check the authenticity and fitness of banknotes and allow for traceability of the account holder.

		For withdrawals, the machines may use authentic and fit banknotes deposited by other customers in previous transactions.
3	<b>Combined machines for depositing cash (Combined cash in Machines – CCMs)</b>	These machines enable the bank customers to deposit and withdraw banknotes in/from their bank accounts, by using the bank card. CCMs check the authenticity of banknotes and allow for traceability of the account holder. Checking the fitness for circulation is not obligatory. For withdrawals, the machines do not use banknotes deposited by other bank customers in previous transactions, but only banknotes loaded separately into them.
	<b>Other machines operated by banks' clients</b>	
4	<b>Machines for cash withdrawal (Cash out Machines – COMs)</b>	These machines are usually ATMs checking the authenticity and fitness of banknotes for circulation prior to being withdrawn by bank customers. COMs use banknotes that were loaded into them by the bank cash handlers or other automatic systems.

## 2.2. Staff-operated machines:

**Table 2**

1	<b>Banknote processing machines – BPMs</b>	Machines that check the authenticity and fitness of banknotes for circulation and physically separate the suspect counterfeit and unfit from the genuine and fit cash for circulation.
2	<b>Banknotes Authentication Machines – BAM</b>	Machines checking the authenticity of banknotes and performing selection and sorting out banknotes to genuine and suspect counterfeit ones, extracting the suspect ones.
3	<b>Machines returning back the cash in circulation with assistance of employees tellers (Teller assistant recycling Machines – TARMs)</b>	Machines operated by trained employees checking the authenticity and fitness of banknotes for circulation. For withdrawals, TARMs may use authentic and fit banknotes for circulation deposited by other customers in previous transactions. Furthermore, they keep the banknotes in safe custody and enable bank employees to debit or credit customer accounts with banks.
4	<b>Machines with assistance of employees tellers (Teller assistant machines - TAMs)</b>	These machines are operated by trained employees that check the authenticity of banknotes. Furthermore, they keep the banknotes in safe custody and enable bank employees to debit or credit customer accounts with banks.

2.3. Where customers feed banknotes to be deposited into TARMs or TAMs or withdraw banknotes from them, these machines shall be considered customer-operated machines and they have to select and classify the banknotes in accordance with Annex II-a.

3. The National Bank shall test different types of banknote handling machines. The types of banknote handling machines can be distinguished from each other on the basis of their specific detection systems, the software solution and other components for performance of their main functions: They are the following: checking the originality of banknotes, detecting and separating banknotes suspected to be counterfeited cash, detecting and selecting unfit banknotes from the fit ones, if necessary tracing the banknotes identified as suspect counterfeit and banknotes that are not clearly authenticated, if applicable.

## **ANNEX II a**

### **CLASSIFICATION AND TREATMENT OF BANKNOTES BY CUSTOMER-OPERATED MACHINES**

1. The classification and treatment of banknotes by the customer-operated machines, in which the cash is deposited with customer tracing are presented in Table 3 of this Annex:

**Table 3**

	<b>Category</b>	<b>Characteristics</b>	<b>Procedure</b>
<b>1</b>	<b>Not banknotes or not recognized as banknotes</b>	Not recognized as banknotes due to the following: - banknotes not in denars; - objects with similar looks; - wrong image or format; - large folded angle or a missing part; and - error at loading or transferring the machine.	Returned back to the customer.
<b>2</b>	<b>Suspicion of counterfeited banknotes</b>	Detected as suspect counterfeit banknotes because the images and the format are recognized, but one or several authentication features checked by the machine are not detected or cannot be tolerated.	Withdrawn from circulation.  Submitted for checking their authenticity, together with information regarding the customer account holder, and it is proceeded according to item 5 paragraph 1 indent 11 of this Decision.  The customer account is not credited.
<b>3</b>	<b>Banknotes not clearly recognized</b>	The image and format are recognized, but all authenticity characteristics being checked are not recognized due to the quality and/or deviations from tolerance. In most cases these are unfit banknotes.	Withdrawn from circulation.  Banknotes are processed separately and transferred to check their authenticity in accordance with item 5 paragraph 1 indent 11 of this Decision.  This information is available upon request of competent state institutions. Alternatively, in agreement with competent state institutions, information that allow for traceability of the account holder may be submitted to these institutions together with the banknotes.  The customer account may be credited.
<b>4</b>	<b>Banknotes identified as</b>	All checking procedures of	May be returned in circulation.

	<b>genuine and fit for circulation</b>	the originality and fitness for circulation give positive results.	The customer account may be credited.
<b>5</b>	<b>Banknotes identified as genuine and unfit for circulation</b>	All checking procedures of the originality give positive results. At least one checking of the fitness gives a negative result.	May not be returned in circulation, should be returned to the National Bank.  The customer account is credited.

**1.1.** The machine shall not return the banknotes in categories 2 and 3 of Table 3 to the bank customer, if the machine enables cancellation of the deposit transaction. Banknotes may be retained in case of cancelled transaction, by being stored in a separate part of the machine.

1.2. Machines checking the fitness of the cash in circulation do not need to distinguish between categories 4 and 5 of Table 3.

1.3. The National Bank may agree with the bank that banknotes of category 3 in Table 3 may not be physically separated from categories 4 and 5 of Table 3, and that in such case all three categories must be treated as banknotes of category 3 in Table 3.

## **ANNEX II b**

### **CLASSIFICATION AND TREATMENT OF BANKNOTES BY STAFF-OPERATED MACHINES**

1. The classification and treatment of banknotes by machines operated by trained employees are given in the table in this Annex as follows:

**Table**

**4**

	<b>Category</b>	<b>Characteristics</b>	<b>Procedure</b>
<b>1</b>	<p><b>(1) Not banknotes or not recognized as banknotes, or</b></p> <p><b>(2) Suspect counterfeit banknotes, or</b></p> <p><b>(3) Banknotes not clearly recognized as authentic</b></p>	<p>(1) Not recognized as banknotes due to the following:</p> <ul style="list-style-type: none"> <li>- banknotes not in denars;</li> <li>- objects with similar looks;</li> <li>- wrong image or format;</li> <li>- big folded angle or a missing part, and</li> <li>- error at loading or transferring the machine.</li> </ul> <p>(2) Detected as suspect counterfeit banknotes because the images and the format are recognized, but one or several authentication features checked by the machine were not detected or cannot be tolerated.</p> <p>(3) The image and format are recognized, but all authenticity characteristics being checked are not recognized due to the quality and/ or deviations from tolerance. In most cases these are banknotes unfit for circulation.</p>	<p>The machine returns the banknotes to the trained employee for additional checking and further proceedings.</p> <p>(1) Objects not recognized as banknotes: after visual checking by trained employees, separation is made of those objects from the suspect counterfeit banknotes and the banknotes not clearly recognized.</p> <p>(2) Withdrawn from circulation.</p> <p>Suspect counterfeit banknotes.</p> <p>(3) Withdrawn from circulation.</p> <p>Banknotes not clearly recognized as authentic: they are processed separately and transferred to the National Bank for inspection in accordance with item 5 paragraph 1 indent 11 of this Decision.</p>
<b>2</b>	<b>Banknotes identified as authentic and fit for circulation</b>	All checking procedures of the authenticity and fitness for circulation give positive results.	<p>May be returned in circulation.</p> <p>The customer account is</p>

			credited.
<b>3</b>	<b>Banknotes identified as authentic and unfit for circulation</b>	All checking procedures of the authenticity give positive results. At least one checking of the fitness criteria gives a negative result.	May not be returned in circulation, and are transferred to the National Bank.  The customer account is credited.

**1.1.** Machines not performing checking of the fitness of banknotes for circulation do not need to distinguish between categories 2 and 3 of the enclosed table.

## **ANNEX III a**

### **STANDARDS FOR AUTOMATED FITNESS CHECKING BANKNOTES**

1. Minimum standards for automated fitness checking of banknotes shall be the following:

- Permitted tolerance for checking the fitness of the cash for circulation by the cash processing machines is 5%. This means that maximum 5% of banknotes not fulfilling the criteria of fitness for circulation can be erroneously classified as fit for circulation.
- For the purpose of checking the fitness for circulation, banknotes with any defect with regard to the obligatory requirements stated in item 2 of this Annex shall be considered unfit for circulation.

2. Information on the criteria for automated banknotes selection and sorting for fitness are the following:

2.1. **Soil** – distributed across the whole banknote area, increasing its optical density.

2.2. **Stain** – localized concentration of dirt.

Banknotes with localized dirt concentration of at least 9mm x 9mm in the unprinted area or at least 15mm x 15mm in the printed area, shall be considered unfit.

2.3. **Graffiti** – added image or lettering or marked banknote in any manner.

2.4. **De-inked banknote** – lack of ink on part or the whole banknote, for ex. washed banknote.

A banknote may fade if, for example, it was washed or exposed to aggressive chemical agents. This type of unfit banknotes may be detected by image detectors or UV-detectors.

2.5. **Tear and mutilation** – missing a part, or parts, with at least one edge (unlike holes).

Banknotes the length of which has decreased by 6mm or more or the width of which has decreased by 5mm or more shall be unfit for circulation. All measurements relate to differences from the nominal length and width of banknotes.

2.6. **Repair** – parts of one or more banknotes joined with self-adhesive transparent glue, other glue or the like.

The repaired banknote is made by parts of banknotes, for example, by using self-adhesive transparent glue or glue.

2.7. **Crumples** – multiple accidental folding.

Crumpled banknotes may easily be identified if the level of reflectance or stiffness is reduced. There is no mandatory requirement.

2.8. **Limpness** – Structural change producing lack of firmness.

To the extent possible, banknotes with very little stiffness are sorted as unfit for circulation. As limpness is related to dirt, limp banknotes are also detected by soil sensors. There is no mandatory requirement.



2.9. **Tears, holes, folds, folded corners** – these terms have the common meaning as in their common use.

Folded banknotes, due to their reduced length or width may be detected by sensors checking the size of banknotes. Furthermore, they may be detected also by the thickness sensors.

## **ANNEX III b**

### **MINIMUM STANDARDS FOR MANUAL FITNESS CHECKING OF BANKNOTES**

1. Minimum standards for manual fitness checking of the banknotes shall be the following:

In the part of checking the fitness for circulation, banknotes with any type of defect, as set out in the Table enclosed to this Annex, or with a clearly visible defect in one of the visible security features, shall be unfit for circulation. Checking the fitness for circulation is made by touch or by visual inspection of individual banknotes and does not require the use of any tools.

2. Sorting criteria for manual fitness checking shall be the following:

	<b>Feature</b>	<b>Description</b>
1	Soil	Visible dirt spread throughout the whole banknote.
2	Stain	Visible localized concentration of dirt.
3	Graffiti	Visible added image or letters or marked banknote in any manner.
4	De-inked banknote	Visible lack of paint on part or the whole banknote, for ex. washed banknote.
5	Tear	Banknote with at least one tear at the edge.
6	Hole	Banknote with at least one visible hole.
7	Mutilation	Banknote missing a part, or parts, together with at least one corner (in contrast to holes).
8	Repair	Parts of one or more banknotes sealed with self-adhesive transparent glue, glue or the like.
9	Crumples	Banknote with multiple random folds, having effect over its visual appearance.
10	Limpness	Banknote with structural deterioration producing lack of stiffness.
11	Folded banknote	Banknote that is folded, including banknote that cannot be unfolded.
12	Folded corner	Banknote with at least one clearly visible folded corner.