

Pursuant to Article 27, Article 28 paragraph (2) and Article 43 paragraph (2) item (9) of the Act on the Croatian National Bank (Official Gazette 75/2008) the Governor of the Croatian National Bank hereby issues the

**DECISION**  
**on the conditions for the recycling of kuna and lipa banknotes and coins**

I GENERAL PROVISIONS

Article 1

This Decision stipulates the conditions for the recycling of banknotes and coins, the entities subject to this Decision, the processing of banknotes and coins, the categorisation of banknote and coin processing machines, the classification and treatment of banknotes and coins processed by processing machines, the performance tests of banknote and coin processing machines and the control of their application performed by the Croatian National Bank (hereinafter: CNB), as well as the provision of training in the manual processing of banknotes and coins to the staff of the entities subject to this Decision.

Article 2

For the purpose of this Decision the following terms shall have the following meanings:

- 1) *the recycling of banknotes and coins* – the reissuing of the accepted banknotes and coins by the entities subject to this Decision in the course of their business activities;
- 2) *the processing of banknotes and coins* – the checking of quantity, authenticity and fitness for circulation of banknotes and coins, performed by the entities subject to this Decision by means of banknote and coin processing machines;
- 3) *banknote and coin processing machines* – machines operated by the clients or staff of the entities subject to this Decision which automatically identify and physically separate the suspect and unfit banknotes and coins from the genuine and fit ones, without the intervention of the machine operator;
- 4) *the authentication of banknotes and coins* – the examination of banknotes and coins for the purpose of separating the suspected counterfeit banknotes and coins;
- 5) *the sorting of banknotes* – the checking of authenticity and quality of banknotes by banknote sorting machines, in accordance with CNB standards;
- 6) *banknote sorting standards* – the criteria stipulated by a special decision of the CNB and applied to banknote sorting machines for the purpose of separating the banknotes which are fit for circulation (good quality banknotes) from the unfit ones (worn or damaged banknotes);
- 7) *the manual processing of banknotes and coins* – the visual evaluation of banknotes and coins by trained staff members using the authentication equipment and the visual evaluation of banknotes and coins' fitness for circulation in accordance with the Decision on handling kuna and lipa banknotes and coins unfit for circulation (Official Gazette 22/2002);
- 8) *performance tests of machines* – the tests of machine performance when checking banknotes and coins for quantity and authenticity and sorting them, carried out by the CNB based on a defined technical procedure;
- 9) *cash dispensing machines* – various types of customer-operated machines dispensing cash to customers (irrespective of other services offered), excluding cash recycling machines;
- 10) *cash depositing machines* – various types of customer-operated machines accepting banknotes, which authenticate, but do not dispense (recycle) the deposited banknotes;

- 11) *cash recycling machines* – various types of customer-operated machines accepting and dispensing banknotes, which check the banknotes for authenticity and fitness for circulation, dispensing the banknotes classified as genuine and fit for circulation and retaining those classified as suspect and unfit;
- 12) *teller assistant machines* – various types of machines operated by the staff of the entities subject to the Decision, which automatically count, authenticate and sort banknotes into the banknotes fit for circulation and the suspect ones. Customer-operated machines of the same type which automatically count, authenticate and sort banknotes into the banknotes fit for circulation and the suspect ones shall be treated as teller assistant machines;
- 13) *sorting machines* – various types of machines which automatically count, authenticate and sort banknotes and coins according to their fitness for circulation;
- 14) *authentication machines* – various types of machines which automatically count banknotes and coins, check them for authenticity and separate the genuine items from the suspect ones;
- 15) *the banknote authentication equipment* – the equipment for the examination of banknote security features, including magnifiers, ultraviolet lamps, infrared cameras, etc., used by trained staff members while manually processing banknotes to identify suspect banknotes;
- 16) *trained staff members* – the staff members of the entities subject to the Decision trained in banknote and coin authentication at the CNB or by instructors.

### Article 3

The entities subject to this Decision shall be credit institutions and other legal persons which are under a special act regulating payment operations authorised for the provision of cash payment and disbursement services.

### Article 4

(1) The credit institutions contractually engaging legal persons to provide cash processing, disbursement or payment services shall pursuant to that legal relationship ensure that the legal person engaged to provide cash processing, disbursement or payment services applies this Decision.

(2) The credit institutions which have contractually engaged legal persons to provide cash processing, disbursement or payment services shall pursuant to the legal relationship with these legal persons ensure that the control referred to in Article 19 of this Decision is performed.

## II REQUIREMENTS FOR THE RECYCLING OF BANKNOTES AND COINS

### Article 5

The entities subject to this Decision referred to in Article 3 hereof may recycle banknotes and coins through cash dispensing machines or other customer-operated machines only on the condition that the banknotes and coins have been checked for authenticity and fitness for circulation by banknote sorting machines or other machines the performance of which has been successfully tested by the CNB.

## Article 6

- (1) The banknotes and coins which have been manually checked for authenticity by a trained staff member of an entity subject to this Decision may not be recycled through cash dispensing machines or other customer-operated machines.
- (2) The banknotes and coins which have been manually checked for authenticity may be recycled over teller counters once they have been manually checked for fitness for circulation.
- (3) The manual processing of banknotes and coins may be performed by the staff members of the entities subject to this Decision who have received training at the CNB, organised and conducted by the National Counterfeit Centre within its competence under the Decision on the establishment of the National Counterfeit Centre, the National Analysis Centre and the Coin National Analysis Centre (Official Gazette, 37/2008) and in accordance with the National Training Programme for the Staff of Banks and Financial Institutions in Banknote and Coin Authentication, and who have thus attained instructor status, or by other staff members of such entities who have received training from a staff member of an entity subject to this Decision with instructor status.
- (4) The banknotes and coins which have not been checked for authenticity and fitness for circulation may not be recycled, but must be forwarded for processing to the credit institution or legal person referred to in Article 4 paragraph (1) of this Decision or to cash centres through which the CNB receives and processes banknote and coin deposits.

## *Exceptions*

### Article 7

- (1) By way of exception, the recycling of banknotes and coins through cash dispensing machines or other customer-operated machines, manually checked for authenticity and fitness for circulation by the trained staff members of credit institutions, shall be allowed in the case of remote branches of credit institutions with a very low level of cash operations.
- (2) The volume of banknotes and coins manually checked in accordance with paragraph (1) of this Article shall be such as specified for each credit institution by the CNB and may in no case exceed 5% of the overall volume of banknotes and coins recycled by the credit institution across the whole business network through cash dispensing machines or other customer-operated machines.
- (3) The banknotes recycled through cash dispensing machines or other customer-operated machines may also be manually checked for authenticity and fitness for circulation in the case of *force majeure*.
- (4) The entities subject to this Decision shall upon the occurrence of *force majeure* immediately notify the CNB that banknotes and coins are processed manually. Such notification shall be accompanied by detailed information on the exact nature of *force majeure* and the expected duration of the manual processing.

## III CATEGORISATION OF BANKNOTE PROCESSING MACHINES

### Article 8

Banknote processing machines shall be classified into the following two categories:

- 1) customer-operated machines, and
- 2) machines operated by the staff of the entities subject to this Decision.

#### Article 9

##### *Customer-operated machines*

The category of customer operated machines shall include: cash depositing machines, banknote recycling machines and teller assistant machines.

#### Article 10

##### *Machines operated by the staff of the entities subject to this Decision*

(1) The category of machines operated by the staff of the entities subject to this Decision shall be classified into the following two groups:

- 1) machines which check the authenticity and fitness of banknotes, and
- 2) machines which check only the authenticity of banknotes.

(2) The group of machines referred to in paragraph (1) item (1) of this Article shall include: banknote sorting machines and teller assistant machines. These machines must allow the processing of banknotes, without the intervention of the staff of the entity subject to this Decision supervising the operation of the machine, by sorting the banknotes and physically separating the suspect and unfit banknotes from the genuine and fit ones.

(3) The group of machines referred to in paragraph (1) item (2) of this Article shall include banknote authentication machines. These machines must allow the processing of banknotes, without the intervention of the staff of the entity subject to this Decision supervising the operation of the machine, by sorting the banknotes, classifying the banknotes either as genuine or suspect and rejecting the suspect ones.

#### Article 11

The banknote processing machines set out in Article 9 and Article 10 paragraph (1) item (1) of this Decision, as well as the future types of banknote processing machines, must comply with the standards for the sorting of banknotes which are to be recycled through cash dispensing machines or other customer operated machines, prescribed by the CNB. These machines shall be adaptable in order for the application of changes in the sorting standards to be ensured.

### IV CLASSIFICATION AND TREATMENT OF BANKNOTES PROCESSED BY BANKNOTE PROCESSING MACHINES

#### Article 12

##### *Unfit banknotes*

The processing of banknotes recycled to customers shall ensure that the banknotes fit for circulation are separated from the unfit ones in order for the condition of banknotes in circulation to be maintained at a good level. The processing shall be performed in accordance with a CNB decision stipulating the handling of banknotes and coins unfit for circulation and applying the standards for fitness sorting of banknotes applicable to banknote sorting machines.

## Article 13

### *Suspect banknotes*

(1) The banknote processing shall also ensure that suspect banknotes are detected in a timely manner and prevented from being recycled to customers. Banknote authentication machines must provide a reliable identification of the suspect banknotes and separate them from the genuine ones.

(2) The entities subject to this Decision shall treat the separated suspect banknotes pursuant to the regulations in effect.

## Article 14

### *Classification of banknotes by customer-operated machines*

(1) As part of the banknote processing, customer-operated machines must classify the deposited banknotes according to their features into one of the categories shown in the table below and enable the relevant procedure to be performed. The machines which neither fitness sort nor recycle banknotes need not differentiate between categories 4a and 4b.

<b>Classification of banknotes by customer-operated machines and subsequent treatment</b>			
<b>CATEGORY</b>	<b>CLASSIFICATION</b>	<b>PROPERTIES</b>	<b>TREATMENT</b>
<b>1</b>	Not a banknote, not detected as a kuna banknote.	Not detected as a kuna banknote because of: - wrong image and format; - transportation error (e.g. double feeds, etc.); - large dog-ears or missing parts; - hand-drafted banknotes, separating card, etc.; or - non-kuna currency	To be returned to customer.
<b>2</b>	Banknotes identified as suspect or counterfeit kuna banknotes.	Image and format are recognised, but one or more authentication features are missing or out of tolerance.	To be withdrawn from circulation. To be handed over for authentication — together with information on account holder—to the CNB, at the latest three working days after their deposit in a machine. Not to be credited to account holder.

<b>3</b>	Banknotes not clearly authenticated.	Image and format are recognised, but not all authentication features are recognised because of quality and/or tolerance deviations. In most cases damaged or soiled banknotes.	To be processed separately and as soon as possible transported for authentication to the CNB, at the latest three working days after their deposit in a machine. The information on the account holder has to be stored for three months after the banknotes have been detected by the machine. This information must be made available on request. Alternatively, in agreement with the CNB and police authority, the information allowing the identification of the account holder can be handed over together with the banknotes to the CNB. May be credited to account holder.
<b>4a</b>	Kuna banknotes identified as genuine and fit.	All authentication and fitness checks supported by the machine delivered positive results.	May be recycled. May be credited to account holder.
<b>4b</b>	Banknotes identified as genuine and unfit.	All authentication checks supported by the machine delivered positive results. Fitness checks supported by the machine delivered negative results.	Banknotes are not to be recycled, but are deposited with a CNB cash centre. May be credited to account holder.

(2) The entities subject to this Decision shall store banknote identification features for certain banknote categories, and the customer identification, for three months after such banknotes have been detected by the machine, unless this information has been handed over to the CNB together with the banknotes.

## Article 15

### *Classification of banknotes by the machines operated by the staff of the entities subject to the Decision*

As part of the banknote processing, the machines operated by the staff of the entities subject to this Decision must classify the banknotes either as suspect or genuine and classify the genuine ones either as fit for circulation or unfit, placing them into one of the categories shown in the table below and enabling the relevant procedure to be performed.

<b>Classification of banknotes by staff-operated machines and subsequent treatment</b>			
<b>CATEGORY</b>	<b>CLASSIFICATION</b>	<b>PROPERTIES</b>	<b>TREATMENT</b>
<b>A</b>	Not recognised as a kuna banknote, or suspect counterfeit banknote.	Not recognised as a kuna banknote because of: – transportation error (e.g. double feeds, etc.); – wrong image or format; – large dog-ears or missing parts; – hand-drafted notes; separating card; etc; – non-kuna currency; – image and format recognised, but one or more authentication features missing or out of tolerance; – image and format recognised, but not all authentication features because of quality and/or tolerance deviations. In most cases unfit or soiled banknotes.	Objects not recognised as kuna banknotes, e.g. blank paper, other currencies or cheques, to be separated from the suspect kuna banknotes on visual evaluation by a staff member. All other objects, i.e. suspect kuna banknotes, have to be processed separately and as soon as possible transported for authentication to the CNB, at the latest three working days after their deposit in the machine.
<b>B1</b>	Banknotes identified as genuine and fit. .	All authentication checks and fitness checks supported by the machine delivered positive results.	May be recycled. May be credited to account holder.
<b>B2</b>	Banknotes identified as genuine and unfit. .	All authentication checks supported by the machine delivered positive results. Fitness checks supported by the machine delivered negative results.	Banknotes are not recycled, but are returned to CNB cash centres. To be credited to account holder.

## V COIN PROCESSING MACHINES

### Article 16

- (1) Coin processing machines shall be classified into the following two categories: customer-operated machines and machines operated by the staff of the entities subject to this Decision. The machines from both of the categories must provide a reliable identification of suspect coins.
- (2) As part of the coin processing, the coin processing machines operated by customers or by the staff of the entities subject to this Decision must check the coins for authenticity, separating the suspect coins from the genuine ones.
- (3) Customer-operated coin processing machines must ensure that customer identification is made for the purpose referred to in Article 14 paragraph (2) of this Decision.
- (4) The entities subject to this Decision recycling coins over the teller counters shall ensure that the authentication checks are performed by trained staff members.
- (5) The entities subject to this Decision shall immediately submit the separated suspect coins to the CNB together with the identification of the customer having deposited them, and shall further proceed in accordance with the regulations in effect.

### Article 17

#### *Information on banknotes and coins and their security features*

- (1) The CNB shall provide timely information to all entities subject to this Decision and relevant market participants on valid and invalid banknotes and coins and their security features, as well as on the changed features of new issues, so that timely adjustments can be made to banknote and coin processing machines.
- (2) The CNB shall provide timely information to all entities subject to this Decision and relevant market participants on topical counterfeits and imitations of security features which must be registered by banknote and coin processing machines.

## VI PERFORMANCE TESTS OF MACHINES

### Article 18

#### *Performance tests of machines*

- (1) The entities subject to this Decision which process banknotes and coins may use only the machines the performance of which has been successfully tested by the CNB, applying the prescribed criteria and parameters for banknote and coin processing.
- (2) The performance tests of machines shall include, depending on the machine type, an examination of machine performance when checking banknotes and coins for quantity and authenticity and sorting them.



(3) The performance tests of machines shall be carried out based on a technical procedure defined by the CNB which examines the built-in detector systems checking banknotes and coins for authenticity and separating the suspect and unfit banknotes and coins from the genuine and fit ones.

(4) The CNB shall test each machine type using the counterfeits found in circulation and authentic fit and unfit banknotes, as shown in the table below:

<b>Performance tests of machines according to the machine type</b>	
<b>MACHINE TYPE</b>	<b>TEST</b>
Cash depositing machines	Identification of kuna banknotes, authentication of banknotes, separation of the suspect banknotes from the authentic ones, traceability of transactions.
Cash recycling machines	Identification of kuna banknotes, authentication of banknotes, separation of the suspect and unfit banknotes from the genuine and fit ones, traceability of transactions.
Teller assistant machines	Identification of kuna banknotes, authentication of banknotes, separation of the suspect and unfit banknotes from the genuine and fit ones, traceability of transactions.
Banknote sorting machines	Identification of kuna banknotes, authentication of banknotes, separation of the suspect and unfit banknotes from the authentic and fit ones.
Authentication machines	Identification of kuna banknotes, authentication of banknotes, separation of the suspect banknotes from the authentic ones.
Coin depositing/sorting machines	Identification of kuna and lipa coins, authentication of coins, separation of the suspect and unfit coins from the authentic and fit ones.

(5) The identification of banknotes and coins shall apply only to the counterfeits found in circulation at the CNB's disposal which have been used when testing a machine.

(6) The CNB shall bear no responsibility if a machine fails to comply with the requirements laid down in this Decision, irrespective of the fact that the machine type in question has been successfully tested.

(7) The CNB shall carry out a performance test of a machine based on an application for the performance test of a machine submitted by the machine's manufacturer or its authorised representative.

(8) The CNB shall publish an application form for the performance test of a machine on its website, which shall be filled out and submitted to the CNB by the machine's manufacturer or its authorised representative. The manufacturer or its authorised representative shall accompany such application with all relevant information concerning the operation of the machine. The CNB shall treat such information as confidential and shall not disclose it to third parties.

(9) The CNB shall issue a report on the performance test of a machine. Such a report on the successful performance test of a machine shall be issued for a limited period of time. The CNB shall in each report determine the time-limit within which a machine performance must be re-tested. If a machine does not pass the re-test it shall be removed from the list published on the CNB website and may no longer be used.

(10) The CNB shall publish on its website a list of the machine types which have successfully passed performance tests.

(11) The entities subject to this Decision may freely use the machine types contained in the list referred to in paragraph (10).

(12) The entities subject to this Decision shall notify the CNB of the installation of a banknote and coin processing machine before the machine is put into operation.

(13) The entities subject to this Decision shall obtain a statement from the machine's manufacturer or its authorised representative guaranteeing that the characteristics of the installed machine correspond to those of the machine included in the list referred to in paragraph (10) of this Article and that the installed machine processes banknotes and coins in the same manner as the machine of the same type tested by the CNB. The entities subject to this Decision shall submit this statement to the CNB together with the notification of the installation of the machine referred to in paragraph (12) of this Article.

(14) Following each upgrade or update of the hardware/software on the machines which have successfully passed performance tests, the manufacturer or its authorised representative shall send an application for a performance re-test of such machines.

## Article 19

### *Control of the application of machines*

(1) Pursuant to the Credit Institutions Act (Official Gazette 117/2008 and 74/2009), the CNB shall perform a control of the design and application of the procedures for the processing of banknotes and coins prior to their recycling by credit institutions, and it shall carry out the performance tests of the machines installed therein in order to establish whether these machines reliably check banknotes and coins for authenticity and fitness and enable the traceability of transactions.

(2) In the event that any irregularities are found during the control referred to in paragraph (1) of this Article, the CNB shall act in accordance with the Credit Institutions Act.

## VII TRANSITIONAL AND FINAL PROVISIONS

### Article 20

(1) The entities subject to this Decision shall bring their operation in compliance with the provisions of this Decision until 1 January 2011.

(2) In the period from entry into force of this Decision to 1 January 2011, the entities subject to this Decision shall apply it up to the extent to which they are qualified, and in accordance with the dynamics of its application defined in the Operative plan for the application of the Decision on the conditions for the recycling of kuna and lipa banknotes and coins, which they shall compile and submit to the CNB within two months from the day of entry into force of this Decision.

(3) The Operative plan for the application of the Decision on the conditions for the recycling of kuna and lipa banknotes referred to in paragraph (2) of this Article shall, at a minimum, contain the following:

- 1) a list of operating units dealing with cash;
- 2) the planned volume of processing of banknotes and coins to be recycled to customers over a one-year period, broken down by operating units, in accordance with the Decision;
- 3) the organisation of the processing of the planned volume of banknotes and coins and the enactment of the processing procedures, in accordance with the Decision;
- 4) the number and types of banknote and coin processing machines currently installed and the distribution of the installed machines by locations;
- 5) the plan and dynamics of the purchase and installation of the machines by locations in the transition period;
- 6) the total planned capacity of all installed banknote and coin processing machines after the end of the transition period (the capacity of the machines already installed increased by the capacity of the machines planned to be installed by the end of the transition period), broken down by each machine type; and
- 7) a list of operating units wherein banknotes are to be, by way of exception, manually checked for fitness and authenticity in accordance with the conditions laid down in the Decision, and the planned amount of small transactions per day.

(4) Where the CNB establishes that a submitted Operative plan for the application of the Decision on the conditions for the recycling of kuna and lipa banknotes and coins for the transition period does not comprise all the necessary information referred to in paragraph (3) of this Article, or where the information is not in compliance with this Decision, the entity subject to this Decision shall at the request of the CNB elaborate the information submitted.

(5) The entities subject to this Decision shall every three months report in writing to the CNB on the realisation of the Operative plan for the application of the Decision on the conditions for the recycling of kuna and lipa banknotes and coins for the transition period.

(6) The CNB shall treat the information obtained pursuant to this Decision as confidential, and may not disclose the information relating to a single entity subject to this Decision to third parties.

(7) The CNB shall within two months from entry into force of this Decision publish on its website technical procedures for the performance tests of machines and an application form for the performance test of a machine, in accordance with Article 18 paragraph (3) and paragraph (8) of this Decision.

#### Article 21

(1) This Decision shall enter into force on the eight day from its publication in the Official Gazette.

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Zagreb, 17 July 2009

Croatian National Bank  
Governor  
Željko Rohatinski