



Based on Articles 15, 16, 17, 18, 19, 20 and Article 35 paragraph 1 sub-paragraph 1.1 of the Law no. 03 / L-209 on Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, Law no. 03 / L-209, OG no. 77/2010, August 16, 2010), UNMIK Regulation no. 1999/4 on the currency permitted to be used in Kosovo (Official Gazette of UNMIK Regulation UNMIK / REG / 1999/4, 2 September 1999), UNMIK Administrative Regulation no. 2001/24 Amending UNMIK Administrative Direction no. 1999/2 on the implementation of the Regulation no. 1999/4 to allow the use of foreign currency in Kosovo (Official Gazette of UNMIK, UNMIK Administrative Direction / DIR. / 2001/24, 21 December 2001), the Board of the Central Bank of the Republic of Kosovo in its meeting held on March 31. 2016 approved:

## **REGULATION ON CASH OPERATIONS**

### **CHAPTER I**

#### **GENERAL PROVISIONS**

##### **Article 1**

##### **Purpose**

The purpose of this regulation is to establish regulatory standards for professional fulfilment of tasks of financial institutions in the area of cash operations. By means of this regulation are sets out the rules and procedures of treatment and withdrawal from circulation of euro banknotes and coins and other currencies suspected to be counterfeit, the criteria for substituting damaged euro banknotes and coins, the minimum standards for checking eligibility and resetting in circulation of banknotes and euro currencies and the standards for packaging euro banknotes and coins for deposit at the Central Bank of Kosovo.

## **Article 2**

### **Scope**

Subject to the scope of this regulation are the Central Bank of Kosovo - CBK, banks, branches of foreign banks and other financial institutions licensed to carry out banking and / or financial activities in the Republic of Kosovo.

## **Article 3**

### **Definitions**

For the purposes of this Regulation, the following terms shall have the following meanings:

**Financial institutions** – are banks, branches of foreign banks and other financial institutions licensed to carry out banking and / or financial activities in Kosovo.

**Competent authorities** - are the local authorities of law enforcement in the Republic of Kosovo and the authorities designated for research and analysis of banknotes and coins suspected to be counterfeit.

**Cash** - are euro banknotes and coins and other currencies.

**Cash operators** - are employees of financial institutions who perform the process of receiving, counting, authenticating and dividing based on quality euro banknotes and coins and other currencies manually or by means of the processing machine.

**Machine operators** - are employees of financial institutions that operate with cash processing machine.

**Trained staff** - are employees of financial institutions who have knowledge of the security elements on banknotes and coins, knowledge of processing criteria defined in this regulation, and the ability to check euro banknotes and coins in accordance with them.

**Control for authenticity** - means the control of euro banknotes and coins and other currency if they are true or false.

**Verification of Authenticity** - means verification of euro banknotes and coins and other currency if they are true or false.

**Euro banknotes and coins and other currencies** - are euro and all other non-euro currencies.

**Genuine banknotes and coins** - are euro banknotes and coins and all other non-euro currencies which are not counterfeit.

**Banknotes and coins suspected as counterfeit** - are euro banknotes and coins and other currencies, which in the process of checking the authenticity are suspected of having forged one or more of security features.

**Counterfeit banknotes and coins** - are banknotes and coins of the appearance of genuine euro banknotes and coins and other currencies, manufactured illegally through counterfeiting methods or modifications, aimed to fraud.

**Cash processing** - is the process of counting, verifying authenticity and classifying based on quality euro banknotes and coins and other currencies manually or through the processing machine.

**Control of eligibility** - means control and classification of euro banknotes and coins and other currencies according to quality for the purpose of separation of banknotes and coins suitable for recirculation from those which are inappropriate.

**Banknote handling machines** - are processing machine, authentication machine, authenticity identification devices and alike.

**Banknote processing machines** - are machines used by financial institutions for counting, verifying the authenticity and classifying the adequacy of banknotes.

**Coins processing machines** - are machines used by financial institutions for counting, verifying the authenticity and classifying the adequacy of coins.

**Banknote authentication machines** – are machines used by financial institutions to verify the authenticity of banknotes.

**Coins authentication machines** - are machines used by financial institutions to verify the authenticity of coins.

**Counterfeit money detector machine** - are devices that are used by financial institutions to examine the security features of banknotes and coins, including magnifiers, UV lamps, cameras with infra-red, etc., used by staff members during manual processing of banknotes to identify those counterfeit.

**Replacement of damaged euro banknotes and coins** - means replacement of damaged euro banknotes and coins with new euro banknotes and coins.

**Applicant** - means a party or client which addresses to a financial institution for the replacement of damaged euro banknotes and coins.

**Portable anti-theft devices** - are devices used by financial institutions to transfer banknotes from one location to another. These devices discharge in cases of theft by staining banknotes with dye ink found inside.

**Euro banknotes stained by activation of portable anti-theft devices** - are banknotes stained by the explosion of anti-theft devices.

**Recirculation of euro banknotes and coins and other currencies** - is the process (action) of recirculation after being processed of euro banknotes and coins and other currencies acquired by financial institutions while excreting their activity.

## CHAPTER II

### TREATMENT AND WITHDRAWAL FROM CIRCULATION OF EURO BANKNOTES AND COINS AND OTHER CURRENCY SUSPECTED AS COUNTERFEIT

## **Article 4**

### **Purpose**

The purpose of this chapter is to establish rules and obligations to financial institutions operating in the Republic of Kosovo for the treatment of euro banknotes and coins and other currencies, suspected to be forged in order to prevent and protect them from counterfeit and remove them from circulation in accordance with the conditions laid down in Article 19 and 20 of Law no. 03 / L-209 on Central Bank of Kosovo and in accordance with the obligations arising from Article 302 of the Criminal Code (Code 04 / L-082) of the Republic of Kosovo and based on Regulation (EC) no. 44/2009 of the European Commission dated December 18, 2008 on amendment of Regulation (EC) no. 1338/2001 of the European Commission and Regulation (EU) no. 1210/2010 of the European Parliament and the European Council dated 15 December 2010.

## **Article 5**

### **Control of the authenticity of euro banknotes and coins and other currencies**

1. Financial institutions should ensure to check for authenticity and fitness all euro banknotes and coins and other currencies they receive during their activity, according to the provisions of this Regulation before putting them back into circulation, depositing them to the CBK or sending them abroad.
2. Financial institutions should ensure that all euro banknotes and coins and other currencies they receive during their activity, be checked for authenticity by a machine for processing and handling banknotes and coins or manually via equipment for the identification of authenticity by trained staff members.
3. Processing machines used by financial institutions for verification and classification of euro banknotes and coins, as well as other currencies have to be able to accurately identify counterfeit banknotes and coins from real/genuine ones.
4. Processing machines used by financial institutions with the purpose of checking the authenticity and fitness of euro banknotes and coins can be put in use by financial institutions only if the machine were tested successfully by Eurosystem of national central banks.

5. Machineries for processing euro banknotes that are in use or are planned to be used by financial institutions shall be chosen by those stated on the list of the European Central Bank as machineries tested for the authentication of euro banknotes while machineries for processing euro coins, which are in use or are planned to be used by financial institutions must be chosen from those listed in the European Commission list of tested machineries for authentication of euro coins.
6. Financial institutions shall continuously ensure complete performance of the processing machine as a prerequisite to check the banknotes and coins for the quantity, authenticity and fitness.

## **Article 6**

### **Withdrawal from circulation of euro banknotes and coins and other currencies suspected as counterfeit**

1. Financial institutions are required to seize and withdraw from circulation euro banknotes and coins and other currencies they received by parties, which they know or have sufficient reason to believe to be counterfeit.
2. Euro banknotes and coins and other currencies suspected to be counterfeit, detected and withdrawn from circulation shall be submitted to the competent authority according to the legislation, guidelines and procedures in force.
3. Financial institutions shall communicate with the competent authority according to the guidelines and procedures of the latter in terms of analysis of euro banknotes and coins and other currencies they have submitted to them as suspected to be counterfeit.
4. Financial institutions must report on a monthly basis to the CBK on euro banknotes and coins and other foreign currencies they suspected as counterfeit and submitted to the competent authority.

## **Article 7**

**Actions to be taken by cash operators in handling the euro banknotes and coins and other currencies suspected as counterfeit**

1. In cases where cash operators reveal a banknote / coin that they believe it could be counterfeit, shall follow the actions described below.
  - 1.1. Be calm and tender toward the party, do another additional and careful check of security features of banknotes / coins suspected of being counterfeit.
  - 1.2. Make sure that suspected notes / coins remain always in the view the party and are not removed or hidden.
  - 1.3. If after additional verification there are still doubts then explain to the party that something is wrong with the banknote / coin and that you shall consult it with your supervisor.
  - 1.4. Do not give the suspected counterfeit banknote / coin back to the party if he/she asks you so.
  - 1.5. The party may have been victim of fraud and as a result can get upset and irritated about the fact that banknotes / coins in his/her possession are not true. In this case, try to let your party know that he / she is not suspected but are banknotes / coins which are suspected.
  - 1.6. Check if the security camera is on, and check it is recording
  - 1.7. Tell the party that you are obliged by applicable laws to notify the competent authority and draw up a report (a report on counterfeit money).
  - 1.8. Notify the competent authority of the presented case by phone or other means of communication.
  - 1.9. With the slightest contact possible, copy both sides of the banknote / coin suspected of being counterfeit and keep these copies for internal notes.

1.10. With the slightest contact possible, place the banknote / coin suspected as forged on a transparent wrapper.

1.11. Complete the relevant parts of the report on the alleged money as counterfeit and give a copy of this report to the party.

1.12. As additional measure, your supervisor may talk to the party on currency alleged as counterfeit as well as the legal obligations of the institution to report it and the importance of withdrawal of counterfeit banknote / coin from circulation. He/she may also notify the party that if the banknotes / coins suspected to be counterfeited upon examination by the competent authority are found to be true then the financial institution shall reimburse the counterparty for the amount of confiscated banknote / currency.

1.13. To the competent authority, according to their procedures, submitted the original report on the money suspected of being counterfeit and the transparent wrapper, containing the banknote / coin suspected of being counterfeit. While, get signed a copy of this report, from the competent officer of the competent authority you submitted it and keep it for internal notes.

## **Article 8**

### **Cooperation with local and foreign authorities**

In compliance with the applicable legal requirements, the CBK will cooperate with the competent local and foreign authorities for exchange of information regarding the prevention and protection of euro banknotes and coins and other currencies from counterfeiting.

**CHAPTER III**  
**REPLACEMENT OF DAMAGED EURO NOTES AND COINS**

**Article 9**

**Purpose**

The purpose of this chapter is to determine the minimum criteria for the replacement of damaged euro notes and coins and their withdrawal from circulation in accordance with Articles 17 and 18 of Law no. 03 / L-209 on Central Bank of Kosovo and based on ECB decision / 2003/4 of 20 March 2003 of the European Central Bank, is supplemented by the Decision of the ECB / 2013/10 of 19 April 2013 on the denominations, specificatios, reproduction, replacement and withdrawal of euro banknotes and (EU) Regulation no. 1210/2010 of the European Parliament and of the European Council of 15 December 2010 on the authentication and treatment of euro coins and the eligibility of euro coins in circulation.

**Article 10**

**Requests for replacement of damaged euro notes**

1. Part of a genuine euro note, which must be presented in order to be qualified for replacement, is subject to the minimum requirements to be met. These requirements relate mainly to the surface of the damaged note.
  
2. Based on the request, financial institutions will replace damaged genuine euro note in cases when:
  - 2.1. At least 60% of note surface is presented.
  
  - 2.2. Less than 60% and more than 50% of the note surface is presented and the applicant proves through a written report that the missing parts have been unintentionally destroyed.

3. For the replacement of damaged euro notes, the financial institution shall offer the applicant to fill a standard form, by which to ensure that it contains the following elements:
  - 3.1. Identification of the applicant (client) claiming replacement of note / notes has been made.
  - 3.2. Are recorded by the applicant (client) and checked by the financial institution these details of the note (denomination, serial number, nominal value and total amount).
  - 3.3. Full explanations are provided from the applicant (client) about the origin of the note (proof of ownership, reason for holding, etc.).
  - 3.4. Full explanations are provided by the applicant (client) about the way the note was damaged.
  - 3.5. Full additional explanations in written are provided from the applicant (client) regarding the type of pollutant, when there are cases of coloured, stained or moulded notes.
  - 3.6. Full written explanations are provided by the applicant (client) regarding the combustion method when there are cases of damage to the banknote from high heat or fire.
  - 3.7. Full written explanations are given from the applicant (client) regarding the manner of unusual damage, in cases of note damage by manners not specified above.

#### **Article 11**

##### **Claims for the replacement of damaged euro coins**

1. The genuine euro coins that shall be presented in order to be qualified for replacement are subject to the rules and requirements set out in Articles 8, 9, 10 and 11 of (EU) Regulation No. 1210/2010 of the European Parliament and of the Council of 15 December 2010 concerning authentication of euro coins and handling of euro coins unfit for circulation.

2. In order to apply for the replacement of damaged euro coins, the financial institution shall provide the applicant with a standard form to be filled, by which is ensured that it contains the following elements:
  - 2.1 Identification of the applicant (client) requesting replacement of coins.
  - 2.2 Damaged coins are marked by the applicant (client) and controlled by the financial institution.
  - 2.3 Full explanations are given from the applicant (client) about the origin of the coin (evidence of ownership, reason for holding, etc.).
  - 2.4 Full explanations are provided by the applicant (client) about the way the currency is damaged.
  - 2.5 Full explanations in written are provided by the applicant (client) regarding the type of damage, whenever cases of physical damage to the coins have occurred.
  - 2.6 Full additional explanations are provided in written by the applicant (client) regarding the manner of unusual damage, when there are cases of coin damage not specified above.
3. At the request of the applicant, financial institutions shall contact a Eurozone bank to receive instructions on the conditions for replace and reimbursement of damaged euro coins.
4. Additional conditions imposed by a Eurozone bank not specified by this Regulation are subject to requests for replacement.

## **Article 12**

### **Handling of claims for the replacement of damaged euro banknotes from the activation of anti-theft devices**

1. The CBK shall address the requests of financial institutions for the replacement of euro banknotes coloured by the activation of anti-theft devices under the following conditions.
  - 1.1 written explanations are provided by financial institution regarding the incident, its cause and type of colour used.
  - 1.2 police authorities have been informed and written explanations have been provided at the crime scene by the police authorities (police report) regarding the incident, cause and type of colour.
  - 1.3 are provided copies of technical specifications of the antitheft colour devices used by financial institutions.
  - 1.4 additional terms applied by banks of Eurozone not specified in this Regulation.
2. At the request of the financial institution, the CBK will contact a Eurozone bank to request the reimbursement of euro banknotes damaged by the activation of counter-theft devices.
3. The CBK shall accept in sealed packages euro banknotes damaged by the activation of counter-theft devices and all relevant documents by the financial institution on the basis of the collection principle giving the financial institution a proof of the delivery.
4. The CBK will send euro banknotes damaged by the activation of anti-theft devices and the relevant documents received from financial institutions to a Eurozone bank based on the principle of collection based on the request for replacement.
5. Crediting of the financial institutions by the CBK to the refund amount is made only after the Eurozone's contacted bank closes the case and credits the CBK for the amount sent for replacement.

**Article 13**  
**Refusal to replace damaged banknotes**  
**and euro coins**

1. In cases where financial institutions have reasonable grounds to believe that euro banknotes and coins are deliberately or intentionally damaged or used for a criminal offense, than should rejected their refund and notify police authorities. Only if otherwise decided by the competent authorities at the end of the investigation, euro banknotes / coins shall qualify for refund.
2. Euro banknotes at a small amount of damage such as tear, with numbers or short words written on them or similar things in principle shall not be considered as deliberately damaged euro banknotes.

#### **Article14**

##### **Tariffs for the replacement of damaged euro banknotes**

1. The fee applied by financial institutions for the replacement of damaged euro banknotes shall not exceed the amount of 1 euro for a damaged euro banknote in cases where the applicant (client) has only presented one note for replacement.
2. The fee applied by the Financial Institutions for the replacement of damaged euro banknotes shall not exceed the sum of 0.5 Euros for a damaged euro banknote in cases where the applicant (client) has presented two or more damaged banknotes for replacement.
3. Financial institutions shall cover all fees applied by Eurozone banks to replace euro banknotes that have been damaged during the use of anti-theft devices.

#### **Article 15**

##### **Tariffs for the replacement of damaged euro coins**

1. The fees applied by financial institutions for the replacement of damaged euro coins shall be subject to the rules and requirements set out in the relevant Articles of (EU) Regulation no. 1210/2010 of the European Parliament and of the European Council of December 15. 2010 on the authentication and treatment of euro coins and the suitability of euro coins for circulation.

- 
2. Financial institutions will cover all fees applied by banks of Eurozone for the replacement of damaged euro coins.

**CHAPTER IV**  
**MINIMUM STANDARDS FOR CONTROL AND RECIRCULATION OF EURO NOTES AND COINS**

**Article 16**

**Purpose**

The purpose of this chapter is to establish the minimum standards for the control and recirculation of euro banknotes and coins in accordance with the standards of the status classification adopted by the European System of Central Banks through ECB decision / 2010/14 of the European Central Bank of 16 September 2010 on the authenticity and fitness checking and recirculation of euro banknotes and Regulation (EU) no. 1210/2010 of the European Parliament and European Council of 15 December 2010 concerning authentication of euro coins and handling of euro coins unfit for circulation.

**Article 17**

**General requirements on control and recirculation of euro banknotes**

1. Financial institutions shall ensure that euro banknotes they accepted during their business and intend to put them back into circulation shall be checked for authenticity and fitness as set out in this Regulation.
  
2. Control of the authenticity and fitness of euro banknotes is carried out:
  - 2.1 through banknote handling machine
  - 2.2 manually by staff trained for this purpose
  
3. Machines used by financial institution staff for the purpose of checking the authenticity and fitness and machines used by financial institution's clients may be set in use subject to this Regulation only if they have been successfully tested by the European Banks Central System.

4. Financial institutions may for a temporary period recirculate manually processed euro banknotes by a trained staff member, but not more than 5% of the volume and only in case of an event that may affect significant reduction of the processing capacity of the machine.

#### **Article 18**

##### **General requirements on the control and recirculation of euro coins**

1. Financial institutions shall ensure that euro currencies they receive during their business and intend to put them back into circulation shall be checked for authenticity and fitness as set out in this Regulation.
2. Control of the authenticity and fitness of euro coins is carried out:
  - 2.1 through coin handling machines
  - 2.2 manually by staff trained for this purpose
3. Machines used by financial institution staff for the purpose of checking the authenticity and fitness and machines used by financial institution's clients may be set in use subject to this Regulation only if they have been successfully tested by the European Banks Central System.

#### **Article 19**

### **General technical requirements for euro banknote handling machines**

1. Banknote handling machines shall process euro banknotes, classifying and isolating them physically according to the provisions of this Regulation without the intervention of the machine operator.
2. Euro banknote handling machines shall have the required number of stackers dedicated to ensure the correct classification and isolation of euro banknotes processed.
3. Euro banknote handling machines must be adaptable to ensure the accurate detection of new false banknotes and, if deemed necessary, enable the establishment of more mitigating or more stringent standards in the classification of eligibility.

## **Article 20**

### **General technical requirements of euro coin handling machines**

1. Coin handling machines must process euro coins, providing accurate classification and isolation of euro coins suspected of being counterfeit and euro coins that are damaged.
2. Euro coin handling machines must be adaptable to ensure accurate detection of new counterfeit coins.

## **Article 21**

### **Types of euro banknotes handling machine**

1. In order to protect the integrity of euro banknotes and to enable counterfeit detection, euro banknotes that are placed on the market except that they must be real, should also be in a good condition in order for these euro banknotes to be easily checked for authenticity. Therefore, verification of their authenticity and appropriateness from financial institutions is indispensable.
2. Euro banknote compatibility check shall be carried out by means of processing machines and / or manually by trained staff members.
3. Banknote handling machines are categorized in:
  - 3.1 machines used by client of financial institutions
  - 3.2 machines used by staff of financial institutions

## **Article 22**

### **Categories of machines used by the clients of financial institutions**

1. Machines used by the clients of Financial Institutions are categorized according to the definitions in Table 1 below.



Table 1:

*Categories of machines used by the clients of financial institutions*

Category	Type	Description
<b>A. Machines used by clients of Financial Institutions when cash is deposited with client tracking</b>		
1	CIM*  * <i>Cash-In Machines</i>	Cash-In Machines (CIM) allow customers to deposit euro banknotes in their bank accounts using a bank card or other means but do not have the cash withdrawal function. Cash-In Machines (CIM) control banknotes for authenticity and allow tracking of the account holder; eligibility checks are optional.
2	CRM*  * <i>Cash-Recycling Machines</i>	Cash Recycling Machines (CRMs) allow customers to deposit and withdraw euro banknotes from their bank accounts using a bank card or other means. Cash recycling machines (CRMs) control euro banknotes for authenticity and fitness and allow tracking of the account holder. For withdrawal of banknotes, CRMs may use only authentic and appropriate euro banknotes that have been deposited by other clients in previous transactions.
3	CCM*  * <i>Combined Cash-in Machines</i>	Combined Cash-In Machines (CCMs) allow customers to deposit and withdraw euro banknotes from their bank accounts using a bank card or other means. CCMs check euro banknotes for authenticity and allow tracing of account holder; eligibility checks are optional. For withdrawals, CCMs do not use euro banknotes that have been deposited by other clients in previous transactions, but only euro banknotes they were loaded with.
<b>B. Other machines used by clients of s Financial Institutions</b>		
4	COM*  * <i>Cash-Out Machines</i>	(COM) Cash-Out Machines are cash withdrawal machines, which check euro banknotes for authenticity and fitness before delivering them to customers. COMs use euro

		banknotes deposited in them by entities or other automated systems (eg vending machines).
--	--	---

### Article 23

#### Categories of machines used by the staff of financial institution

1. Machines used by the staff of financial institution are categorized as defined in table 2.

2. Table 2:

*Financial Institution Staff-operated machines*

Category	Type	Description
1	Banknote Processing Machines BPM*  <i>* Banknote Processing Machines</i>	Banknote processing machines (BPMs) check Euro and other banknotes for authenticity and fitness.  BPM category machines have at least three dedicated output stackers:  <ul style="list-style-type: none"> <li>✓ at least one dedicated output stacker for the banknotes fit for circulation</li> <li>✓ at least one dedicated output stacker for banknotes unfit for circulation.</li> <li>* at least one dedicated reject staker for suspicious banknotes.</li> </ul>
2	Banknote Authentication Machines BAM*  <i>* Banknote Authentication Machines</i>	Banknote Authentication Machines (BAMs) check Euro and other foreign banknotes for authenticity.  Banknote Authentication Machines (BAMs) possess two dedicated stackers:  <ul style="list-style-type: none"> <li>✓ one dedicated output stackers for fit and unfit banknotes for circulation.</li> <li>* one dedicated reject stacker for suspicious</li> </ul>

		banknotes.
3	Teller Assistant Recycling Machines TARM* of cash handler  <i>* Teller Assistant Recycling Machines</i>	Teller Assistant Recycling Machines (TARM) are cash recycling machines operated by cash handlers that check Euro banknotes for authenticity and fitness. For withdrawals, TARMs may use genuine fit Euro banknotes that have been deposited by other customers in previous transactions. They keep banknotes in safe custody and allow cash handlers to credit or debit the bank accounts of customers.
4	<i>* Teller Assistant Machines</i> TAM	Teller Assistant Machines (TAMs) are machines operated by cash handlers that check Euro banknotes for authenticity. They keep Euro banknotes in safe custody and allow Financial institutions to credit or debit the bank accounts of customers.

- When Teller Assistant Recycling Machines (TARM) and Teller Assistant Machines (TAMs) allow customers to deposit or take the Euro banknotes dispensed by these machines, these machines have to be considered financial institution customer-operated machines and have to classify and treat the Euro banknotes in accordance with the list of classification and treatment of euro banknotes.

#### **Article 24**

##### **Minimum standards for fitness checking of euro banknotes**

- Financial institutions are obliged to ensure that Euro banknotes that they receive during their business activity are checked both for authenticity and fitness

2. Euro banknotes that do not pass the authenticity and fitness control should not be recirculated.
3. Euro banknotes that during processing and classification are not in accordance with the criteria for fitness checking set in the list of minimum criteria for fitness checking of Euro banknotes shall be removed from circulation. The following list includes the main criteria for fitness checking of Euro banknotes:

*Table 3:*

*List of minimum criteria for fitness checking of Euro banknotes*

#	Defect in banknote	Defination
1	Soil	General distribution of dirt across the entire banknote
2	Stain	Localised concentration of dirt
3	Graffiti	Added image or lettering written or marked in any manner on an Euro banknote
4	De-inked banknote	Lack of ink on part or whole of the Euro banknote, e.g. a washed banknote
5	Tear	Self-explanatory
6	Hole	Self-explanatory
7	Mutilation	Banknote with part(s) missing, along at least one edge (në dallim nga vrimat)
8	Repair	Parts of one banknotes joined together by tape or glue
9	Crumples	Multiple random folds
10	Limpness	Structural deterioration resulting in a marked lack of stiffness
11	Fold	Self-explanatory
12	Folded corner	Self-explanatory
13	Composed banknote	Banknote composed of from different banknotes parts

### 3.1. Soil

Soil of Euro banknote increases the optical density and decreases its reflection. The following table specifies the maximum density increase of limit samples compared to new Euro banknotes that Euro banknotes must show to be classified as fit:

*Table 4:  
Optical density levels*

Denomination	Maximum density increase of limit sample compared to new Euro banknote	Filter
5 EUR	0,06	Purple (Magenta)
10 EUR	0,06	Purple (Magenta)
20 EUR	0,08	Purple (Magenta)
50 EUR	0,07	Purple (Magenta)
100 EUR	0,07	Purple (Magenta)
200 EUR	0,04	Purple (Magenta)
500 EUR	0,04	Purple (Magenta)

### 3.2. Stain

Euro banknotes with a localized concentration of dirt covering at least 9 mm by 9 mm in the non-printed area, or at least 15 mm by 15 mm in the printed area are unfit.

### 3.3. Graffiti

Banknotes with a localized concentration of writing or graffiti. No mandatory requirement.

### 3.4. De-inked banknote

De-inking of Euro banknotes can occur, e.g. if they have been washed or subjected to aggressive chemical agents. These kinds of unfit Euro banknotes may be detected by image detectors or UV detectors.

### 3.5. Tear

Euro banknotes with tears which are open and not partly or fully covered by the machine's transport belts are unfit if the size of the tear is greater than indicated below.

*Table 5:*

*Tear*

Direction	Width	Length
Vertical	4 mm	8 mm
Horizontal	4 mm	15 mm
Diagonal	4 mm	18 mm (*)

\* It is measured by drawing a straight line from the peak of the tear to the edge of the banknote where the tear begins (rectangular projection), rather than measuring the length of the tear itself.

### 3.6. Hole

Euro banknotes with holes which are not partly or fully covered by the machine's transport belts are considered as unfit if the area of the hole is greater than 10 mm<sup>2</sup>.

### 3.7. Mutilation

Euro banknotes with lengths reduced by 6 mm or more, or widths reduced by 5 mm or more, are unfit for circulation. All measurements relate to differences from the nominal lengths and widths of the Euro banknotes.

### 3.8. Repair

A repaired Euro banknote is created by joining parts of Euro banknote together, e.g. by using tape or glue. Euro banknote with tape covering an area greater than 10 mm by 40 mm and which is more than 50µm (micrometers) thick is unfit for circulation.

### 3.9. Crumples

Crumpled Euro banknotes can normally be identified, if their level of reflectance or stiffness is reduced.

### 3.10. Limpness

Euro banknotes with significantly reduced structural stiffness are sorted as unfit. As limpness normally correlates with soiling, limped Euro banknotes are generally also detected via soil sensors.

### 3.11. Fold

Folded Euro banknotes, because of their reduced length or width, can be detected by sensors checking the size of the Euro banknotes. In addition, they can be detected by thickness sensors. However, due to technical limitations, only folds fulfilling the criteria laid down for mutilations, i.e. folds leading to a reduction in length greater than 6 mm or a reduction in width greater than 5 mm, can be identified and are unfit for circulation.

### 3.12. Folded corners

Euro banknote with a folded corner with an area of more than 130 mm<sup>2</sup> and a minimum length of the smaller edge greater than 10 mm in its shorter side is unfit for circulation.

### 3.13. Composed banknotes

Composed banknotes are created when euro banknotes are divided intentionally into several parts only some of which are then joined together, or when parts of different euro banknotes are joined together, in order to create additional euro banknotes.

As composed euro banknotes differ from genuine banknotes by their reduced size, thickness and by a distortion of the image, the size, thickness or image detectors of the machines might identify these banknotes.

- Internal detectors in banknote processing machines should be adopted to separate the banknotes unfit for circulation under the criteria specified in the list of minimum criteria for fitness checking of euro banknotes.

## Article 25

### Minimum standards for recycling of euro banknotes

- Financial institutions may recycle euro banknote on condition that the banknotes are duly checked for authenticity and fitness.
- Controls of eurobanknotes will be carried out in accordance with the criteria set out in the list of minimum criteria for the classification of the euro banknotes suitability of *(Table 3)* under the procedures specified in the list of categories of euro banknotes classification and treatment *(Table 6)*.
- Euro banknotes in bad condition (unfit) must be deposited at the CBK and / or sent to a relevant institution in the Eurozone.
- Suspect counterfeit euro banknotes must be handed over to the competent national authorities according to their guidelines and procedures.
- During the euro banknotes checking, manually or by verification equipment or machinery for the processing of banknotes the following classification, control and treatment rules shall apply.

*Table 6:*

*List of categories for classification and treatment of euro banknotes*

Category	Classification	Result after the control	Treatment
<b>4a</b>	Banknotes that are identified as genuine and fit.	<ul style="list-style-type: none"> <li>✓ All authenticity and fitness checks carried out by the machine giving positive results.</li> <li>✓</li> </ul>	<ul style="list-style-type: none"> <li>✓ Can be used for recirculation.</li> <li>✓ Can be deposited in Central Bank of Kosovo.</li> <li>✓ To be sent in relevant</li> </ul>

			<p>institution in the Eurozone.</p> <p>✓ Credited to the account holder.</p>
<b>4b</b>	Banknotes that are identified as genuine but unfit.	<p>✓ All authenticity checks carried out by the machine gave positive results.</p> <p>✗ Fitness checks carried out by the machine gave negative results.</p>	<p>✗ Cannot be used for recirculation.</p> <p>✓ Must be deposited in the Central Bank of Kosovo or to a relevant institution within the Eurozone.</p> <p>✓ Credited to the account holder.</p>
<b>1</b>	Objects not recognised as Euro banknotes	<p>Not recognised as Euro banknotes because of any of the following reasons:</p> <ul style="list-style-type: none"> <li>✗ non-Euro banknotes;</li> <li>✗ objects similar to Euro banknote;</li> <li>✗ wrong image or format;</li> <li>✗ large folded corners or missing parts;</li> <li>✗ processing machine error during banknote supply or transportation</li> </ul>	<p>? Return by the machine to the operator for further evaluation and treatment.</p> <p>? Objects not recognised as Euro banknotes: blank page, other currencies and cheques.</p> <p>? After visual evaluation by a staff member, these object must be separated.</p>

<p style="text-align: center;"><b>2</b></p>	<p style="text-align: center;">Suspect counterfeit Euro banknotes</p>	<p style="text-align: center;">Image and format recognised, but one or more authentication features checked by the machine not detected or clearly out of tolerance.</p>	<ul style="list-style-type: none"> <li>? Return by the machine to the operator for further evaluation and treatment.</li>   <li>? Are processed separately and shall be confiscated because suspected to be counterfeit banknotes.</li>   <li>? Shall be handed over to competent authorities because suspected to be counterfeit banknotes.</li>   <li>? The depositor shall be provided with the notification on confiscation.</li>   <li>× Do not credit to the account holder.</li> </ul>
<p style="text-align: center;"><b>3</b></p>	<p style="text-align: center;">Euro banknotes that are not clearly authenticated</p>	<p style="text-align: center;">Image and format recognised, but not all authentication features checked by the Machine recognised because of quality and/or tolerance deviations. In most cases banknotes of poor quality but could be be counterfeit.</p>	<ul style="list-style-type: none"> <li>? Return by the machine to the operator for further evaluation and treatment.</li>   <li>? Are processed separately and shall be confiscated if not</li> </ul>

			<p>possible the authenticity verification.</p> <p>? Shall be handed over for final authentication to the competent authorities.</p> <p>✘ Cannot be credited to the account holder.</p>
--	--	--	--

## Article 26

### Specific classification rules for some staff -operated machines

1. Specific classification rules for some staff -operated machines include:

1.1 Banknote Authentication Machines (BAMs) classify and physically sort categories 1, 2 and 3 euro banknotes into one or more dedicated reject stackers and classify and physically sort categories 4a and 4b euro banknotes into at least two dedicated output stackers. Therefore at least three dedicated output stackers are needed to avoid the intervention of the machine operator. Banknote Processing Machines (BAMs) with only one dedicated reject stacker and one output stacker may however classify and sort euro banknotes if the following requirements are fulfilled:

1.1.1 The authenticity and fitness checks are conducted in the first process. In this process, any category 4a Euro banknote must be sorted into one stationary output stacker, whereas categories 1, 2, 3 and 4b Euro banknotes must be sorted into a separate stationary output stacker that does not have any physical contact with any category 4a Euro banknote.

1.1.2 categories of 1, 2, 3 and 4b euro banknote being in the second output stacker, shall re-run the second process. In this second

pass, every category 4b banknote shall be separated into a dedicated output stacker, whereas categories 1, 2 and 3 euro banknotes shall be separated into a dedicated reject stacker. Since the machine is not able to physically separate categories 1, 2 and 3 euro banknotes and to sort them into different dedicated stackers, these banknotes shall be all considered and treated as category 2 euro banknotes.

1.1.3 categories of 1, 2, and 3 sorted separately during the second process will be handled manually for further classification under categories 1, 2 and 3.

1.2 Banknote Authentication Machines (BAMs) classify and physically sort categories 1, 2 and 3 euro banknotes into one dedicated reject stacker and classify and physically sort categories 4a and 4b euro banknotes into one dedicated output stacker. To accomplish this activity the Banknote Authentication Machines are equipped with two dedicated stackers to avoid the intervention of the machine operator. Banknote Authentication Machines (BAMs) with only one dedicated output stacker may however classify and sort euro banknotes if the following requirements are fulfilled:

1.2.1 each time any categories 1, 2 or 3 euro banknote is processed, the machine must stop the processing immediately and keep the 1,2 or 3 euro banknote in a position that avoids any physical contact with authenticated euro banknotes;

1.2.2 The result of the authenticity check must be indicated for any single euro banknote of category 1, 2 or 3 on a display

1.2.3 The machine must check for the presence of a category 1, 2 or 3 euro banknote when it stops processing, and processing can only be resumed after the physical removal of the category 1, 2 or 3 euro banknote by the operator.

- 1.2.4 For each stop of the processing mode no more than one category 1, 2 or 3 euro banknote can be accessible to the operator.

## **Article 27**

### **Use of processing machines and performance tests**

1. The banknote handling machines used by financial institutions for classification of euro and other denominations must be able to reliably identify and to separate counterfeited euro and other denominations from genuine ones.
2. Processing machines which are used by financial institutions for the purpose of authenticity and fitness control of banknotes and euro coins may be put into use by financial institutions only if these machines have been successfully tested by the European System of Central Banks.
3. Machines for processing of euro banknotes, which are planned to be used by financial institutions shall be listed on European Central Bank's website:
4. Existing machines for processing of euro coins and those planned to be used by financial institutions shall be listed on European Commission's list:
5. Financial institutions 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 list published by the European central bank and/or European Committee and that the installed machine processes banknotes and coins in the same manner as the machine of the same type tested by the European Central Bank.
6. Machines in possession and use by financial institutions which are not included in the list published on the website of the European Central Bank and the European Commission should not be used.
7. Financial institutions ensure an ongoing performance of the processing machines as a prerequisite for checking euro banknotes and coins for quantity, authenticity and fitness.

8. Financial institutions ensure that they have the latest version of the hardware/software provided by the machine manufacturer and make sure the ongoing update of the hardware / software as a prerequisite for checking euro banknotes and coins regarding the quantity, authenticity and fitness in line with recent developments and requirements.
  
9. In order to achieve a complete performance (proper checking for authenticity and fitness), financial institutions ensure that all branches where the processing of euro banknotes for recirculation is conducted have at least one banknote processing machine (BPM), with at least three dedicated stacks:
  - 9.1 at least one dedicated output stacker for the banknotes fit for circulation (category 4a).
  
  - 9.2 at least one dedicated output stacker for euro banknotes unfit for circulation (category 4b)
  
  - 9.3 at least one dedicated reject stacker for suspected euro banknotes (categories 1, 2 dhe 3).
  
10. In order to achieve a complete performance (proper checking for authenticity and fitness), financial institutions ensure that all branches where the processing of euro coins for recirculation is conducted have at least one banknote processing machine of the category with at least three dedicated stacks:
  - 10.1 at least one dedicated output stacker for the coins fit for circulation;
  
  - 10.2 at least one dedicated reject stacker for damaged coins and foreign coins;
  
  - 10.3 at least one dedicated reject stacker for suspected euro coins.

## **Article 28**

### **Supervision of processing machines**

1. The CBK itself, or if needed, in cooperation with other competent authorities can perform inspections and performance tests of machines, in order to examine their specific detectors systems and other components for the performance of their core functionalities of:
  - 1.1 the authentication of genuine euro banknotes;
  - 1.2 the detection and separation of euro banknotes and coins suspected to be counterfeit;
  - 1.3 the detection and separation of unfit euro banknotes from fit euro banknotes, if applicable if on the inspection site the euro banknote processing for recirculation is conducted.
  - 1.4 the tracing of objects identified as suspect counterfeit euro banknotes and of euro banknotes that are not clearly authenticated, if applicable.
2. The CBK, in order to verify the implementation of the requirements of this Regulation during the inspection process at the premises of financial institutions, may take samples of euro banknotes and coins processed by financial institutions to control them in its premises.
3. In the case of non-implementation of the provisions of this regulation, the CBK shall determine the corrective and punitive measures against financial institutions within a specified time limit.

**CHAPTER V**  
**STANDARDS FOR PACKAGING OF EURO BANKNOTES AND COINS FOR BULK LODGEMENT AT THE**  
**CENTRAL BANK OF REPUBLIC OF KOSOVO**

**Article 29**

**Aim**

The purpose of this Chapter is to specify standards for financial institutions regarding the packaging of euro banknote and coin for bulk lodgments at the CBK, and it is aimed to increase the efficiency of cash operations.

**Article 30**

**Packaging and deposit of banknotes and coins**

Euro banknotes and coins to be deposited by financial institutions at the CBK are to be packaged and labeled as specified with following articles.

**Article 31**

**Packaging of Euro banknotes for deposit at the CBK**

1. Packaging of euro banknotes

1.1 A banknote package shall contain a total number of 100 euro banknotes of the same denomination of one series of euro banknotes. It shall be stripped with a banderol indicating as following:

- 1.1.1 The name or acronym of the depositing institution.
- 1.1.2 Number of Euro banknote units.
- 1.1.3 Total amount of euro banknotes.
- 1.1.4 Date of package.
- 1.1.5 At least one signature of the staff which has manufactured the package.

2. Bundle of banknotes

- 2.1 A bundle shall contain 10 packages (*10 x 100 = 1,000 banknotes*) of the same denomination of one series of euro banknotes.
- 2.2 The ten packages shall be fixed together by using a strap or a transparent plastic bag.
- 2.3 Each package shall comply with the specifications for packaging of euro banknotes.
- 2.4 Each package within the bundle shall have the signature of the staff which has manufactured the package.

### 3. Half-bundle of banknotes

- 3.1 A half-bundle shall contain 5 packages (*5 x 100 = 500 banknotes*) of the same denomination of one series of euro banknotes.
- 3.2 The five packages shall be fixed together by using a strap or a transparent plastic bag.
- 3.3 Each package within the half-bundle shall comply with the specifications for packaging of euro banknotes.
- 3.4 Each package within the half-bundle shall have the signature of the staff which has manufactured the package.

### 4. Banknote deposit

- 4.1 Regarding the euro banknotes deposit at the CBK in a single deposit are permitted.
  - 4.1.1 Packages of euro banknotes (*10 x 100 = 1,000 banknotes*).
  - 4.1.2 Only a single half-bundle package of euro banknotes per denomination (*5 x 100 = 500 banknotes*).
  - 4.1.3 Each package within the bundle or half-bundle shall have the signature of the staff which has manufactured the package

4.2 Euro banknotes deposit that are not in compliance with this criteria will not be accepted at the CBK.

## Article 32

### Packaging of Euro coins for deposit at the CBK

#### 1. Packaging of euro coins

1.1 Packing of euro coins shall be made in safe transparent plastic bags intended for the packaging of coins.

1.2 Safe transparent plastic bags shall have a fabriqued adhesive bandage at the front in which the date, signature, denomination, number of coins, the amount of coins and the minimum gross weight of the bag shall be marked.

1.3 Safe transparent plastic bags shall contain the number of euro coin denominations shown in the following list:

*Table 7:*

*List of criteria for packaging euro coins in safe transparent plastic bags*

Denomination	Number	Amount	Minimum gross weight
2 EUR	500 coins	1,000.00 EUR	4.250 kg
1 EUR	500 coins	500.00 EUR	3.750 kg
0.5 EUR	1,000 coins	500.00 EUR	7.800 kg
0.2 EUR	1,000 coins	200.00 EUR	5.740 kg
0.1 EUR	1,000 coins	100.00 EUR	4.100 kg
0.05 EUR	2,000 coins	100.00 EUR	7.840 kg
0.02 EUR	2,000 coins	40.00 EUR	6.120 kg
0.01 EUR	2,000 coins	20.00 EUR	4.600 kg

1.4 Deposits of euro coins in the CBK that do not comply with these criteria will not be accepted.

#### 2. Deposit of coins

2.1 Regarding euro coins deposit at the CBK in a single deposit are permitted:

- 2.1.1 coins packed in safe transparent plastic bags pursuant to the criteria for packaging euro coins in safe transparent plastic bags;
  - 2.1.2 not more than 40 bags of € 2 or € 1 denominations;
  - 2.1.3 not more than 20 bags of 0.5 €, 0.2 € or 0.1 € denominations;
  - 2.1.4 not more than 15 bags of 0.05 €, 0.02 € or 0.01 € denominations.
- 2.2 Deposits of euro coins at the CBK that do not comply with this requirement will not be accepted.

### **Article 33**

#### **Accuracy of euro banknotes and coins packaging**

1. Euro banknotes and coins to be deposited at the CBK by financial institutions shall contain the exact number of euro banknotes declared in the banderol and coins declared in the transparent bag bandage.
2. Financial institutions that carry out operations with euro banknotes and coins with the CBK, shall sign a declaration by which they agree and authorize the CBK to debit / credit their accounts after processing euro banknotes and coins in the following cases:
  - 2.1 if during the processing of euro banknotes and coins deposits, the CBK finds a shortage in relation to the number stated in the deposit. The financial institution will be informed in writing through a standard form and the missing amount shall be debited from the account of the financial institution.
  - 2.2 if during the processing euro banknotes and coins deposits, the CBK determines the surplus in relation to the number stated in the deposit. The financial institution will be informed in writing through the standard form and the surplus will be credited to the financial institution's account.

2.3 if during the processing euro banknotes and coins deposits, the CBK suspects that any of euro banknotes or coins are falsified. The financial institution will be informed in writing through the standard form and the banknotes or coins will be submitted to the competent authority. Euro banknotes or coins suspected of being counterfeit will be debited from the financial institution's account until the competent authority decides otherwise.

3. In the case of ongoing non-compliance with paragraph 1 of this Article, the CBK shall undertake corrective measures against the Financial Institution, within a specified time limit, including the right of exclusion from the right of depositing for a certain period of time.

#### **Article 34**

#### **Supervisory and punitive measures**

Any violation of the provisions of this Regulation shall be subject to remedial and punitive measures, as defined in the Law on the Central Bank and other relevant laws.

#### **Article 35**

#### **Abrogation**

With the entry into force of this Regulation are abrogated:

1. Instruction No.1 on exchange of mutilated or damaged euro banknotes dated May 22, 2003
2. Instruction No.2 on Retaining Counterfeit Euro Banknotes and Coins from Circulation dated March 14, 2005 as amended on March 1, 2007
3. Instruction No.3 on Minimum Standards for Fitness Sorting of Euro Banknotes by Commercial Parties dated March 14, 2005
4. Instruction No.4 for Packaging Euro Banknotes and Coins for Bulk Lodgment at the BPK dated March 20, 2005
5. Recommendation No.1 on Due Diligence Standards for Banknote Recycling by Financial Institutions dated March 14, 2005.

**Article 36**  
**Entry into force**

This Regulation shall enter into force on May 1, 2016.

Chairman of the Board of the Central Bank of Republic of Kosovo

---

Prof. Dr. Bedri Peci