

Pursuant to Article 49a, paragraph 2 of the Law on Foreign Exchange Operations (RS Official Gazette, Nos 62/2006, 31/2011, 119/2012 and 139/2014) and Article 14, paragraph 1, item 9 and Article 58, paragraph 4 of the Law on the National Bank of Serbia (RS Official Gazette, Nos 72/2003, 55/2004, 85/2005 – other law, 44/2010, 76/2012, 106/2012, 14/2015 and 40/2015 – Constitutional Court decision), the Executive Board of the National Bank of Serbia hereby adopts

## **DECISION ON HANDLING SUSPECTED COUNTERFEIT MONEY**

### **Introductory provisions**

1. This Decision sets forth the method that the National Bank of Serbia (NBS), banks, other payment service providers determined by the law governing payment services (hereinafter: payment service provider) and licensed exchange dealers apply in handling suspected counterfeit money.

This Decision also sets forth the verification of authenticity and processing of foreign cash.

The verification of authenticity and processing of cash are regulated by the NBS's regulation governing cash management.

2. For the purposes of this Decision:

1) **money** means cash and foreign cash in respect of which the decision on the issuance and main features was adopted, which was put in circulation or withdrawn from circulation but can be exchanged for circulating money;

2) **cash** means banknotes and coins issued by the NBS;

3) **foreign cash** means banknotes and coins issued by a foreign central bank or other competent authority;

4) **suspected counterfeit money** means money suspected by the licensed entity to be different from cash and/or foreign cash in regard to all or some of its security features;

5) **licensed entity** means persons referred to in item 1, paragraph 1 of this Decision, except for the NBS;

6) **money security features** means features (security paper, watermark, micro-lettering, intaglio print, security thread, optically variable ink, composition of metals, dimensions, weight, etc.) aimed at preventing illegal money production;

7) **expertise** means the procedure applied for determining whether the money being examined carries all security features and whether these features are genuine, i.e. authentic;

8) **indicative** means letter/number designation, allocated to a type of counterfeits of similar features within one currency and denomination;

9) **type of counterfeit** means letter/number designation assigned to a subtype of counterfeits of similar features, within one indicative;

10) **money holder** means a natural person in possession of suspected counterfeit money;

11) **counterfeit money** means an object which is, under the report on expertise, determined to be different than money in regard to all or some of its security features.

12) **reproduction of money** means the reproduction of cash regulated by the NBS regulation on conditions for the reproduction of banknotes and coins, i.e. the reproduction of foreign cash regulated by a relevant foreign regulation;

13) **processing of foreign cash** means the activities of verification of authenticity, determination of numerical precision and sorting of foreign cash;

14) **verification of authenticity of foreign cash** means the procedure of verification of foreign cash for the purpose of separating pieces of that money suspected of being counterfeit;

15) **sorting of foreign cash** means physical separation (sorting) of foreign cash by denomination and physical features (fit for further circulation);

16) **fit foreign cash** means authentic foreign cash whose physical features have been verified and which has been assessed as fit for recirculation;

17) **unfit foreign cash** means authentic foreign cash, whose physical features have been verified and which has been assessed as unfit for recirculation due to the determined deficiencies;

18) **employee** means an employee with the licensed entity;

19) **trained employee** means an employee with the licensed entity who completed training for the verification of authenticity and processing of euro-denominated banknotes and coins, in accordance with this Decision;

20) **client** means any person that uses or used the services of the licensed entity;

21) **cash dispensing machines** means different types of self-service machines which are used, by using payment cards or other means, for dispensing euro banknotes, while at the same time debiting the client's account (e.g. ATM).

## **Handling suspected counterfeit money**

3. The licensed entity shall verify the authenticity of money received from clients, the money being processed and money paid out to clients, and shall submit suspected counterfeit money for expertise to the NBS.

The licensed entity shall not submit for expertise to the NBS:

- 1) money produced on the background which evidently, at first sight, differs from the background on which genuine money is produced;
- 2) money of a non-existent denomination or currency;
- 3) money where the main motif or basic colour differ significantly from the main motif and basic colour of genuine money.

4. If the money holder is present at the moment when such suspicion is acknowledged, the licensed entity shall inform thereof this person and the Ministry of Interior (hereinafter: MoI) without delay.

The suspected counterfeit money shall be temporarily seized from the money holder referred to in paragraph 1 hereof. At the same time, that person shall be issued a receipt for the money temporarily seized (Annex 1) and shall be requested to wait for the arrival of a representative of the MoI.

5. Banks shall deliver suspected counterfeit money to the basic organisational unit in the NBS in charge of cash operations (hereinafter: Department), through NBS branches. Prior to the submission of money, banks shall submit to the Department the completed request for money expertise to determine its authenticity, in electronic form, in line with the guidelines on the electronic exchange of data between banks and the NBS regarding treasury operations.

In the event of electronic system failure, banks may submit the request referred to in paragraph 1 hereof, in writing (Annex 2).

Other licensed entities shall submit the suspected counterfeit money to the NBS through banks that, in this case, act in accordance with paragraphs 1 and 2 hereof.

The NBS shall issue to banks a certificate on the receipt of money referred to in paragraphs 1 and 3 hereof (Annex 2a).

6. Following the completion of expertise, the NBS shall submit to the bank the report on completed expertise of suspected counterfeits, which

specifies whether money is counterfeit (Annex 3), genuine (Annex 4) or reproduced (Annex 5).

If determined that money is counterfeit, its quality, indicative and type (if any) shall be determined.

Money counterfeits shall be ranked by the quality of their production and/or the degree of similarity to genuine money, as follows:

- poor quality counterfeit (1),
- medium quality counterfeit (2),
- good quality counterfeit (3),
- very good quality counterfeit (4),
- finest quality counterfeit (5).

If it is determined that money is genuine, the NBS shall deliver to the bank the appropriate value of money in the same currency or shall credit the bank's account by the same amount. The bank shall ensure that money is immediately returned to the person delivering money or shall ensure that this person's account is credited by the same amount.

### **Procedures applied by the NBS in handling counterfeit money and cooperation**

7. The NBS shall retain counterfeit money without compensation, and shall return the reproductions to the bank.

8. The NBS may deliver counterfeit money to foreign banks and authorities engaged in suppressing money counterfeiting, at their request.

9. The NBS may give counterfeit money for temporary use to legal entities and entrepreneurs engaged in the production, servicing or sale of money processing machines or counterfeit detection devices, and to legal entities procuring these machines and devices, at their request, for the purposes of testing these machines or devices.

10. In suppressing money counterfeiting, the NBS and licensed entities shall cooperate among themselves and with competent domestic and foreign authorities, in accordance with regulations.

11. The NBS shall inform the Mol and licensed entities of the appearance of new types of money counterfeits, notably counterfeits of very good (4) and finest quality (5).

12. The NBS shall organise training for employees with the licensed entities and the MoI, in accordance with provisions of this Decision, in order to familiarise them with money security features and enable them to more efficiently detect counterfeit money.

### **Verification of authenticity and processing of foreign cash**

#### *Verification of authenticity and processing of euro-denominated banknotes and coins*

13. The licensed entity shall verify the authenticity and fitness for further circulation of euro-denominated banknotes and coins, automatically and/or manually, prior to recirculation.

14. Automatic verification of the authenticity and fitness for further circulation of euro-denominated banknotes shall be performed with banknote handling machines in accordance with the minimum standards set out in Annex 6.

The euro banknote handling machines are machines defined in Annex 7.

The general technical requirements that the euro banknote handling machines must fulfil are set out in Annexes 8 and 9.

15. In automatic euro banknote processing, only those types of banknote handling machines shall be used that are on the List of successfully tested banknote handling machines, published by the European Central Bank on its website.

16. Only trained employees shall perform the manual verification of the authenticity and fitness for further circulation of euro-denominated banknotes and coins.

The manual verification of the authenticity and fitness for further circulation of euro banknotes shall be performed in accordance with the minimum standards set out in Annex 10.

17. The automatic verification of the authenticity and fitness for further circulation of euro-denominated coins shall be performed exclusively by the machines that were positively assessed for their performances, which are on the List of euro-denominated coin processing machines, published by the European Commission on its website.

18. Only fit euro-denominated banknotes and coins can be returned to circulation.

In accordance with this Decision, euro-denominated banknotes and coins that were taken from the NBS or other licensed entity that already verified their authenticity and fitness for further circulation do not have to be processed.

19. The euro-denominated banknotes that have been processed automatically and assessed as fit for circulation can be returned to circulation through banknote handling machines used by the clients, devices for dispensing banknotes and tellers.

The euro banknotes processed manually that have been assessed as fit for circulation can be recirculated only through tellers.

20. Damaged euro-denominated coins or those with significant changes in technical parameters or identification characteristics due to their use in circulation are considered to be unfit foreign cash. Euro-denominated coins with deliberately modified technical parameters or identification characteristics are also considered to be unfit foreign cash. According to this Decision, a significant change of technical specification of the euro-denominated coin is the change of one dimension of such coin relative to the same dimension determined by the EU regulation that sets out basic features of euro coins, by at least 0.30 mm and/or if the weight of such coin differs from the weight determined by the said regulation by at least 5%.

#### *Verification of authenticity and processing of other currencies*

21. The verification of the authenticity of other currencies shall be performed by the devices for verification of the authenticity of money and by manually verifying money security features, using information on foreign currencies that the NBS publishes on its website, which is available to licensed entities.

#### **Training for the verification of authenticity and manual processing of euro-denominated banknotes and coins**

22. The NBS shall organise a special training for bank employees for verifying the authenticity and manual processing of euro-denominated banknotes and coins, at the request of a bank.

The request from paragraph 1 hereof shall be submitted in electronic form, but may also be submitted in written form in the event of electronic

system failure. The content of the electronic request is set out in the guidelines on the electronic exchange of data between banks and the NBS regarding treasury operations. The content and form of the written request are set out in Annex 11. The written request must be signed by the responsible person of the applicant.

23. The bank shall ensure that at least every thirtieth employee of the total number of employees who shall perform the verification of the authenticity and manual processing of euro-denominated banknotes and coins has the report from Section 24 of this Decision.

The bank shall take care that those employees who are trained in the NBS have experience in money processing, as well as appropriate capabilities for transferring knowledge to other employees in the bank, in payment service providers who have an account in the bank and in licensed exchange dealers with whom the bank has an agreement on carrying out exchange operations.

24. The NBS shall issue a report on the completed training for verification of the authenticity and manual processing of euro-denominated banknotes and coins (Annex 12) and shall submit it to the bank where the employees who completed the training work.

25. A fee shall be calculated and charged for completed training, in accordance with the decision establishing uniform fees charged for services provided by the NBS.

26. The bank employees that completed training in the NBS for the verification of the authenticity and manual processing of euro-denominated banknotes and coins shall further train other employees from their respective banks, employees in payment service providers who hold an account with that bank and employees in licensed exchange dealers with whom that bank has an agreement on carrying out exchange operations.

For the purpose of efficiency of the training from paragraph 1 hereof, the NBS shall provide the bank employees responsible for carrying out the training with the presentation consisting of detailed descriptions of money security features of foreign cash denominated in the euro and descriptions of certain counterfeits. It shall also provide them with an appropriate contact for additional explanations and clarification of unclear issues.

27. The payment service providers and licensed exchange dealers shall submit the request for training for authenticity verification and manual processing of euro-denominated banknotes and coins for their employees, to

the bank with which they hold an account, i.e. to the bank with which they have an agreement on performing exchange operations (Annex 13).

28. After the training has been completed, the bank shall issue a report on the completed training for authenticity verification and manual processing of euro-denominated banknotes and coins (Annex 14) and submit it to the payment service provider and the licensed exchange dealer with which the employees who completed the training work.

At the same time, the bank shall issue the report on the completed training on authenticity verification and manual processing of euro-denominated banknotes and coins (Annex 15) that is sent to the NBS in electronic form, in accordance with the guidelines on the electronic exchange of data between banks and the NBS on treasury operations. The bank shall submit the report herein to the NBS collectively for all trainees of the same training.

### **Examination of practices of foreign cash authenticity verification and processing**

29. The NBS shall carry out examinations in authorised entities in order to determine whether authenticity verification and foreign cash processing are performed in accordance with the provisions of this Decision.

The examinations referred to in paragraph 1 hereof shall be conducted in accordance with the provisions of the decision regulating cash flow management that establish examining the manner of cash flow management practices in banks; the examinations in licensed exchange dealers shall also be subject to the provisions of the decision regulating the terms and manner of performing exchange operations.

### **Reporting on euro-denominated banknotes and coins processing**

30. The licensed entity shall submit to the NBS semi-annual reports on euro-denominated banknotes and coins turnover (Annex 16) and reports on processed euro-denominated banknotes and coins (Annex 17), by no later than 10 August of the current year for the first half of the year, i.e. by no later than 10 February of the following year for the second half of the current year.

31. The licensed entity shall submit to the NBS the list of euro banknote handling machines, euro coin processing machines and cash dispensing devices (Annex 18), as well as the list of their organisational units (branches, branch offices, etc.) where pay-in, pay-out and processing of euro-denominated banknotes and coins is performed (Annex 19) – within 30 days



upon receiving the NBS decision on issuing licences for payment service providing, licences for issuing electronic money, i.e. the NBS decision on issuing licences for carrying out exchange operations.

The licensed entity shall notify the NBS without delay of any changes related to the name, place and address of its organizational units where pay-in, pay-out and processing of euro-denominated banknotes and coins is performed and on euro banknote handling machines, euro coin processing machines and cash dispensing devices.

32. The reports referred to in Section 30 and data and notifications referred to in Section 31 of this Decision shall be submitted by banks to the Department in electronic form, in line with the guidelines regulating electronic exchange between banks and the NBS relating to treasury operations, or in writing in case of electronic system failure.

Payment system providers and licensed exchange dealers shall submit the reports, data and notifications referred to in paragraph 1 hereof to the NBS in line with the guidelines issued by the NBS Governor.

### **Annexes**

33. The Annexes to this Decision are printed herewith and form an integral part thereof.

### **Transitional and final provisions**

34. The NBS shall carry out the training referred to in Section 22, paragraph 1 of this Decision from 1 January 2018, and banks shall carry out the training referred to in Section 26, paragraph 1 of this Decision from 1 July 2018.

The licensed entity shall perform the authenticity verification and processing of euro-denominated banknotes and coins in accordance with Sections 13–20 of this Decision from 1 January 2020.

The licensed entity shall perform the authenticity verification and processing of euro-denominated banknotes and coins in accordance with Section 21 of this Decision until 1 January 2020.

The licensed entity shall submit to the NBS the list of machines and organisational units referred to in Section 31, paragraph 1 of this Decision, as at 31 December 2019, no later than 10 February 2020.

The licensed entity shall submit for the first time the reports referred to in Section 30 of this Decision, for the first half of 2020, , no later than 10 August of same year.

35. On the effective date of this Decision, the Decision on Handling Suspected Counterfeit Money (RS Official Gazette, No 62/2013) shall cease to apply.

36. This Decision shall come into force on the eighth day following its publication in the Official Gazette of the Republic of Serbia.

NBS Executive Board No 66

7 December 2017  
Belgrade

Chairperson  
Executive Board  
Governor  
National Bank of Serbia

Dr Jorgovanka Tabaković