

Decree No. 14/2005. (VI. 27.) of the Governor of the MNB

on cash processing and on the conditions of cash distribution

Having regard to the authorisation by Article 60 (1) hb) and hc) of Act LVIII of 2001 on the Magyar Nemzeti Bank (hereinafter: MNB Act), I hereby decree the following:

#### Scope

#### Article 1

(1) The provisions of this decree shall apply to:

- a) institutions entitled to carry out cash processing activities (hereinafter: cash in transit companies) in accordance with Article 3 (2) c) of Act CXII of 1996 on Credit Institutions and Financial Enterprises (hereinafter: Credit Institutions Act),
- b) institutions carrying out cash transfer services in accordance with Article 3 (1) m) of the Credit Institutions Act,
- c) institutions carrying out foreign exchange activities in accordance with Article 3 (2) a) of the Credit Institutions Act,
- d) credit institutions, in accordance with Article 5 (1) of the Credit Institutions Act, operating a counter to perform cash receiving and cash dispensing, as well as exchange of denominations, but not qualifying as cash processing or bureaux de change, including Hungarian branches of credit institutions seated outside the European Economic Area,
- e) institutions providing postal cash transfer, postal payment intermediary and postal money order services in accordance with Article 4 (1) d) of Act CI of 2003 on the post office, (hereinafter the institutions under points b)-e) or any one of them: cash distributing institution) and
- f) Magyar Nemzeti Bank (hereinafter: MNB), with regard to Article 4 (1) – (3) of this decree

#### Field of application of the Decree

#### Article 2

The provisions of this decree shall apply to the processing and distribution of forint banknotes and coins, issued by MNB, which are in circulation and forint banknotes and coins withdrawn but still redeemable into legal tender (hereinafter : banknote and coin).

## Definitions

## Article 3

For the purposes of this Decree

- a) exchange deadline: the deadline determined by MNB announcement published before 1 May 2004 (hereinafter: MNB announcement) or – in line with the deadlines set by Article 31 (3) of the MNB Act – by MNB decree published after 1 May 2004 (hereinafter: MNB decree), until the banknote and coin withdrawn from circulation can be exchanged into legal tender at counters of MNB,
- b) banknote package: a packaging unit consisting of 100 pieces of genuine banknotes of the same denomination, of the same quality from the point of view fitness (fit or unfit) and of the same design position, corded by a strap,
- c) banknote bundle: a packaging unit consisting of 10 banknote packages of the same denomination and quality, having a cover sheet and packaged in vacuum or shrink wrap, within which the visual checking process shall be ensured by the straps of the banknote packages (3-4-3 or 5-5) (by the tenth),
- d) counting: counting the banknotes by examining them one by one (checking per piece), checking genuineness and fitness, as well as the identical nature of denomination,
- e) date of withdrawal: the date determined by MNB announcement or MNB decree, on which the withdrawn banknote and coin lose their legal tender status,
- f) supervision: counting the processed banknotes and coins with a cash counting machine or manually, for control purposes,
- g) standard amount of coins: a packaging unit consisting of a set quantity of genuine coins of the same denomination, of the same quality from the point of fitness (fit or unfit) – depending on the denomination and the purpose of issuance (paper sachets for coins, coin bags, coin sacks, coin rolls),
- h) banknote and coin withdrawn from circulation: banknote and coin not qualifying as legal tenders any longer and determined as such in MNB announcement or in MNB decree,
- i) cash distribution:
  1. receiving and dispensing banknote and coin carried out at the counter of the cash distributing institution,
  2. banknote and coin transfer by the cash in transit company following the cash processing activity – in accordance with the client's disposal,
  3. banknote and coin trade among cash distributing institutions,
  4. exchange of denominations,
- j) re-issuing cash:

within the framework of cash distribution

  1. banknote and coin dispensing or delivery performed by the cash distributing institution, and
  2. banknote and coin delivery – upon disposal of the client - performed by the cash in transit company after the cash processing or exchange of denominations,
- k) difference: the difference in quantity observed or established during cash processing at the time of counting or supervision, any surplus or deficit incurred due to exchange of denominations or due to suspected counterfeit or forged banknote and coin,
- l) cash processing: an activity determined in Article I.8 of Annex 2 of the Credit Institutions Act,
- m) legal tender: banknote and coin determined in Article 4 (2) of MNB Act

- n) banknote and coin not eligible for exchanging into legal tender: banknote and coin withdrawn from circulation and not exchanged until exchange deadline.

#### Requirements for banknote and coin in circulation

##### Article 4

- (1) The banknote and coin flowing back from circulation shall not be re-issued without authenticity and fitness checks. Cash processing and cash distributing institutions and MNB shall only re-issue genuine and fit banknote and coin.
- (2) Cash processing and cash distributing institutions and MNB shall examine the genuineness of banknote and coin in accordance with provisions of MNB decree on the technical and other tasks relating to the protection of the Hungarian and foreign legal tenders against counterfeiting.
- (3) The cash processing and cash distributing institutions and MNB shall examine the fitness of banknote and coin by keeping the following requirements:
  - a) any genuine banknote and coin are fit for circulation, which are free of mechanical defects and which are in a state to be re-issued,
  - b) withdrawn, mutilated, torn, heavily soiled and repaired (joined together by tape or glue) genuine banknote and withdrawn, mutilated (punched), hardly recognisable coin, as well as coin that has lost a significant portion of its weight is unfit.
- (4) The detailed requirements for examining the fitness of banknote and coin are described in Annex 1 of this decree.

##### Article 5

The cash processing and cash distributing institutions shall handle suspected counterfeit or forged banknote and coin found during the authenticity and fitness checks of banknotes and coins in accordance with the MNB Act and with the stipulations of the MNB decree on the technical and other tasks relating to protection of Hungarian and foreign legal tenders against counterfeiting.

#### Requirements for cash in transit companies

##### Article 6

The cash in transit company shall work out the internal regulation required by Article 19/B f) of the Credit Institutions Act (hereinafter: the order of procedures) in line with the provisions of this decree and MNB decree on the technical and other tasks relating to protection of Hungarian and foreign legal tenders against counterfeiting. The compulsory content of the order of procedures is contained in Annex 2 of this decree.

## Article 7

Cash processing shall be performed in observance of the bank security requirements for credit institutions. Facilities required for performing the activity:

- a) a constantly supervised room suitable for performing the activity, which may be suitably locked, is secure (supplied with a suitable mechanical-physical protection, as well as an electronic signalling system),
- b) a safe or vault suitable for storing cash, which meets the security requirements,
- c) tools required for examining genuineness and fitness, as well as checking the quantity of banknote and coin [MNB and other publications containing the description of banknotes and coins qualifying as legal tenders, as well as technical devices (e.g. UV lamp, UV-A and UV-C lamps suitable for examining double fluorescence, magnifying glass, banknote and coin counting machines, as well as banknote and coin processing machines)],
- d) material and technical accessories for creating banknote bundles and standard amounts of coins (e.g. banknote strap, cover sheet for the bundle, foil sheet, shrink wrapping machine, coin sack, paper sachets for coins, paper for wrapping coin rolls).

## Article 8

- (1) The cash in transit company may only entrust employees with direct cash processing activities described in Article 10 of this decree, who are employed by the cash in transit company and have acquired all the theoretical and practical knowledge required for cash processing as determined in the order of procedures – through training, unless having the relevant practice.
- (2) A separate file shall be kept on each employee performing direct cash processing activities as described in Article 10 of this decree, containing his sample signature, temporary or permanent position, place in cash processing process (e.g. person in charge of counting, operator, supervisor, counting supervisor, processing supervisor), and his professional training.

## 9. §

- (1) The cash in transit company shall handle the banknote and coin received to be processed (and the processed banknote and coin) in accordance with the regulations of the order of procedures on handling cash and valuables.
- (2) Cash processing shall be carried out, supervising the whole process of work, in a committee – by two employees at the same time or by one employee and a suitable camera system.

## 10. §

- (1) While processing banknotes, their genuineness, quantity and denomination shall be checked, as well as fitness sorting, separating suspected counterfeit or forged banknotes, banknotes of other denomination, foreign or withdrawn banknotes, banknotes not exchangeable into legal tenders any longer, damaged and mutilated banknotes, and then packages and bundles shall be created out of the banknotes of identical denomination and quality.

- (2) While processing coins, their genuineness, quantity and denomination shall be checked, as well as fitness sorting, separating suspected counterfeit or forged coins, coins with other denomination, foreign or withdrawn coins, coins not exchangeable into legal tenders any longer, damaged and mutilated coins, and then standard amount of coins shall be created out of the coins of identical denomination and quality.
- (3) Cash processing shall be carried out manually or by various types of processing devices with suitable sensor configuration, which ensure the fulfilment of fitness requirements specified in Article 4 and Annex 1 of this decree.

#### Article 11

- (1) The existence of any difference observed or established during cash processing shall be set down in a record without delay with the cooperation of the person supervising the processing. The record shall contain the established amount of the difference, the denomination and number of the banknotes and coins, the time of establishing the difference and the reason why the difference incurred (e.g. exchange of denominations), the name of the client affected by the difference and the names and the signatures of the employees establishing the difference.
- (2) In the case of differences incurred due to suspected counterfeit or forged banknote and coin, the provisions of MNB decree on the technical and other tasks relating to the protection of Hungarian and foreign legal tenders against counterfeiting shall be observed when preparing the record stating the differences.
- (3) A separate file shall be kept on the differences established during cash processing and the record.
- (4) The settlement of the differences shall be performed in line with the order of procedures and the client contracts.

#### Article 12

The cash in transit company shall create an information system to ensure the traceability of the following data for at least three years:

- a) date and duration of processing,
- b) on the day of processing, in the given shift
  1. number of the total processed banknotes and coins by denominations,
  2. number of processed fit banknotes and coins by denominations,
  3. number of processed unfit banknotes and coins by denominations,
  4. list of employees carrying out the processing work,
  5. number and type of machines used during the processing.

#### Requirements for cash distributing institutions

#### Article 13

- (1) Within the framework of the daily cash turnover of their counter, cash distributing institutions shall process and handle the banknotes and coins in accordance with the regulations on handling cash and valuables worked out in line with this Article,

reasonably observing the obligatory content determined in Annex 2 of this decree – considering the characteristics of the cash distribution activities.

- (2) Professional and other requirements for employees handling cash and valuables (e.g. qualifications, length of work experience, good-conduct certificate) shall be set down in the regulations of the cash distributing institution on handling cash and valuables.
- (3) Banknote and coin shall only be stored in safes, vaults or other suitable equipment meeting the security requirements. The detailed conditions for safekeeping shall be set in the regulations of the cash distributing institution on handling cash and valuables.
- (4) Cash distributing institutions shall examine banknote and coin as required in Article 4 of this decree and carry out their packaging using the relevant devices (e.g. MNB and other publications containing the description of banknotes and coins qualifying as legal tenders, UV lamp, UV-A and UV-C lamps suitable for examining double fluorescence, magnifying glass, banknote and coin counting machines) and accessories required for cash processing (e.g. banknote strap, cover sheet for the bundle, foil sheet, coin sack, paper sachets for coins, coin bag). Cash distributing institutions shall provide for the accessories in line with the size of cash turnover.
- (5) In the case of differences observed or established at the counter of the cash distributing institution Article 11 of this decree applies.

#### Transitory and closing provisions

##### Article 14

- (1) This decree shall enter into force on the fifteenth day following its announcement. Simultaneously, Articles 51 and 55 of MNB decree No 9/2001 (MK 147) on payment transactions, clearing and settlement transactions and on the rules of cash processing operations shall be repealed.
- (2) Cash in transit company shall amend or supplement their order of procedures in line with the provisions of Article 6 of this decree and show it to the MNB within 90 days of this decree's entering into force.
- (3) Cash distributing institutions shall amend or supplement their regulations on handling cash and valuables in line with the stipulations of Article 13 of this decree and certify this to MNB in a written statement within 90 days of this decree's entering into force.

*Annex 1 to Article 4 (4) of MNB Decree No. 14/2005. (VI. 27.)*

Detailed requirements for examining the eligibility of banknote and coin for circulation

1. Requirements for examining the fitness of banknote

1.1. Each genuine banknote shall qualify as fit if

- a) its size is 154 mm x 70 mm, with a maximum deviation of +/- 1 mm in the case of both length and width,
- b) the length of tear on the banknote shall not exceed 10 mm,
- c) the size of the missing section shall not exceed 20 mm<sup>2</sup>, as in the case of a larger missing section the banknote shall qualify as mutilated,
- d) the dog-eared section of the banknote shall not exceed 150 mm<sup>2</sup>, and in terms of length, the smaller corner shall not be longer than 10 mm,
- e) the repair (with tape or glue) on the banknote shall not exceed 20 mm,
- f) the stain on the banknote (e.g. coffee stain, paint stain or grease stain), or other visible contamination shall not exceed 2 cm<sup>2</sup>.

1.2. Insufficient for further use in the cash cycle (unfit)

- a) genuine banknote not meeting a requirement of the ones listed in Section 1.1. a)-f) of this Annex, and
- b) withdrawn banknote still exchangeable into legal tender,
- c) withdrawn banknote not exchangeable into legal tender any longer,
- d) banknote with missing stripes,
- e) composed/ repaired (joined together by tape or glue),
- f) incomplete (mutilated),
- g) punched (or defective, damaged in other ways),
- h) de-inked,
- i) lacking the security thread,
- j) crumpled, folded banknotes with significantly decreased resistance,
- k) washed banknotes, impregnated with optical bleach,
- l) banknotes for some reason not containing a holographic metal stripe,
- m) heavily soiled on the front side (recto) or reverse side (verso),
- n) ink-stained banknote, independently of the extent of contamination, where the stain was probably caused by ink cartridge, and
- o) banknote unfit for other reasons, in particular, genuine banknote with graffiti or bold handwritten notes prepared with fibre pen, hampering the recognition of the denomination.

2. Requirements for examining the fitness of coin:

2.1. Each genuine coin shall qualify as fit, if

- a) it is exempt from mechanical deficiencies,
- b) the state of its outside surface makes it possible to recognise the nominal value and the design.

2.2. The quality is deemed to be insufficient for further use in the cash cycle in the case of

- a) genuine coin not meeting a requirement of the ones listed in Section 2.1 of this Annex, and

- b) withdrawn coin that can be exchanged into legal tender,
- c) coin not exchangeable into legal tender any longer,
- d) mutilated (punched) coin,
- e) coin that have lost a significant portion of their weight,
- f) hardly recognisable coin,
- g) discoloured (corroded) coin,
- h) deformed genuine coin (e.g. oval shaped or otherwise deformed).

Annex 2 to Article 6 and 13 (1) of MNB decree No. 14/2005. (VI. 27.)

Compulsory content of the order of procedures and the regulations on handling cash and valuables

The order of procedures and, considering the characteristics of the cash distribution institution' activity, the regulations on handling cash and valuables shall contain a detailed description and regulation of the items listed in Sections 1 and 2 of this Annex.

1. General requirements for handling cash and valuables and detailed rules for
  - a) staying in a closed working area, in cash processing rooms,
  - b) supervising the whole working process (by video surveillance or in other ways),
  - c) ensuring the performing of the work in a committee,
  - d) theoretical and practical knowledge needed for performing the work or required for certain positions (work-, shift- or group manager and positions in the cash processing process),
  - e) positions and the related tasks,
  - f) registration of the persons performing cash processing (with sample signature, temporary or permanent position and place in the process of cash processing),
  - g) responsibilities.

2. Requirements for cash processing

2.1. Repeating the basic concepts relating to the cash processing activity defined in Article 10 of this decree and laid down in the present decree or in the MNB decree on the technical and other tasks relating to the protection of Hungarian and foreign legal tenders against counterfeiting, in particular

- a) genuineness (defined in the MNB decree on the technical and other tasks relating to the protection of Hungarian and foreign legal tenders against counterfeiting),
- b) fitness,
- c) counting,
- d) difference,
- e) supervision,
- f) processing by special machines,
- g) banknote package,
- h) creation of banknote packages,
- i) banknote bundle,
- j) creation of banknote bundle,
- k) creation of standard amounts of coins.



2.2. Repeating the concepts relating to the requirements for sorting banknote and coin during processing as it laid down in this decree, in particular

- a) fit banknote and coin,
- b) unfit banknote and coin,
- c) incomplete (mutilated) banknote and mutilated (punched) coin,
- d) withdrawn banknote and coin,
- e) date of withdrawal,
- f) exchange deadline.

2.3. Rules for banknote processing

Detailed rules on

- a) the tasks of the person directly supervising the cash processing activity (group-, or factory manager, supervisor, etc.),
- b) the tasks of the person in charge of counting, with special emphasis on checking genuineness and the processing requirements listed in Annex 1 of this decree (establishing the denomination, number and amount and examining fitness, completeness and condition),
- c) the tasks of the person in charge of cash processing (supervisor) supervising the process of counting,
- d) the procedures with regard to the differences established during counting and the control process (preparing a record, handling the tools – e.g. banknote straps, security sachets - helping the establishment of differences, keeping record of and settlement of the difference, handling and filing the record stating the differences),
- e) the tasks of the person in charge of cash processing (and the supervisor) performing the processing with special devices,
- f) special treatment, depositing with, transfer to MNB and exchange of suspected counterfeit or forged, fit and unfit (in particular ink-stained, incomplete (mutilated), torn, differently denominated and foreign) banknotes,
- g) the creation of banknote packages and showing the required information on the banknote strap,
- h) creation of mixed banknote packages,
- i) creation of banknote bundles, showing the obligatory information on the cover sheet and placing the cover sheet.

2.4. Rules of coin processing

Detailed rules on

- a) the tasks of the person directly supervising the coin processing activity and the tasks of the person in charge of the processing,
- b) assessing the quantity of the coins and sorting them according to genuineness and fitness (and the supervision in the case of manual processing),
- c) wrapping the coins, creating and closing the standard amount of coins,
- d) special treatment, depositing with, transfer to MNB and exchange of suspected counterfeit or forged, fit and unfit (in particular, mutilated (punched), hardly recognisable, foreign and differently denominated) coins,
- e) procedures relating to differences established during the processing activity (preparation of a record stating the differences, handling the tools setting down the

- establishment of the difference, keeping record and settlement of the differences, handling and filing the record stating the differences),
- f) storing the labels, bags, etc. for a definite period of time.

## 2.5. Rules of the vault service

Detailed rules on

- a) the concept of the vault (place, method and security of storing valuables),
- b) method and keeping record of handling the lock (two- or three-person safe handling) and the keys of the vaults,
- c) tasks of the vault officials (or persons performing the tasks relating to the vault),
- d) receiving or dispensing banknotes and coins or other valuables,
- e) order of providing documents and keeping records,
- f) supervision of the vault (stock-taking),
- g) transfer of the keys and keeping record of handling the keys,
- h) handling and keeping record of the so-called cash held-to-order (external cash).

## 2.6. Rules on meeting the data supply obligations

- a) Providing the legal regulation requiring the data supply,
- b) Providing the record serving as a basis of data supply,
- c) Deadline of data supply and name of the person in charge.