

**Decree 34/2014. (IX. 25.) of the Governor of the Magyar Nemzeti Bank
amending MNB Decree No. 11/2011 (IX. 6.) on the processing and distribution of banknotes and on technical tasks
relating to the protection of banknotes against counterfeiting**

Having regard to the authorisation by Article 171 (1) e) and Article (2) b) and c) of Act CXXXIX of 2013 on Magyar Nemzeti Bank, and concerning Article 3 to Article 171 (1) i) of Act CXXXIX of 2013 on Magyar Nemzeti Bank and acting within my scope of duty laid down in Article 4 (2) and (6) of Act CXXXIX of 2013 on Magyar Nemzeti Bank, I hereby decree the following:

Article 1 (1) Article 2 of MNB Decree No. 11/2011 (IX. 6.) on the processing and distribution of banknotes and on technical tasks relating to the protection of banknotes against counterfeiting (hereinafter: Decree) shall be supplemented with the following Point 9a.:

(For the purposes of this Decree):

“9a. coin withdrawn from circulation: coin defined in the MNB decree on the processing and distribution of coins and on technical tasks relating to the protection of coins against counterfeiting;”

(2) Article 2 of the Decree shall be supplemented with the following Points 11a.-11d.:

(For the purposes of this Decree):

“11a. exchanging forint banknotes: replacement of forint banknotes withdrawn from circulation by the credit institutions and the institution operating the Postal Settlement System (hereinafter: postal service) before the deadline specified in Article 23 (3) of the new MNB Act set for exchange as well as replacement of forint banknotes that are difficult to recognise, along with damaged banknotes, with forint banknotes of identical denominations, that are fit for circulation. Acceptance for payment of forint banknotes withdrawn from circulation, banknotes that are difficult to recognise or damaged forint banknotes – including payment to the customer’s own account – shall not qualify as exchange of forint banknotes;

11b. denomination exchange of forint banknotes: exchange of fit forint banknotes and of unfit forint banknotes qualifying as legal tender for fit forint banknotes or forint coins of other denominations, in identical nominal amounts;

11c. exchanging forint coins: cash operation defined in the MNB decree on the processing and distribution of coins and on technical tasks relating to the protection of coins against counterfeiting;

11d. denomination exchange of forint coins: cash operation defined in the MNB decree on the processing and distribution of coins and on technical tasks relating to the protection of coins against counterfeiting;”

(3) Article 2 16. *ae)* and *af)* of the Decree shall be replaced by the following provision:

(For the purposes of this Decree

16. cash distribution:

a) the following operations as part of the distribution of banknotes:)

“ae) denomination exchange of forint banknotes,

af) exchanging forint banknotes;”

(4) Article 2 16. *be)* and *bf)* of the Decree shall be replaced by the following provision:

(For the purposes of this Decree

16. cash distribution:

b) the following operations as part of the distribution of coins:)

“be) denomination exchange of forint coins,

bf) exchanging of forint coins;”

(5) Article 2 19. *d)* of the Decree shall be replaced by the following provision:

(For the purposes of this Decree

19. cash distributors:)

“d) the postal service,”

(6) *a)* In Article 2 4. and 7. of the Decree the text “banknote withdrawn from circulation” shall be replaced by “banknote and coin withdrawn from circulation”,

b) in Article 2 8. of the Decree the text “recirculation” shall be replaced by “distribution”,

c) in Article 2 23. of the Decree the text “banknotes defined” shall be replaced by “banknotes and coins defined”.

Article 2 Article 4 (3) of the Decree shall be replaced by the following provision:

“3) The cash processing provider may check the authenticity and fitness for circulation of forint banknotes – not including forint banknotes that cannot, owing to their physical condition, be checked with banknote handling machines or banknotes withdrawn from circulation – only with banknote handling machines of types listed in the MNB register and set in accordance with the hardware and software version specified therein.”

Article 3 Article 5 of the Decree shall be replaced with the following provision:

“5 (1) A banknote handling machine may be put into operation for the purpose of distributing forint banknotes only if the banknote handling machine is of a type listed in the MNB register and set in accordance with the hardware and software version specified therein.

(2) Cash processing provider, cash distributor and other economic agent shall, while other operators shall be entitled to, notify MNB of the putting into operation of a machine as specified in paragraph (1) in advance – at least 5 working days prior to the scheduled date of putting into operation – indicating the following details:

a) the type of the banknote handling machine to be put into operation, its individual identifier, the identifier of its hardware and of the software version to be used for checking the authenticity of forint banknotes,

b) identification of the site where the machine is to be put into operation and in the case of multiple sites, identification of each of the sites concerned,

c) the currency denominations of the banknotes that can be processed with the banknote handling machine,

d) the name of the manufacturer and/or distributor of the machine,

e) the name of the entity carrying out the tasks of maintenance and repairs, the frequency of scheduled maintenance,

f) name and contact data of the contact organisational unit.”

(3) Any change in the data referred to in paragraph (2) a)-f) shall be notified to the MNB by the cash processing provider, cash distributor or other economic agent within a maximum of 5 working days of the date on which such change takes effect.

(4) The manufacturer having its registered office in Hungary, or in the absence of such, the distributor, shall submit the following data to MNB once a quarter, by the 5th working day of the month following the quarter concerned, in relation to the putting into operation of a machine as referred to in paragraph (1):

- a) the type of the banknote handling machine to be put into operation, its individual identifier, the identifier of its hardware and of the software version to be used for checking the authenticity of forint banknotes,
- b) the site where the machine is put into operation,
- c) the name of the operating company,
- d) the name and contact data of the contact organisational unit.”

(5) In the banknote handling machine that has been put into operation, the parameters of relevance to the checking of authenticity of forint banknotes shall not deviate from the parameters successfully calibrated and set by MNB.

(6) The operating company shall document any change in the fitness selection criteria applied in the banknote handling machine – at least in regard to the extent and direction of the change and its effective date – and carry out the maintenance operations prescribed by the manufacturer and/or distributor, or have such operations carried out, and it shall document the maintenance operations performed.

(7) The manufacturer or the distributor may only upgrade the software used by a banknote handling machine, already put into operation, for the checking of forint banknotes for validity, with software versions without clauses that are included in the MNB register, as specified in Article 13 (3), and shall notify this to MNB within a maximum of 5 working days of the date of the software upgrade.”

Article 4 Article 9 (3) of the Decree shall be supplemented with the following Point c:

(The following – primarily Hungarian language, or in the absence of such, English language – documents shall be attached to the notification of a request:)

“c) the document specifying the way of the maintenance of the banknote handling machine to be calibrated.”

Article 5 Article 10 (4) of the Decree shall be replaced by the following provision:

“(4) The test results are valid only for the type of the banknote handling machine tested by the MNB and its hardware and software version applied at the time of testing, its parameters settings affecting the checking of validity, while in the case of machines checking fitness for circulation as well, the parameters settings affecting the fitness selection criteria, as well as the test package used for testing.”

Article 6 Article 18 (2) of the Decree shall be replaced by the following provision:

“(2) In terms of cash distribution the following branches of credit institutions shall be considered critical (hereinafter critical branches):

a) any branch making pay-out transactions in excess of a daily average of 30 million forints based on the data of the calendar year preceding the evaluation, but at least

b) the given credit institution’s

ba) four branches operating in Budapest, if the given credit institution has more than four branches in Budapest, or

bb) all branches operating in Budapest, if the given credit institution has four or less than four branches in Budapest, and

bc) one branch operating in the county concerned - primarily at the county seat – if the credit institution concerned has one or more branches in the given county.”

Article 7 Article 19 (2) of the Decree shall be replaced by the following provision:

“(2) The business contingency plan referred to in paragraph (1) shall contain the following:

- a) identified operating risks endangering cash distribution – including, in particular, the operation of critical branches or critical post offices or branch ATMs – and the availability of the necessary relevant resources,
- b) the basic principles as to communication relating to the specific emergency situation affecting cash distribution and the rules for liaising with the MNB,
- c) the rules for providing services to customers in the critical branches and critical post offices during the specific emergency situation affecting cash distribution, including the opening and business hours of the branches and the conditions for providing cash payments to the credit institution's and post office's own customers with payment accounts and to other customers without payment accounts,
- d) internal policies applied in critical branches and critical post offices relating to cash withdrawals during the specific emergency situation affecting cash distribution, and internal regulations relating to decision-making competences,
- e) banknote recirculation procedures of critical branches and critical post offices during the specific emergency situation affecting cash distribution,
- f) cash transport regulations to critical branches and critical post offices during the specific emergency situation affecting cash distribution,
- g) the rules for the continued operation of branch ATMs during emergency situations arising due to the occurrence of certain operational risks, with special regard to refilling branch ATMs with cash.”

Article 8 Sub-heading 9 of the Decree shall be replaced with the following sub-heading:

“9 Rules on the denomination exchange of forint banknotes and exchanging forint banknotes

Article 20 (1) Credit institutions with branch offices operating counter and the postal service shall carry out denomination exchange of forint banknotes and exchanging forint banknotes.

(2) With the difference referred to in paragraph (3) up to 50 forint banknotes may be exchanged or up to 100 forint coins may be issued on any one occasion, in the framework of a transaction referred to as denomination exchange of forint banknotes or exchanging forint banknotes.

(3) The qualitative restriction referred to in paragraph (2) shall not apply to the exchange obligation referred to in Article 23 (3) of the new MNB Act.

(4) A credit institution or the postal service shall accept an incomplete forint banknote for denomination exchange of forint banknotes or exchanging forint banknotes if more than half of such forint banknote is handed over. Any incomplete forint banknote presented in several pieces – also if taped together – may be accepted in a transaction of denomination exchange of forint banknotes or exchanging forint banknotes, if the cashier finds that the various pieces presumably belong to the same forint banknote, and the pieces together make up more than half of such forint banknote.

(5) The obligation to carry out the denomination exchange of forint banknotes and exchanging forint banknotes shall not apply to forint banknotes whose authenticity or face value cannot be clearly determined. Credit institutions and the postal service shall check the authenticity of not clearly authenticated banknotes, and deliver or send the banknotes, considered to be suspicious, to the MNB according to Article 14 (3).

Article 21 (1) With the difference set out in paragraph (2) a credit institution or the postal service

a) may charge a fee for the denomination exchange of forint banknotes or for the exchanging forint banknotes the maximum rate of which – including any other fees that may be charged in relation to the denomination exchange of forint banknotes or exchanging forint banknotes – shall

aa) not exceed 5 % of the face value of the forint banknotes to be paid out to the customer,

ab) not exceed 10 % of the face value of the forint coins to be paid out to the customer,

b) may make the denomination exchange of forint banknotes or exchanging forint banknotes subject to the existence of a payment account kept with it or to the use of some service it provides,

c) may restrict the number of its branches actually assigned to carry out the denomination exchange of forint banknotes or exchanging forint banknotes, providing that a credit institution having branch offices in Budapest or in the given county and the postal service must make sure that at least one of its branch offices operating in Budapest or in the given county – primarily, at the county seat town – actually provides the denomination exchange of forint banknotes and exchanging forint banknotes.

(2) A credit institution and the postal service shall

a) fulfil its exchange obligation as specified in Article 23 (3) of the new MNB Act at all of its branch offices with counter,

b) charge no fee for the fulfilment of its exchange obligation as specified in Article 23 (3) of the new MNB Act,

c) not make the fulfilment of its exchange obligation as specified in Article 23 (3) of the new MNB Act to the existence of a payment account kept with it or to the use of some service it provides.

Article 22 (1) A credit institution and the postal service shall disclose the terms and conditions and fees referred to in Article 21 (1) concerning the denomination exchange of forint banknotes and exchanging forint banknotes and the availability of the exchange service referred to in Article 21 (2) a), in notices, in prominent places in its branches actually carrying out denomination exchange of forint banknotes and exchanging forint banknotes.

(2) Pursuant to Article 21 (1) c) and 2) a) a credit institution and the postal service shall publish the address of its nearest branch office actually carrying out the denomination exchange of forint banknotes and exchanging forint banknotes and the information referred to in paragraph (1) in a notice, in prominent places in its branch offices not actually carrying out the denomination exchange of forint banknotes and exchanging forint banknotes.

(3) A credit institution and the postal service shall publish on their website – if such website exists -continuously and easily way the list of its branch offices actually carrying out the denomination exchange of forint banknotes and exchanging forint banknotes, along with the information referred to in paragraph (1).”

Article 9 Article 25 of the Decree shall be replaced with the following provision:

“Article 25 The data specified in the following provisions introduced by Article 3 of the Decree No. 34/2014 (IX. 25.) amending MNB Decree No. 11/2011 (IX. 6.) on the processing and distribution of banknotes and on technical tasks relating to the protection of banknotes against counterfeiting (hereinafter: Amending Decree) concerning banknote handling machines have already put into operation until 30 September 2014, shall be submitted by the following entities, to the MNB:

a) Article 5 (2), the cash processing provider, the cash distributor and the other economic agent,

b) Article 5 (4), the manufacturer with its registered office in Hungary, or, in the absence of such, the distributor by 31 October 2014.”

Article 10 Article 26 of the Decree shall be replaced with the following provision:

“Article 26 (1) A credit institution that is obliged to revise its business contingency plan once every two years pursuant to Article 19 (4) and the postal service shall submit its business contingency plan revised and supplemented on the basis of Article 19 (2) provided for by Article 7 of the Amending Decree, to the MNB by 30 June 2016 for the first time.

(2) A credit institution that is obliged to revise its business contingency plan once every three years pursuant to Article 19 (5) shall revise and supplement its business contingency plan on the basis of Article 19 (2) provided for by Article 7 of the Amending Decree, to the MNB by 30 June 2015 for the first time.”

Article 11 The provision below the table in Annex 5 to the Decree shall be replaced by the following provision:

“The data shall be transmitted in an e-mail message, with a password for opening communicated separately from the transmission of the table specified in this annex, filled out with the relevant data, to kpl-ellenorzes@mnbb.hu.”

Article 12 The following provisions of the Decree shall be repealed:

a) Article 24 (4) and (5),

b) Article 32 (5) and (6).

Article 13 Article 7 (3) of the Decree shall not enter into force.

Article 14 (1) With the exceptions set out in paragraph (2) this Decree shall enter into force on 1 October 2014.

(2) Article 8 shall enter into force on the 60th day following its promulgation.

Article 15 The preliminary consultation of this draft Decree pursuant to second indent of Article 2 (1) of Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions has been done.