

Pursuant to Articles 26 and 27, Article 43, paragraph (2), item (10), Article 76, paragraph (2) and Article 76b, paragraph (2) of the Act on the Croatian National Bank (Official Gazette 75/2008, 54/2013 and 47/2020), the Governor of the Croatian National Bank hereby issues the

Decision on handling of unfit and suspect cash

I GENERAL PROVISIONS

Subject matter

Article 1

This Decision governs:

- 1) the handling of kuna cash unfit for circulation;
- 2) the handling of kuna cash suspected of being counterfeit;
- 3) the handling of foreign cash not denominated in euro which is suspected of being counterfeit;
- 4) the handling of kuna banknote specimens; and
- 5) the conditions for and the manner of reproducing kuna cash.

Entities subject to this Decision

Article 2

Entities subject to this Decision are:

- 1) credit institutions with head offices in the Republic of Croatia authorised by the Croatian National Bank;
- 2) credit institutions with head offices in another Member State authorised to provide banking and financial services in the Republic of Croatia through a branch when handling cash and processing it in the Republic of Croatia;
- 3) third-country credit institutions authorised by the Croatian National Bank to establish a branch of a third-country credit institution when handling cash and processing it in the Republic of Croatia;
- 4) providers of payment services authorised to provide payment services in the Republic of Croatia in accordance with the law governing payment services;
- 5) other cash handlers – authorised exchange offices, the Financial Agency, HP – Hrvatska pošta d.d., and other legal and natural persons performing the activity of cash processing or providing the service of cash withdrawal at cash dispensers or points-of-sale in the territory of the Republic of Croatia.

Terms

Article 3

For the purposes of this Decision, the following terms shall have the following meaning:

- 1) '*cash*' means kuna banknotes and coins and foreign currency banknotes and coins not denominated in euro, which have the status of a legal means of payment;
- 2) '*foreign cash*' means cash in a foreign currency not denominated in euro;
- 3) '*suspect foreign cash*' means banknotes and coins the authenticity of which cannot be clearly determined through manual or automated processing but for which there are sufficient reasons to suspect they have been counterfeited;
- 4) '*counterfeit cash*' means banknotes or coins denominated in kuna and foreign currency not denominated in euro which partially or in full have the appearance of kuna or foreign cash banknotes or coins and which are partially or in full created or altered without authorisation. Counterfeit cash are also considered to be banknotes or coins denominated in kuna and foreign currency not denominated in euro which partially or in full have the appearance of kuna banknotes or coins whose status of a legal means of payment has expired in accordance with decisions on withdrawal of the Croatian National Bank or foreign currency banknotes and coins not denominated in euro whose status of a legal means of payment has been terminated and which have been partially or in full created or altered without authorisation.
- 5) '*kuna banknote unfit for circulation*' means an authentic kuna banknote worn out or damaged under the standards laid down by the decision of the Croatian National Bank laying down the minimum standards for automated and manual fitness sorting of banknotes, which renders it unfit for circulation;
- 6) '*worn out kuna banknote*' means an authentic kuna banknote worn out by use and whose quality of paper and quality of colours has degraded under the standards laid down by the decision of the Croatian National Bank laying down the minimum standards for automated and manual fitness sorting of banknotes;
- 7) '*damaged kuna banknote*' means an authentic kuna banknote damaged by use under the standards laid down by the decision of the Croatian National Bank laying down the minimum standards for automated and manual fitness sorting of banknotes;
- 8) '*kuna banknote fit for circulation*' means an authentic kuna banknote the quality of which is fit for circulation under the standards laid down by the decision of the Croatian National Bank laying down the minimum standards for automated and manual fitness sorting of banknotes;
- 9) '*kuna coins unfit for circulation*' means authentic kuna coins damaged from use or whose appearance has been significantly altered, which renders them unfit for circulation;
- 10) '*kuna coins fit for circulation*' means authentic kuna coins the quality of which is fit for circulation;
- 11) '*credit institution*' shall have the meaning as defined in Article 4, paragraph (1), item (1) of Regulation (EU) No 575/2013;
- 12) '*authenticity check*' means the procedure of checking cash for the purpose of singling out suspect samples;
- 13) '*fitness check*' means the procedure of checking kuna banknotes and coins for the purpose of singling out samples unfit for circulation;
- 14) '*specimen kuna banknote*' means a kuna banknote made by the Croatian National Bank, which in addition to all the features of an authentic banknote has the word "SPECIMEN" overprinted on the obverse in the colour red and the word "UZORAK" overprinted on the reverse in the colour red, as well as the serial number printed on the lower edge in the colour red. Such banknote is not a legal means of payment and is not intended to be released into circulation;
- 15) '*bearer*' means any natural or legal person who submits unfit or suspect cash for assessment to potentially be replaced;
- 16) '*applicant*' means any natural or legal person who, together with unfit or suspect cash, submits an application for analysis and replacement of cash on the form available on the website of the Croatian National Bank.

II HANDLING OF WORN OUT AND DAMAGED KUNA CASH

Acceptance of worn out kuna banknotes

Article 4

- (1) Credit institutions shall be obligated to accept worn out banknotes from the entities subject to this Decision referred to in Article 2, items (4) and (5) of this Decision and from other bearers.
- (2) The Croatian National Bank shall accept worn out kuna banknotes from credit institutions through cash centres designated by a decision of the Croatian National Bank governing supplying banks with cash.

Acceptance of damaged kuna banknotes

Article 5

- (1) In accordance with Article 6, paragraph (1) of this Decision, credit institutions shall accept damaged kuna banknotes from the entities subject to this Decision referred to in Article 5, items (4) and (5) of this Decision and from other bearers.
- (2) The Croatian National Bank shall accept damaged kuna banknotes from credit institutions accepted in accordance with Article 6, paragraph (1) of this Decision through cash centres designated by a decision of the Croatian National Bank governing supplying banks with cash.

Conditions for replacement of damaged kuna banknotes

Article 6

- (1) The entities subject to this Decision shall accept and/or replace a damaged kuna banknote for which they previously established its authenticity if the bearer of the damaged banknote presents over 50% of the banknote.
- (2) The entities subject to this Decision shall not be obligated to accept or replace damaged kuna banknotes if the bearer presents a damaged banknote the square area of which constitutes 50% of the square area of the authentic banknote or less than 50% of the banknote or if the bearer presents stained banknotes or extremely damaged banknotes requiring a more complex assessment and analysis.
- (3) The degree of damage to kuna banknotes shall be determined by the use of a grid for the assessment of the square area created in the size of each banknote denomination with each measure being divided into a hundred equal rectangles, each rectangle corresponding to one percentage (1%) of the entire banknote.
- (4) The grids for the assessment of the percentage of the square area of each kuna banknote denomination submitted for replacement can be found in Annex 1 to this Decision and shall constitute an integral part thereof.
- (5) The entities subject to this Decision who refused to accept or replace damaged banknotes in accordance with paragraph (2) of this Article shall direct the bearer of the damaged banknote to the Croatian National Bank for assessment of the damage and possible realisation of the right to replacement.
- (6) The bearer referred to in paragraph (5) of this Article wishing to replace a damaged kuna banknote shall, in addition to the damaged banknote, submit to the Croatian National Bank an Application for the

analysis and replacement of stained kuna banknotes, or an Application for the analysis and replacement of damaged kuna banknotes, available on the website of the Croatian National Bank.

(7) By way of exception from paragraph (6) of this Article, a bearer who is a legal person specialised in cash transport with a head office in the Republic of Croatia and a bearer who is a natural or legal person with a domicile or head office outside the Republic of Croatia may submit damaged kuna banknotes for replacement directly to the Croatian National Bank in accordance with the procedure published on the website of the Croatian National Bank.

Handling of damaged kuna banknotes by the Croatian National Bank

Article 7

(1) If the conditions for replacement are met, the Croatian National Bank shall, at the request of the bearer referred to in Article 6, paragraph (6) of this Decision, replace damaged kuna banknotes.

(2) The Croatian National Bank shall replace damaged kuna banknotes even when presented with 50% of the banknote or less than 50% of the banknote, provided that the applicant by a written confirmation of the competent institution, for example, the Ministry of the Interior of the Republic of Croatia (hereinafter referred to as 'MUP RC'), proves the occurrence of a force majeure event as a result of which the missing parts of the banknotes have been damaged and provided the authenticity of the kuna banknote is established. The applicant shall submit the damaged kuna banknotes together with the completed Application for the analysis and replacement of damaged kuna banknotes.

(3) By way of exception from paragraph (2) of this Article, the Croatian National Bank shall replace damaged kuna banknotes when submitted with 50% of a banknote or less than 50% of a banknote if based on the data from the Application for the analysis and replacement of damaged kuna banknotes and completed technical analysis it may be unequivocally concluded that the missing parts of the banknote have been destroyed.

(4) In addition to the conditions referred to in paragraphs (2) and (3) of this Article, in order for the kuna banknotes stained by the electrochemical protection devices to be replaced, the following conditions have to be met, in particular:

- 1) the Croatian National Bank shall replace stained kuna banknotes damaged in security containers in the course of attempted or committed burglaries, thefts or other criminal offences, only after the submission of the completed Application for the analysis and replacement of stained kuna banknotes by the owner of the stained kuna banknotes. Together with the stained banknotes, the applicants shall be obligated to submit a confirmation from the MUP RC regarding the event that caused the damage and a security and technical sheet or data on the harmfulness of the composition of the ink from the electrochemical protection device by which the banknotes have been stained or
- 2) the Croatian National Bank shall replace stained kuna banknotes damaged due to technical malfunction of a security container or improper handling of a security container only after the submission of the completed Application for the analysis and replacement of stained kuna banknotes by the owner of the stained kuna banknote or other authorised applicant. Together with the stained banknotes, the applicants shall be obligated to submit records, statements or other documents verifying that the damage occurred due to the said events and a security and technical sheet or data on the harmfulness of the composition of the ink from the electrochemical protection device by which the banknotes have been stained.

(5) The applicant shall be obligated to submit the stained banknotes referred to in paragraph (4) of this Article for replacements dry and packed in plastic security bags with a clearly visible sign that the bag contains banknotes stained by an electrochemical protection device.

Acceptance of damaged kuna coins

Article 8

(1) Credit institutions shall accept damaged kuna coins from entities subject to this Decision referred in Article 2, items (4) and (5) of this Decision and other bearers in accordance with the conditions referred to in Article (9), paragraph (1) of this Decision.

(2) The Croatian National Bank shall accept damaged kuna coins from credit institutions through cash centres designated by a decision of the Croatian National Bank governing supplying banks with cash in accordance with the conditions referred to in Article 9, paragraph (1) of this Decision.

Conditions for replacement of damaged kuna coins

Article 9

(1) The entities subject to this Decision are obligated to accept and/or replace damaged kuna coins the authenticity of which has been previously established if the bearer presents whole coins that can be machine-processed and are recognisable both on the obverse and on the reverse.

(2) The entities subject to this Decision shall not be obligated to accept or replace damaged kuna coins not complying with paragraph (1) of this Article and shall direct the bearer to the Croatian National Bank for assessment of the damage and possible realisation of the right to replacement.

(3) In cases referred to in paragraph (2) of this Article, bearers who wish to replace damaged kuna coins shall in addition to the damaged coins submit to the Croatian National Bank the Application for the analysis and replacement of damaged kuna coins on a form available on the website of the Croatian National Bank.

(4) By way of exception from paragraph (3) of this Article, a bearer who is a legal or natural person with a head office or domicile in the Republic of Croatia and wishes to replace at least 1,000 pieces of damaged coins or a natural or legal person with a domicile or a head office outside the Republic of Croatia may submit to the Croatian National Bank damaged coins for replacement in accordance with the procedure published on the website of the Croatian National Bank.

(5) The Croatian National Bank shall replace damaged kuna coins if presented with whole coins recognisable from the obverse and the reverse.

III SPECIAL CONDITIONS FOR REPLACEMENT OF DAMAGED KUNA CASH

Special conditions for replacement of damaged kuna cash

Article 10

(1) Where the Croatian National Bank becomes aware or has sufficient reason to suspect that a criminal offence or a misdemeanour has been committed in relation to the damaged kuna cash submitted for replacement, it shall retain it as evidence for the purpose of initiating or holding criminal offence or misdemeanour proceedings and it shall confirm to the bearer in writing on the form of the submitted kuna cash that it has retained it.

(2) The Croatian National Bank shall notify the competent police department of the MUP RC of the kuna cash referred to in paragraph (1) of this Article.

(3) After the first instance decision has been reached in the criminal offence or misdemeanour proceedings referred to in paragraph (1) of this Article, the Croatian National Bank shall replace the damaged kuna cash by fit kuna cash and shall return it to the applicant, unless otherwise decided by the court or another competent authority.

(3) Where the Croatian National Bank has reason to suspect that the damaged kuna cash was soiled in such a manner as to present a risk to health and safety, it shall accept such cash for analysis and replacement only with attached evidence of a conducted health or security check by the competent authority verifying that the damaged cash does not pose a risk to human safety and health.

IV HANDLING OF SUSPECT CASH BY ENTITIES SUBJECT TO THIS DECISION

Handling of suspect kuna cash

Article 11

(1) The entities subject to this Decision shall check the authenticity of each sample of received kuna cash in accordance with the procedure for authenticity checks referred to in the decision of the Croatian National Bank governing the redistribution of kuna banknotes and coins.

(2) Where in the course of an authenticity check of received kuna cash an entity subject to this Decision establishes that kuna cash is suspect, it shall retain it and deliver it to the Croatian National Bank without delay together with the completed Application for technical analysis available on the website of the Croatian National Bank.

(3) The entity subject to this Decision shall issue a cash retention confirmation to the bearer of the suspect kuna cash.

(4) Where the technical analysis procedure establishes that the kuna cash referred to in paragraph (2) of this Article is not counterfeit, the entity subject to this Decision shall immediately after the receipt of the results of the technical analysis of suspect banknotes or coins referred to in Article 13, paragraph (4) of this Decision and kuna cash being returned by the Croatian National Bank notify the bearer thereof and invite the bearer to pick it up.

(5) The provisions of this Article shall also apply to kuna cash in circulation as legal means of payment whose status of a legal means of payment has expired pursuant to the decisions on withdrawal.

Handling of suspect foreign cash

Article 12

(1) The entities subject to this Decision shall check the authenticity of all samples of received foreign cash in accordance with the procedures for authenticity checks referred to in the decision of the Croatian National Bank governing the redistribution of kuna banknotes and coins.

(2) Where the authenticity checks of the received foreign cash conducted by entities subject to this Decision establish that the cash is suspect, the entity subject to this Decision shall act in accordance with Article 11, paragraphs (2), (3) and (4) of this Decision.

(3) The provisions of this Article shall also apply to foreign cash whose status of a legal means of payment has expired.

V HANDLING OF SUSPECT AND COUNTERFEIT KUNA CASH BY THE CROATIAN NATIONAL BANK

Technical analysis of suspect cash

Article 13

- (1) The Croatian National Bank shall check the authenticity of each sample of cash it receives and shall conduct a technical analysis of each sample of suspect cash.
- (2) The Croatian National Bank shall check the authenticity of kuna cash that was in circulation as legal means of payment but whose status of a legal means of payment expired in accordance with the decisions on withdrawal of the Croatian National Bank, as well as of foreign cash whose status of a legal means of payment has been terminated.
- (3) The technical analysis of suspect banknotes shall be conducted at the National Analysis Centre and the technical analysis of the suspect coins at the Coin National Analysis Centre
- (4) The Croatian National Bank shall submit to the applicant the results of the technical analysis of the suspect banknotes or coins, following the completion of the technical analysis.
- (5) The Croatian National Bank shall store counterfeit cash.
- (6) For the purposes of criminal offence proceedings or proceedings preceding them, the Croatian National Bank shall submit counterfeit cash to judiciary authorities and the MUP RC at a written request.
- (7) The counterfeit samples of foreign cash and suspected counterfeit foreign cash shall be, where necessary, submitted to competent authorities abroad for the purpose of verification of technical analysis results, counterfeit classification or for other purposes deemed justified by the Croatian National Bank.
- (8) The National Counterfeit Centre (hereinafter referred to as 'NCC') shall organise and conduct training on banknote and coin authentication for all entities subject to this Decision within the framework of the National Training Programme on Banknote and Coin Authentication for Bank and Financial Institution Employees.
- (9) The NCC shall make available information on the appearance and characteristics of counterfeit cash to entities subject to this Decision and authorised representatives of the MUP RC.

Kuna cash analysis fee

Article 14

- (1) The Croatian National Bank shall set and charge a fee for banknote and coin analysis in the following cases:
 - 1) in cases of banknotes damaged by the activation of anti-theft devices if at least 100 (in writing: one hundred) pieces of kuna banknotes are submitted for replacement – in the amount of HRK 1.00 (in writing: one kuna) per damaged note submitted for replacement;
 - 2) in cases of damaged kuna coins if at least 1,000 (in writing: one thousand) pieces of damaged kuna coins are submitted for replacement – in the amount equalling 3% (in writing: three percent) of the nominal value of damaged kuna coins submitted for replacement.
- (2) By way of exception from paragraph (1) of this Article, the Croatian National Bank shall not charge a fee for the analysis of kuna banknotes and coins in cases when the cash was damaged in the course of attempted or committed burglaries, theft or other criminal offences.

VI HANDLING OF KUNA BANKNOTE SPECIMENS BY THE CROATIAN NATIONAL BANK

Recording and storing kuna banknote specimens

Article 15

- (1) The Croatian National Bank shall keep records of kuna banknote specimens.
- (2) In accordance with the provisions of this Decision, kuna banknote specimens cannot be subject to replacement.
- (3) The Croatian National Bank shall retain and store each kuna banknote specimen received on any basis, in cases when such handling is not contrary to the handling prescribed by some other act or subordinate legislation.
- (4) The Croatian National Bank shall submit the retained and stored kuna banknote specimens referred to in paragraph (3) of this Article to the MUP RC, courts or other competent authorities at their written request.

Conditions for providing kuna banknote specimens

Article 16

- (1) The Croatian National Bank may provide kuna banknote specimens for temporary use for educational purposes, for organising exhibitions and similar events or for other purposes deemed justified by the Croatian National Bank, whereby the temporary users shall be obligated to sign a statement undertaking to return the kuna banknote specimens to the Croatian National Bank after the expiry of a specified period.
- (2) The Croatian National Bank may provide kuna banknote specimens to other national central banks, credit institutions, the Financial Agency and other financial institutions for the purpose of making them acquainted with the appearance and the features of kuna banknotes, whereby the users shall be obligated to sign a statement undertaking to return the kuna banknote specimens when so requested by the Croatian National Bank.

VII REPRODUCTION OF KUNA CASH

Conditions for reproduction of kuna cash

Article 17

- (1) The reproduction of kuna cash shall not be permitted in the following cases:
 - 1) if the reproduction may mislead the public into believing it is the case of authentic kuna cash;
 - 2) if the reproduction depicts the motives from kuna cash in a demeaning, derogatory, funny or other inappropriate manner;
 - 3) if the reproduction is made with a view to gain material or immaterial benefits for natural or legal persons.
- (2) The Croatian National Bank shall provide prior authorisation for the reproduction of kuna banknotes in the following cases:
 - 1) for photographs, drawings, pictures, films and in general, for any work where the banknote or its reproduction is not of central importance;
 - 2) for one-sided reproduction of banknotes, provided that the size of the reproduction is equal to or exceeds 125% of the length and the width of the authentic banknote of the same denomination, or is equal to or less than 75% of the length and the width of the authentic banknote of the same denomination, regardless of the material used for the reproduction;
 - 3) for two-sided reproduction of banknotes, provided that the size of the reproduction is equal to or exceeds 200% of the length and the width of the authentic banknote of the same denomination, or

- is equal to or less than 50% of the length and the width of the authentic banknote of the same denomination, regardless of the material used for reproduction;
- 4) for the reproduction of individual elements of banknote design, provided that individual design elements are not featured against the background similar to kuna banknotes;
 - 5) for on-sided reproduction of banknotes featuring a portion of the obverse or the reverse of a banknote, provided that such portion is less than 33% of the obverse or the reverse of the authentic banknote of the same denomination, for reproduction on materials clearly differentiated from the material used for banknote production;
 - 6) for immaterial reproduction in electronic form, under the following criteria:
 - the word "SPECIMEN" is visible diagonally across the obverse of the banknote reproduction in a clearly legible font;
 - the word "UZORAK" is visible diagonally on the reverse of the banknote reproduction in a clearly legible font;
 - the word "SPECIMEN" and/or "UZORAK" must take up at least 75% of the length of the reproduction, and at least 15% of the height of the reproduction and be in a contrasting colour to the dominant colour of the banknotes;
 - the resolution of the electronic reproduction in its original size must not exceed 72 dpi.
- (3) At the request of the person intending to reproduce kuna coins, the Croatian National Bank shall provide a prior authorisation for the reproduction of kuna coins in the following instances:
- 1) for photographs, drawings, pictures, films and in general, for any work where the coin or its reproduction is not of central importance
 - 2) for reproductions on materials clearly differentiated from the materials used for coin production;
 - 3) for immaterial reproduction in electronic form the resolution of which does not exceed 72 dpi.
- (4) Except in the cases referred to in paragraphs (2) and (3) of this Article, the Croatian National Bank may provide a prior authorisation for reproduction in other cases, provided it is not the case of reproduction referred to in paragraph (1) of this Article.
- (5) The Croatian National Bank shall grant an authorisation for reproduction retaining the right to revoke it in case the reproduction infringes on inalienable moral rights of the author of cash design or the reproduction does not comply with the granted authorisation.
- (6) The provisions of this Article shall apply both to kuna banknotes and coins issued by the Croatian National Bank which were in circulation as a legal means of payment and whose status of a legal means of payment expired in accordance with the decisions on withdrawal of the Croatian National Bank.

VIII FURTHER HANDLING OF UNFIT KUNA COINS BY THE CROATIAN NATIONAL BANK

Demonetisation of unfit kuna coins

Article 18

- (1) The Croatian National Bank may destroy unfit kuna coins through the process of demonetisation.
- (2) Through the process of demonetisation unfit coins shall be subject to irreversible physical deformation, for example: corrugation, elongation, milling, clipping of edges, imprinting of a rhomboid net so that the same coins cannot be recirculated or submitted for replacement.
- (3) Demonetised coins shall not be a legal means of payment in the Republic of Croatia nor shall they be replaced for fit coins.
- (4) The Croatian National Bank shall publish the photographs of demonetised coins on its website.

IX TRANSITIONAL AND FINAL PROVISIONS

Cessation of the effect

Article 19

On the date of the entry into force of this Decision:

1) the Decision on handling kuna banknotes and kuna and lipa coins unfit for circulation (Official Gazette 22/2002) and

2) the Decision on procedures for handling foreign cash suspected of being counterfeit (Official Gazette 21/2007, 34/2010 and 76/2013)

shall cease to have effect.

Entry into force

Article 20

This Decision shall enter into force on the eighth day after the day of its publication in the Official Gazette.

No.: 54-091/03-21/BV
Zagreb, 8 March 2021

Croatian National Bank
Governor

Boris Vujčić