REPUBLIC OF ALBANIA
BANK OF ALBANIA
SUPERVISORY COUNCIL

DECISION

No.15, dated 13.02.2013

APPROVAL OF REGULATION
"ON THE AUTHENTICITY CHECKING AND CRITERIA FOR RECIRCULATION OF ALBANIAN LEK BANKNOTES"

In accordance with Article 12, letter 'a', Article 43, letter 'c' and Chapter V of the Law No. 8269, dated 23.12.1997 "On the Bank of Albania", as amended, and the Law No. 9662, dated 18.12.2006 "On Banks in the Republic of Albania", as amended, having regard to the proposal from the Issuing Department, the Bank of Albania's Supervisory Council,

DECIDED:

1. To approve the Regulation "On the authenticity checking and criteria for recirculation of Albanian lek banknotes", according to the decision attached herewith.

2. Bank of Albania's Issuing Department is responsible for the implementation of this decision.

3. Foreign Affairs, European Integration and Communication Department is responsible for the publication of this Regulation in the Official Bulletin of the Bank of Albania and in the Official Journal of the Republic of Albania.

This decision shall enter into force on the 15th days following that of its publication in the Official Journal of the Republic of Albania.

      SECRETARY   **CHAIRMAN**

YLLI MEMISHA   ARDIAN FULLANI

REGULATION

"ON THE AUTHENTICITY CHECKING AND CRITERIA FOR RECIRCULATION OF ALBANIAN LEK BANKNOTES"

CHAPTER I
GENERAL PROVISIONS

Article 1
Scope

This Regulation lays down the criteria for the authenticity and fitness checking, and recirculation of lek banknotes.

Article 2
Legal ground

This regulation is issued in accordance with:

a) Article 12, letter 'a', Article 43, letter 'c' and Chapter V of the Law No. 8269, dated 23.12.1997 "On the Bank of Albania", as amended";
b) Law No. 9662, dated 18.12.2006 "On Banks in the Republic of Albania", as amended, which hereinafter shall be referred to as the "banking law".

Article 3
Entities subject to this Regulation

Entities subject to this Regulation are banks and branches of foreign banks, licensed to exercise banking and/or financial activity in the Republic of Albania, as well as other clients with special status, that handle *cash* operations with the Bank of Albania.

Article 4
Definitions

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

   a) 'Recycling of banknotes' means the process (the action) of putting back into circulation, lek banknotes accepted by the entities subject to this Regulation in the course of their business activity;

b) 'Banknote handling machine' means a customer-operated or staff-operated machine as defined in Articles 11, 12 and 13 of this Regulation;

c) 'Type of banknote handling machines' means banknote handling machines that can be distinguished from other banknote handling machines through their specific detector systems, software and other components for the performance of their core functionalities. These functionalities are: (a) the authentication of genuine lek banknotes; (b) the detection and separation of lek banknotes suspected to be counterfeit; (c) the detection and separation of unfit lek banknotes from fit lek banknotes, if applicable; and (d) the tracing of transactions for suspect counterfeit lek banknotes and of lek banknotes that are not clearly authenticated, if applicable;

d) 'Banknote processing' means the checking for the quantity, authenticity and fitness of banknotes for recirculation, carried out by the entities subject to this Regulation via banknote handling machines, or manually by a trained staff member;

e) 'Automated processing of banknotes' means processing of banknotes by banknote handling machines;

f) 'Manual processing of banknotes' means visual evaluation of banknotes by a trained staff member by using authentication machines, and the visual evaluation of banknote fitness, in accordance with the criteria laid down in this Regulation.

g) 'Banknote authentication equipment' means equipment for the examination of banknote security features, including magnifiers, ultraviolet lamps, infrared cameras etc., used by trained staff members while manually processing banknotes to identify suspect banknotes;

h) 'Banknote authentification' means examination of banknotes to separate banknotes suspected to be counterfeit.

i) 'Banknote fitness checking' means the examination of banknotes to separate banknotes that are unfit for circulation from fit ones, in accordance with the criteria laid down in this Regulation;

j) 'Performance test of machines' means the examination of built-in detector systems of machines for the performance of their core functionalities, in line with the procedures adopted by the Bank of Albania.

k) 'Trained staff members' means employees of the entities, who have:
(a) knowledge of the different public security features of banknotes, as specified and published by the Bank of Albania, and the ability to check them; and
(b) knowledge of the sorting criteria laid down in this Regulation and the ability to check lek banknotes in accordance with them;

l) 'Cash dispenser' means a self-service machine which, through the use of a bank card or other means, dispenses lek banknotes to the public, debiting a bank account, such as an automated teller machine (ATM) dispensing cash;

m) 'Clients with special status" means persons that have gained Bank of Albania's client status according to a certain law or agreement and that may handle cash operations with the Bank of Albania.

Chapter II
General principles for recycling of banknotes

Article 5
Checking for lek banknote authenticity and fitness

1. The entities subject to this Regulation ensure that lek banknotes that they receive during their business activity and intend to put back into circulation are checked for authenticity and fitness for circulation in line with the provisions of this Regulation.

2. The authenticity and fitness checking of lek banknotes shall be carried out:

   a) either by banknote handling machines initially tested by the Bank of Albania, or
   b) manually by a trained staff member

3. Staff-operated machines, when used for the purpose of authenticity   and   fitness checking, and customer-operated machines may only be put into operation by entities subject to this Regulation, only if they have been successfully tested by the Bank of Albania.

Article 6
Detection of suspect counterfeit lek banknotes

1. The banknote processing shall ensure that all suspect banknotes are detected in a timely manner and prevented from being recycled to customers.

2. The entities subject to this Regulation shall treat the separated suspect banknotes in accordance with effective regulations.

Article 7
Detection of unfit lek banknotes

1. The banknote processing shall ensure that the banknotes fit for circulation are separated from the unfit ones so that the condition of banknotes in circulation is maintained at a good level.

2. Fitness checking shall be carried out in accordance with the minimum standards laid down in this Regulation.

3. Lek banknotes that are sorted as unfit for circulation during the processing shall be handed over to the Bank of Albania.

Article 8
Recycling of banknotes

1. Entities subject to this Regulation may recycle lek banknotes via customer-operated machines or cash dispensers, only if they have been checked for authenticity and fitness by a type of banknote handling machine successfully tested by the Bank of Albania and classified as genuine and fit for circulation.

2. Lek banknotes which have been checked manually for authenticity and fitness and classified as genuine and fit by a trained staff member but not by a banknote handling machine successfully tested by the Bank of Albania may only be recirculated over the counter.

Article 9
Exceptions

1. The entities subject to this Regulation may recycle banknotes manually checked by a trained staff member, via customer-operated machines or cash dispensers, only after they have received initial permission by the Bank of Albania.

2. The Bank of Albania grants permission for the recycling of manually checked banknotes, via customer-operated machines or cash dispensers, only in the case of remote branches with a low level of transactions.

3. The volume of banknotes manually checked in accordance with paragraph 1 of this Article, may not exceed 5% of the overall volume of banknotes recycled by the bank or branch of the foreign bank via customer-operated machines or cash dispensers.

4. The entities subject to this Regulation may, on a temporary basis, recycle banknotes manually checked by a trained staff member via customer-operated machines or cash dispensers, in the event of occurrence of an exceptional event *(force majeure)* as a result of which the banknote supply is significantly impaired.

5. The entities subject to this Regulation shall upon the occurrence of exceptional event (*force majeure*) immediately notify the Bank of Albania that banknotes are processed manually. Such notification shall be accompanied by detailed information

on the exact nature of the exceptional event (*force majeure*) and the expected duration of the manual processing.

Chapter III
Banknote handling machines

Article 10
General technical requirements

1. Banknote handling machines have to process lek banknotes, classifying and physically separating them in line with the provisions of this Regulation, without the intervention of the machine operator.

2. Banknote handling machines need to have the required number of dedicated output stackers and/or other means to ensure the reliable classification and separation of the lek banknotes processed.

3. Banknote handling machines have to be adaptable to ensure that they are capable of reliably detecting new counterfeits and to enable the setting up of more or less restrictive fitness sorting standards, if applicable.

Article 11
Categories of banknote handling machines

Banknote handling machines are either customer-operated machines or staff-operated machines.

Article 12
Categories of customer-operated machines

Customer-operated machines are categorised as laid down in Table 1.

Table 1

Customer-operated machines		
A. Customer-operated machines where cash is deposited with customer tracing		
1.	Cash-in machines (CIMs)	CIMs allow customers, by using a bank card or other means, to deposit lek banknotes in their bank accounts, but do not have any cash-dispensing function.

		CIMs check banknotes for authenticity and allow for traceability of the account holder; fitness checks are optional.
2.	Cash-recycling machines (CRMs)	CRMs allow customers to deposit lek banknotes in their bank accounts and to withdraw lek banknotes from their bank accounts, by using a bank card or other means. CRMs check lek banknotes for authenticity and fitness and allow for traceability of the account holder. For banknote withdrawals, CRMs may use genuine fit lek banknotes that have been deposited by other customers in previous transactions.
3.	Combined cash-in machines (CCMs)	CCMs allow customers to deposit lek banknotes in their bank accounts and to withdraw lek banknotes from their bank accounts, by using a bank card or other means. CCMs check lek banknotes for authenticity and allow for traceability of the account holder; fitness checks are optional. For withdrawals, CCMs do not use lek banknotes that have been deposited by other customers in previous transactions, but only lek banknotes loaded separately into them.
B. Other customer-operated machines		
4.	Cash-out machines (COMs)	COMs are cash dispensers which check lek banknotes for authenticity and fitness before dispensing them to customers. COMs use lek banknotes loaded into them by entities or other automated systems (e.g. vending machines).

Article 13
Categories of staff-operated machines

1. Staff-operated machines are categorised as laid down in Table 2.

Table 2

Staff-operated machines		
1.	Banknote processing machines (BPMs)	BPMs check lek banknotes for authenticity and fitness.
2.	Banknote authentication machines (BAMs)	BAMs check lek banknotes for authenticity.
3.	Teller assistant	TARMs are cash recycling machines operated by cash

	recycling machines (TARMs)	handlers that check lek banknotes for authenticity and fitness. For withdrawals, TARMs may use genuine fit lek 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.	Teller assistant machines (TAMs)	TAMs are machines operated by cash handlers that check lek banknotes for authenticity. They keep lek banknotes in safe custody and allow entities to credit or debit the bank accounts of customers.

2. Where customers feed lek banknotes to be deposited into TARMs or TAMs, or take the lek banknotes dispensed by these machines, these machines have to be considered customer-operated machines and have to classify and treat the lek banknotes in accordance with Article 14.

Chapter IV
Classification and treatment of banknotes by banknote handling machines

Article 14
Classification and treatment of banknotes by customer-operated machines

1. Lek banknotes are classified into one of the categories laid down in Table 3 and are physically separated by category. Machines which do not check lek banknotes for fitness do not need to distinguish between categories 4a and 4b.

Table 3

Classification and treatment of lek banknotes by customer-operated machines, in which cash is deposited with customer tracing		
Category	Properties	Treatment
1 Objects not recognised as lek banknotes	Not recognised as lek banknotes because of any of the following: • non-lek banknotes; • lek banknote-like objects; • wrong image or format; • large folded corner(s) or missing part(s);	Return by the machine to the customer.

		• feeding or transportation error of the machine.	
2	Suspect counterfeit lek banknotes	Image and form recognised, but one or more authentication features checked by the machine not detected or clearly out of tolerance.	Withdraw from circulation. To be handed over for authentication, together with information related to the account holder, to the Bank of Albania at the latest 20 working days after deposit in the machine. Do not credit to the account holder.
3	Lek banknotes that are not clearly authenticated	Image and format recognised, but not all authentication features checked by the machine are recognised because of quality and/or tolerance deviations. In most cases unfit banknotes	Withdraw from circulation. The lek banknotes are processed separately and handed over for authentication to the Bank of Albania, together with information related to the account holder, at the latest 20 working days after deposit in the machine. May be credited to the account holder.
4a	Lek banknotes that are identified as genuine and fit	All authenticity and fitness checks carried out by the machine giving positive results.	Can be used for recirculation Credited to the account holder.
4b	Lek banknotes that are identified as genuine and unfit	All authenticity checks carried out by the machine giving positive results. At least one fitness criterion checked giving a negative result	Cannot be used for recirculation and are returned to the Bank of Albania. Credited to the account holder.

2. Categories 2 and 3 lek banknotes are not returned to the customer, if the machine allows the cancellation of a deposit transaction. Retaining such lek banknotes when a transaction is cancelled can be done by storing them in a temporary storage area in the machine.

Article 15
Classification and treatment of banknotes by staff-operated machines

1. Staff-operated machines classify lek banknotes into one of the following categories and physically separate them by category, as laid down in Table 4. Machines which do not check lek banknotes for fitness do not need to distinguish between categories B1 and B2.

Table 4

Classification and treatment of banknotes by staff-operated machines		
Category	Properties	Treatment
A. i. Objects not recognised as lek banknotes; or ii. Suspect counterfeit lek banknotes; or iii. Lek banknotes that are not clearly authenticated.	i. Not recognised as lek banknotes because of any of the following: - non-lek banknotes; - lek banknote-like objects; - wrong image or format; - large folded corner(s) or missing part(s); - error of the machine during feeding or transportation of banknotes; ii. Identified as suspect counterfeit lek banknotes because image and format recognised, but one or more authentication features checked by the machine not detected or clearly out of tolerance; iii. Lek banknotes that are not clearly authenticated because image and format recognised, but not all authentication features checked by the machine recognised because of quality and/or tolerance deviations. In most cases unfit lek	Return by the machine to the operator for further evaluation and treatment i. objects not recognised as lek banknotes: after visual evaluation by a staff member, these are separated from the suspect counterfeit lek banknotes and lek banknotes that are not clearly authenticated; ii. suspect counterfeit lek banknotes; and iii. lek banknotes that are not clearly authenticated: these are processed separately and handed over for final authentication to the Bank of Albania, at the latest 20 working days after deposit in the machine.

		banknotes	
B1	Lek banknotes that are identified as genuine and fit	All authenticity and fitness checks carried out by the machine giving positive results.	Can be used for recirculation. Credited to the account holder.
B2	Lek banknotes that are identified as genuine and unfit	All authenticity checks carried out by the machine giving positive results. At least one fitness criterion checked giving a negative result.	Cannot be used for recirculation and are returned to the Bank of Albania. Credited to the account holder.

Article 16
Specific classification rules for some staff-operated machines

1. Banknote processing machines (BPMs) classify and sort lek banknotes into categories A, B1 and B2. To carry out this process, the BPMs are supplied with at least three dedicated output stackers to avoid the intervention of the machine operator.

2. BPMs with only two dedicated output stackers may classify and sort lek banknotes, if the following requirements are fulfilled:

    a) The authenticity and fitness checks are conducted in the same pass. In this pass, any category B1 lek banknotes must be sorted into one stationary output stacker, whereas both category A and B2 lek banknotes must be sorted into a separate stationary output stacker that does not have any physical contact with any category B1 lek banknote;
    b) Banknotes sorted into the second output stacker shall be checked again in a second pass. In this second pass, lek banknotes suspected to be counterfeits must be separated from the category B2 lek banknotes by sorting the former into a dedicated output stacker.

3. Banknote authentication machines (BAMs) classify and sort lek banknotes into categories A and B. To carry out this process, the BAMs are supplied with at least two dedicated output stackers to avoid the intervention of the machine operator.

4. BAMs with only one dedicated output stacker may classify and sort lek banknotes, if the following requirements are fulfilled:

a) Each time a category A lek banknote is sorted out, the machine must stop the processing immediately and keep the category A lek banknote in a position that avoids any physical contact with authenticated lek banknotes;
b) The result of the authenticity check must be indicated for any single category A lek banknote on a display;
c) The machine must check for the presence of a category A lek banknote when it stops processing, and processing can only be resumed after the physical removal of the category A lek banknote by the operator;
d) For each stop of the processing mode no more than one category A lek banknote can be accessible to the operator.

Chapter IV
Minimum standards for fitness checking of banknotes

Article 17
Minimum standards for automated fitness checking of banknotes

1. Lek banknotes checked for fitness by banknote handling machines shall be unfit for circulation in the event they do not meet the minimum standard laid down for at least one of the requirements provided under paragraph 3 of this Article.

2. The acceptable tolerance level for the fitness checks by banknote handling machines is 5%. This means that a maximum of 5 % of the lek banknotes that do not meet the fitness criteria may be misclassified by the machines and sorted as fit.

3. Table 5 provides the sorting criteria for fitness checking of banknotes by banknote handling machines.

Table 5

List of sorting criteria for automated fitness checking of banknotes		
Sorting criterion		Definition
1.	Soil	General distribution of dirt across the entire lek banknote
2.	Stain	Localised concentration of dirt
3.	Graffiti	Added image or lettering written or marked in any manner on a lek banknote
4.	De-inked banknote	Lack of ink on part or whole of the lek banknote, e.g. a washed lek banknote
5.	Tear	Self-explanatory

6.	Hole	Self-explanatory
7.	Mutilation	Lek banknotes with part(s) missing, along at least one edge
8.	Repair	Parts of one or more lek banknotes joined together by tape, glue, or other means
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

4. Detectors built in banknote handling machines shall be adapted to sort out the banknotes unfit for circulation in accordance with the criteria under paragraph 3 of this Article and specifications under Annex 1 of this Regulation.

Article 18
Minimum standards for manual fitness checking of banknotes

1. Lek banknotes checked manually for fitness by a trained staff member shall be unfit for circulation in the event they noticeably meet at least one of the sorting criteria set out in Table 6.

Table 6

List of sorting criteria for manual fitness checking of banknotes		
	Feature	Description
1.	Soil	Visually noticeable distribution of dirt across the lek banknote
2.	Stain	Visually noticeable localised concentration of dirt
3.	Graffiti	Visually noticeable added image or lettering written or marked in any manner on a lek banknote
4.	De-inked banknote	Visually noticeable lack of ink on part or whole of the lek banknote, e.g. a washed lek banknote
5.	Tear	Lek banknote with at least one tear at the edge

6.	Hole	Lek banknote with at least one visually noticeable hole
7.	Mutilation	Lek banknote with a part/parts missing along at least one edge, e.g. a missing corner
8.	Repair	Parts of one or more lek banknotes joined together by tape, glue or other means
9.	Crumples	Lek banknote with multiple random folds across it that strongly affect its visual appearance
10.	Limpness	Lek banknote with structural deterioration resulting in a marked lack of stiffness
11.	Folded corner	Lek banknote with at least one clearly noticeable folded corner

2. Despite the stipulations under paragraph 1 of this Article, folded lek banknotes and lek banknotes with folded corners may be rectified by manual unfolding, where possible.

3. The manual fitness checks are carried out by a visual inspection of the individual lek banknotes and do not require the use of any tools.

Chapter V
Performance tests of machines

Article 19
Performance test of machines

1. The entities subject to this Regulation, which process banknotes, may use only the machines, the performance of which has been successfully tested by the Bank of Albania.

2. The performance tests of machines shall include, depending on the type of machine, an examination of the machine performance in checking banknotes for quantity, authenticity and fitness.

3. The performance tests of machines shall be carried out in line with the procedure defined by the Bank of Albania and aim to examine the built-in detector systems and the machine's capacity to perform its core functionalities. These are:

a) the authentication of genuine lek banknotes;
b) the detection and separation of lek banknotes suspected to be counterfeit;

c) the detection and separation of unfit lek banknotes from fit lek banknotes, if applicable; and

d) the tracing of objects identified as suspect counterfeit lek banknotes and of lek banknotes that are not clearly authenticated, if applicable.

4. The Bank of Albania shall test each machine type using the counterfeits found in circulation and authentic fit and unfit banknotes.

5. The identification of banknotes shall apply only to the counterfeits found in circulation at the Bank of Albania's disposal, which have been used when testing a machine.

6. The Bank of Albania shall bear no responsibility if the machine fails to comply with the requirements laid down in this Regulation, despite the fact that the machine type in question has been successfully tested.

7. The Bank of Albania shall carry out a performance test of a machine based on an application for the performance test of a machine submitted by the machine's manufacturer or its authorised representative.

8. The manufacturer or its authorised representative shall accompany such application with all relevant information concerning the operation of the machine. The Bank of Albania shall treat such information as confidential.

9. The Bank of Albania shall issue a report on the performance test of a machine. Such a report on the successful performance test of a machine shall be issued for a limited period of time. The Bank of Albania shall determine, in each report, the time-limit within which a machine performance must be re-tested.

10. The Bank of Albania shall publish on its website a list of successfully tested types of machine.

11. For each upgrade or update of the hardware/software on the successfully tested machines, the manufacturer or its authorised representative shall send an application for a performance re-test of such machines.

Article 20
Use of machines by entities subject to this Regulation

1. The entities subject to this Regulation may use the types of banknote handling machines listed on the Bank of Albania's website.

2. The entities subject to this Regulation shall notify the Bank of Albania of the installation of a banknote handling machine before it is put into operation.

3. The entities subject to this Regulation 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 listed on the Bank of Albania's website and that the installed machine processes banknotes in the same manner as the machine of the same type tested by the Bank of Albania. The entities shall submit this statement to the Bank of Albania, together with the notification of the installation of the machine.

Article 21
Monitoring the operation of machines

Upon receipt of notification on installation of a machine, the Bank of Albania shall control the design and application of the procedures for banknote processing and shall carry out the performance tests of the machines installed therein to establish whether these machines reliably check banknotes for authenticity and fitness and enable the traceability of transactions.

Chapter VI
Reporting and inspection

Article 22
Monitoring activities

1. The Issuing Department of the Bank of Albania shall verify the meeting of requirements under this Regulation, by:

   a) carrying out on-site inspections, including unannounced ones, at the entities' premises to monitor their banknote handling machines, in particular the machines' capacity to check for authenticity and fitness and to trace suspect counterfeit lek banknotes and lek banknotes that are not clearly authenticated to the account holder; and (ii)
   b) verifying the procedures governing the operation and control of the banknote handling machines, the treatment of checked lek banknotes and any manual authenticity and fitness checking.

2. In order for the Bank of Albania to verify the meeting of requirements under this Regulation, during an on-site inspection at the entities' premises, it may take samples of processed lek banknotes to check them at its own premises.

3. When the Bank of Albania detects non-compliance with the provisions of this Regulation, it shall require the adoption by the entities of corrective measures within a specified time limit.

Article 23
Reporting to the Bank of Albania

The entities subject to this Regulation shall provide the Bank of Albania with information specified in Annex II.

Article 24
Supervisory and corrective measures

In the event of non-compliance with the provisions of this Regulation, the Bank of Albania shall apply the corrective measures required under the banking law and other by-laws in pursuance thereof.

Chapter V
Final provisions

Article 25
Transitional provisions

1. The entities subject to this Regulation shall meet the requirements of this Regulation at the latest three months after its entry into force.

2. Despite paragraph 1 of this Article, the banknote handling machines installed prior to entry into force of this Regulation shall be adapted to the requirements under this Regulation no later than 9 months from its entry into force.

3. No later than 1 month from the entry into force of this Regulation, the entities subject to this Regulation shall submit to the Bank of Albania a plan for meeting the requirements under this Regulation during the transitional period.

4. The plan for meeting the requirements under this regulation shall contain, at least:

    a) a list of operating units;
    b) a list of customer-operated machines and cash dispensers that are used to dispense banknotes to customers;
    c) the planned volume of banknotes to be distributed via customer-operated machines and cash dispensers over a one-year period;

d) the planned volume of processing banknotes to be recycled to customers over a one-year period, broken down by operating units, customer-operated machines and cash dispensers;

e) organisation of processing of the planned volume of banknotes and enactment of the processing procedures, in line with the provisions of this Regulation;

f) the number and types of banknote handling machines installed until the moment of entry into force of this Regulation and the distribution of the installed machines by locations;

g) the plan and dynamics of adapting the machines to the requirements of this Regulation during the transitional period;

h) the total planned capacity of all banknote handling machines after the transitional period (the capacity of already-installed machines increased by the capacity of machines planned to be installed until the end of the transitional period), broken down by each type of machine.

5. The Bank of Albania may require further specification of the submitted information or additional information, where it establishes that the plan submitted for the application of this Regulation over the transitional period does not contain all the necessary information, or where the information is not in compliance with the requirements of this Regulation.

Article 26
Others

1. The Bank of Albania shall treat the information received pursuant to this Regulation as confidential.

2. The Bank of Albania shall publish the technical procedures for the performance tests of machines and an application form on its website.

Article 27
Final provision

The attached annexes are an integral part of this Regulation.

Chairman of the Supervisory Council

ARDIAN FULLANI

ANNEX 1

Minimum standards for automated processing criteria of banknotes

1. Soil

   Soil increases the optical density of lek banknotes. The following table specifies the maximum density increase of limit samples compared to new lek banknotes that lek banknotes may exhibit to be classified as fit:

   Table 1

   Optical density levels

Denomination	Maximum density increase of limit sample compared to new lek banknotes
Lek 200	0.06
Lek 500	0.06
Lek 1000	0.08
Lek 2000	0.07
Lek 5000	0.04

   Lek banknotes not meeting these criteria are unfit.

   The Bank of Albania keeps reference lek banknotes showing a soil level derived from these criteria.

2. Stain

   Lek banknotes with a localised 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. Graffiti

   Lek banknotes with a localised concentration of writing or graffiti 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.

4. De-inked banknote

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

5. Tear

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

Table 2

Tear

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

6. Hole

Lek banknotes with holes which are not partly or fully covered by the machine's transport belts are unfit if the area of the hole is greater than 10 mm2.

7. Mutilation

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

8. Repair

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

9. Crumples

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

10. Limpness

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

11. Fold

    Folded lek banknotes, because of their reduced length or width, can be detected by sensors checking the size of the lek 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.

12. Folded corner

    A lek banknote with a folded corner with an area of more than 130 mm2 and a minimum length of the smaller edge greater than 10 mm is unfit.

ANNEX 2

DATA COLLECTION FROM ENTITIES

1. **Objectives**

The objectives of data collection are to enable the Bank of Albania to monitor the relevant activities in the cash handling and to oversee developments in the cash cycle.

2. **General principles**

2.1 Data on banknote handling machines are only reported when the machines are used for recirculation of lek banknotes.

2.2 Cash handlers regularly provide the Bank of Albania with the following:

- information on establishments where cash is handled, such as branch offices; and
- information on banknote handling machines and cash dispensers.

2.3 In addition, cash handlers that recirculate lek banknotes via banknote handling machines and cash dispensers regularly provide the Bank of Albania with the following:

- information on the volume of cash operations (number of lek banknotes processed) involving banknote handling machines and cash dispensers;
- information on remote branches of entities with a low level of cash operations where fitness checks are carried out manually.

3. **Type of data and reporting requirements**

3.1 Depending on its nature, the data collected are divided into master data and operational data.

Master data

3.2 Master data cover information on: (a) cash handlers and their banknote handling machines and cash dispensers in operation; and (b) remote branches of entities.

3.3 Master data are provided to the Bank of Albania on a three-monthly basis following the date of entry into force of this Regulation. The data specified in the template set out in Annex 2a must be provided.

Operational data

3.4 Data originating from the processing and recirculation of lek banknotes by cash handlers are classified as operational data. Data are reported to the Bank of Albania on a three-monthly basis. Data are reported to the Bank of Albania at the latest one month after the reporting period. Data are reported using the template set out in Annex 2B.

3.5 Data are reported by cash handlers in terms of quantity (pieces), aggregated at national level and broken down by lek banknote denomination. For remote branches of entities, operational data are reported separately.

4. Confidentiality and publication of data

4.1 Both master data and operational data are treated as confidential.

4.2 The Bank of Albania may decide to publish reports or statistics using data acquired under this Regulation. Any such publication shall contain aggregated data in such a way that no data can be attributed to a single reporting entity.

ANNEX 2A

REPORTING TEMPLATE

Master data

1. Cash handler information

Cash handler's name:
Headquarters address:
City:
Street:
    Contact persons:
    Names:
    Telephone Nos:
    Telefax Nos:
    E-mail addresses:

2. Customer-operated machines

Type	Manufacturer (*)	Machine name (*)	Identification (*) (detector system/software versions)	Total number in operation
CIMs				
CRMs				
CCMs				
COMs				
TARMs (**)				
TAMs (*)				
(*) These entries are completed following the corresponding entries on the Bank of Albania's website. (**) Used as customer-operated machines.				

3. Staff-operated machines

Type	Manufacturer (*)	Machine name (*)	Identification (*) (detector system/software versions)	Total number in operation
BPMs				
BAMs				
TARMs (**)				
TAMs (*)				
(*) These entries are completed following the corresponding entries on the Bank of Albania's website. (**) Used exclusively as staff-operated machines.				

4. Cash dispensers

Type	Total number in operation
ATMs	
Others	

ANNEX 2B

REPORTING TEMPLATE

Operational data

1. **Cash handler information**

Cash handler's name:	
Reporting period	

2. **Data**

	Total number of lek banknotes processed (^{1})	Of which sorted as unfit	Of which recirculated (^{2})
Lek 200			
Lek 500			
Lek 1000			
Lek 2000			
Lek 5000			
(^{1}) This item covers both staff-operated and customer-operated machines. (^{2}) Lek banknotes that are returned to the Bank of Albania, and lek banknotes recirculated over the counter which are not processed on a staff- operated machine, are excluded.			

	Number of lek banknotes distributed via customer-operated machines and cash dispensers.
Lek 200	
Lek 500	
Lek 1000	
Lek 2000	
Lek 5000	

ANNEX 2C

REMOTE BRANCHES OF ENTITIES

This information is provided only by entities which have remote branches as referred to in Article 9 of this regulation.

1. **Entity information**

Entity's name Reporting period	

2. **Data**

Name of remote branch	Address	Number of lek banknotes distributed via customer-operated machines and cash dispensers.	
		Lek 200	
		Lek 500	
		Lek 1000	
		Lek 2000	
		Lek 5000	