



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

CENTRAL BANK OF MALTA

DIRECTIVE NO 10

in terms of the

CENTRAL BANK OF MALTA ACT
(Cap. 204 of the Laws of Malta)

**AUTHENTICATION, FITNESS CHECKING AND RECIRCULATION OF EURO
BANKNOTES AND COINS**

Ref: CBM/10

DIRECTIVE NO 10

DIRECTIVE ON THE AUTHENTICATION, FITNESS CHECKING AND RECIRCULATION OF EURO BANKNOTES AND COINS

Issued on 27 October 2008
Amended on 7 October 2010, 31 December 2010, 8 January 2013,
21 November 2013, 13 January 2021, and 28 April 2022.

INTRODUCTION

1. In terms of article 50A of the Central Bank of Malta Act (Cap. 204 of the Laws of Malta) (hereinafter referred to as the “Act”), the Central Bank of Malta (hereinafter referred to as the “Bank”) has been empowered to issue directives in order to provide for the circulation of euro banknotes and coins. In this Directive, unless the context otherwise requires, terms used in this Directive shall have the same meaning as is assigned to them under the Act.
2. This Directive lays down common rules and procedures on the authenticity, fitness checking and recirculation of euro banknotes and coins with the aim to safeguard the integrity of euro banknotes and coins as a means of payment.
3. This Directive supplements the obligations laid down in:
 - (a) the [Decision of the European Central Bank of 16 September 2010 on the authenticity and fitness checking and recirculation of euro banknotes](#) (ECB/2010/14) (hereinafter referred to as the “ECB Decision”), and shall be interpreted and construed accordingly; and
 - (b) [Regulation \(EU\) No 1210/2010](#) of the European Parliament and of the Council of 15 December 2010 concerning the authentication of euro coins and handling of euro coins unfit for circulation (hereinafter referred to as the “Council Regulation”).
 - (c) [Directive 2014/62/EU](#) of 15 May 2014 on the protection of the euro and other currencies against counterfeiting by criminal law (hereinafter referred to as the “EU Directive”).
4. The Directive is without prejudice to any applicable legislation in respect of counterfeit currency and shall not apply to the authenticity and fitness checking of euro banknotes and coins carried out by the Bank.

PART I

AUTHENTICITY, FITNESS CHECKING AND RECIRCULATION OF BANKNOTES

5. Authenticity, fitness checking and recirculation of euro banknotes shall be subject to the rules set out in this Part and in the ECB Decision. This Part shall be applicable to cash handlers as referred to in Article 6(1) of Council Regulation (EC) No 1338/2001¹.
6. If two or more cash handlers are involved in the recirculation of the same euro banknotes, the cash handler responsible for the authenticity and fitness checking of these euro banknotes shall be the first cash handler which has received the euro banknotes, either from the public as payment or as a deposit in a bank account.
7. Where an exceptional event occurs as a result of which the euro banknote supply in Malta is significantly impaired, cash handlers’ trained staff members may, on a temporary basis, and subject to the Bank’s agreement that the event is exceptional, carry out manual authenticity and fitness checking of euro banknotes to be recirculated via customer-operated machines or cash dispensers.

¹ Council Regulation (EC) No 1338/2001 of 28 June 2001 laying down measures necessary for the protection of the euro against counterfeiting.

Monitoring Activities and Corrective Measures

8. The Bank may:
 - (a) carry out on-site inspections, including unannounced ones, at cash handlers' premises to monitor their banknote handling machines, in particular the machines' capacity in order to check for authenticity and fitness and to trace suspect counterfeit euro banknotes and euro banknotes that are not clearly authenticated to the account holder; and
 - (b) verify the procedures governing the operation and control of the banknote handling machines, the treatment of checked euro banknotes and any manual authenticity and fitness checking.
9. The Bank may take samples of processed euro banknotes to check them at its own premises.
10. If in the course of an on-site inspection the Bank detects non-compliance with the provisions of this Directive, it shall require the adoption of corrective measures, by the cash handler, within twenty (20) working days. Until the non-compliance is rectified, the Bank may, on behalf of the ECB, prohibit the cash handler from recirculating the banknote denomination(s) of the series concerned. If the non-compliance is due to a failure of the type of banknote handling machine, this may lead to its removal from the list referred to in Article 9(2) of the ECB Decision.
11. Where a cash handler does not cooperate with the Bank in an inspection, this shall be considered as non-compliance.

Reporting Obligations

12. In order for the ECB and the Bank to monitor the compliance by cash handlers with this Directive and to oversee developments in the cash cycle, the Bank shall be:
 - (a) informed in writing, including by electronic means before a type of banknote handling machine is put into operation;
 - (b) provided with the information as specified in Annex IV of the ECB Decision and article 12 of the Council Regulation;
 - (c) provided with data as specified in Appendix 1 of this Directive.

PART II

AUTHENTICATION OF EURO COINS AND HANDLING OF EURO COINS UNFIT FOR CIRCULATION

13. The authentication of euro coins and the handling of euro coins unfit for circulation shall be subject to the rules set out in this Part of the Directive and in the Council Regulation. This Part shall be applicable to institutions as referred to in the first subparagraph of article 6(1) of Council Regulation (EC) No 1338/2001 laying down measures necessary for the protection of the euro against counterfeiting, excluding those referred to in the third indent thereof.

AUTHENTICATION OF EURO COINS Controls by the Bank

14. An institution shall have an obligation to ensure that euro coins received and which are intended to be put back into circulation are checked for authenticity and counterfeits are detected. Any counterfeit euro coins so detected and any euro coins unfit for circulation shall be delivered immediately to the Bank. As a result, the Bank shall perform annual on-the-spot controls on institutions with a view to verifying, through detection tests, the proper functioning of a representative number of coin-processing machines used. The Bank shall have the right to access the premises of an institution and to carry out an inspection for the purposes mentioned in this Directive. The institution shall, upon reasonable notice given by the Bank, comply with any request of the Bank to gain access to its premises and to inspect any machine or document, including in electronic form that the Bank may require. Where personnel of an institution is expected to check manually the authenticity of euro coins to be put back into circulation, the Bank shall seek an assurance from the institution that its personnel is duly trained for that purpose.

15. The Bank shall check on an annual basis such number of coin-processing machines that represent, in terms of the volume of euro coins processed by those machines during a particular year, at least 25% of the total cumulated net volume of euro coins issued by Malta from the introduction of euro coins in 2008 until the end of the previous year. The number of coin-processing machines to be checked shall be calculated on the basis of the volume of the three highest denominations of euro coins intended for circulation. The Bank shall endeavour to ensure that coin-processing machines are checked on a rotating basis.
16. In the event that the number of coin-processing machines checked annually in accordance with paragraph 15 is higher than the number of machines operating in Malta, all the coin-processing machines operating in Malta shall be checked annually.
17. As part of its annual controls, the Bank shall monitor the capacity of institutions to authenticate euro coins on the basis of:
 - (a) the existence of a written policy providing instructions relating either to the use of automatic coin-processing equipment or to manual sorting, as appropriate;
 - (b) the allocation of appropriate human resources;
 - (c) the existence of a written maintenance plan intended to keep coin-processing machines at their appropriate performance level;
 - (d) the existence of written procedures for submitting counterfeit euro coins, euro coins unfit for circulation and other coin-like objects that do not comply with the specifications of genuine euro coins to the Bank;
 - (e) the existence of internal control procedures describing the modalities and the frequency of the controls to be carried out by institutions to ensure that their sorting centres and their personnel follow the instructions set out in this paragraph.
18. Where the Bank detects non-compliance with this Directive, the institution concerned shall take the measures requested by the Bank to ensure that the non-compliance is rectified promptly.

HANDLING OF EURO COINS UNFIT FOR CIRCULATION

Withdrawal and reimbursement of euro coins unfit for circulation

19. The Bank shall reimburse or replace euro coins that have become unfit due to long circulation or accident or that have been rejected during the authentication procedure for any other reason.
20. Without prejudice to articles 188D and 188E of the Criminal Code (Cap. 9 of the Laws of Malta), the Bank may refuse reimbursement of euro coins unfit for circulation which have been altered either deliberately or by a process that could be reasonably expected to have the effect of altering them, notwithstanding reimbursement of euro coins collected for charitable purposes, such as 'fountain coins'.
21. The Bank shall ensure that after withdrawal, euro coins unfit for circulation are destroyed by physical and permanent deformation, so that those euro coins cannot be put back into circulation or submitted for reimbursement.

Handling Fees

22. The Bank may impose a handling fee of 5% of the nominal value of the submitted euro coins unfit for circulation which may be withheld from the reimbursement or the replacement of those euro coins.
23. In the event that an entire bag or box of euro coins is checked in accordance with paragraph 30, the handling fee charged by the Bank shall be supplemented by an additional fifteen percent (15%) fee of the nominal value of the submitted euro coins.
24. The Bank may apply general or partial exemptions from handling fees in cases where the persons submitting the euro coins co-operate closely and regularly with the Bank in withdrawing from circulation counterfeit euro coins or euro coins unfit for circulation or where such exemptions serve the public interest.
25. Transport and any related costs shall be borne by the person submitting the euro coins.
26. Without prejudice to the exemption provided in paragraph 24, a maximum quantity of one kilogram of euro coins unfit for circulation per denomination per person submitting euro coins shall be exempted from the handling fee each year. If that limit is exceeded, all the euro coins submitted may be subject to a fee.

27. Where an individual submission of euro coins includes coins treated with chemical or other hazardous substances to such a degree that they may be deemed to harbour a health risk for handlers, the charges levied in accordance with paragraphs 22 and 23 shall be supplemented by a further fee equivalent to 20% of the nominal value of the euro coins submitted.

Packing of euro coins unfit for circulation

28. Any person submitting euro coins for reimbursement or replacement shall sort them per denomination in standardised bags or boxes as follows:
- a) the bags or boxes shall comprise:
 - (i) 500 coins for the denomination of EUR 1 and EUR 2;
 - (ii) 1,000 coins for each of the denominations of EUR 0,50, EUR 0,20 and EUR 0,10;
 - (iii) 2,000 coins for the denomination of EUR 0,05, EUR 0,02 and EUR 0,01; and
 - (iv) For smaller quantities, 100 coins of each denomination.
 - b) Each bag or box shall bear the identifying details of the submitting person, the value and the denomination contained, the weight, the date of packaging and the bag or box number; the submitting person shall provide a packaging list with an overview of the bags or boxes submitted; where euro coins have been treated with chemical or other hazardous substances, the standard packaging units shall be accompanied by a written declaration specifying the exact substances which have been used.
 - c) Where the total quantity of euro coins unfit for circulation is smaller than the requirements referred to in point (a) above, those euro coins shall be sorted by denomination and may be submitted in non-standard packaging.

Checks of euro coins unfit for circulation

29. The Bank shall check euro coins unfit for circulation submitted by any person as follows:
- (a) The quantity declared shall be checked by weighing each bag or box;
 - (b) Authenticity and visual appearance shall be checked on the basis of a sample of at least 10% of the submission.
30. In the event that anomalies following the checks referred to in paragraph 29, or deviations from paragraph 28 are identified, the entire bag or box shall be checked.
31. Where the acceptance or processing of euro coins constitutes a health risk for handlers or a submission fails to meet packaging and labelling standards, the Bank may refuse to accept such euro coins.

Reporting, communication and evaluation

32. The institutions shall provide the Bank by 15 July and by 15 January of every year with the following information:
- (a) the types and number of coin-processing machines used;
 - (b) the location of each coin-processing machine; and
 - (c) the volume of coins processed per coin-processing machine, for the preceding six months and per denomination, for at least the three highest denominations.

PART III BANK'S HANDLING OF COUNTERFEIT BANKNOTES AND COINS

33. When the Bank has determined that banknotes and coins are counterfeit, such counterfeit currency shall be used as evidence in case of criminal proceedings.

34. In accordance with the EU Directive, once criminal proceedings have been concluded, samples of the counterfeit currency shall be transmitted without any delay to the Bank's Counterfeits Surveillance Unit established under article 54 of the Act.

PART VI
ADMINISTRATIVE PENALTIES

Where any person, entity or institutions contravenes or fails to comply with any requirement set out in this Directive, the Bank may impose an administrative penalty in accordance with article 56 of the Act and Central Bank of Malta Directive No 12 on Administrative Measures and Penalties for Infringements issued under the Act.

Appendix 1

DATA COLLECTION FROM CASH HANDLERS

1. Objectives

The objective of this data collection is to enable the Bank to monitor cash accessibility in Malta and to oversee developments in the cash cycle.

2. General Principles

- Data on Automated Teller Machines are only reported to the Bank when such machines are used for dispensing cash or for depositing cash.
- Data on Coin Processing Machines are only reported to the Bank when recirculation of coins is done via such machines.
- Data on Banknote Authentication Devices are only reported to the Bank to facilitate the latter's offsite monitoring of such devices.

3. Type of Data and Reporting Requirements

- Automated Teller Machine data, as requested in Tables 1 & 2 below, shall be provided to the Bank, on a monthly basis, by not later than the fifteenth (15th) day of each month following the reference month to which the data pertains in a given calendar year
- The following information, as requested in Tables 3 & 4 below shall be provided to the Bank at the end of a six (6)-month period in a given calendar year:
 - a) the types and number of Banknote Authentication Devices (Table 3);
 - b) the types and number of Coin-Processing Machines used (Table 3);
 - c) the location of each Coin-Processing Machine (Table 3); and
 - d) the volume of coins processed per Coin-Processing Machine, per year and per denomination, including, as a minimum, the three highest denominations (Table 4).

4. Confidentiality and Publication of Data

- Any data collected under this Directive is treated by the Bank as confidential.
- The Bank may decide to publish reports or statistics using the data acquired under this Directive to carry out its functions under the Act, and any other applicable legislation. Any publication by the Bank is aggregated in order for it not to identify transactions pertaining to a specific reporting institution.

Table 1. ATM Withdrawals				
ATM Reference	Location	Value	Volume	No. of Transactions

Table 2. ATM Deposits			
ATM Reference	Location	Value	No. of Transactions

Table 3. Machines						
No. of coin processing machines	Location of coin processing machine	No. of banknote authentication devices	Machine ID	Manufacturer	Machine Type	Software Version

Table 4. Coin Operational Data				
	<i>Machine 1</i> Volume of coins processed	<i>Machine 2</i> Volume of coins processed	<i>Machine 3</i> Volume of coins processed	<i>Machine 4</i> Volume of coins processed
€2				
€1				
50c				