



## OPINION OF THE EUROPEAN CENTRAL BANK

of 22 June 2011

on the circulation of banknotes and coins

(CON/2011/51)

### **Introduction and legal basis**

On 10 May 2011 the European Central Bank (ECB) received a request from Česká národní banka for an opinion on a draft decree on the implementation of certain provisions of the Law on the circulation of banknotes and coins (hereinafter the ‘draft decree’).

The ECB’s competence to deliver an opinion is based on Articles 127(4) and 282(5) of the Treaty on the Functioning of the European Union and the first, second and third indents 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<sup>1</sup>, as the draft decree relates to currency matters, means of payment and CNB. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

### **1. Purpose of the draft decree**

The draft decree comprehensively implements relevant provisions of the recently adopted Law on the circulation of banknotes and coins<sup>2</sup> (hereinafter the ‘Law’), on which the ECB was consulted in 2009<sup>3</sup>. The draft decree lays down, in particular: (i) standards for processing national banknotes and coins; (ii) a description of the degree of wear and damage of national banknotes and coins unfit for further circulation; (iii) the procedure for seizing suspicious banknotes and coins; (iv) reproduction rules for national and foreign banknotes and coins; (v) reporting obligation vis-à-vis the national central bank; and (vi) types and content of professional training courses on identifying national and foreign banknotes and coins suspected of being counterfeit.

### **2. General observations**

The Czech Republic is a Member State with a derogation within the meaning of Article 139 of the Treaty and, therefore, the ECB requirements regarding (i) the authenticity and fitness checking and recirculation

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<sup>1</sup> OJ L 189, 3.7.1998, p. 42.

<sup>2</sup> Law No 136/2011 Coll. on the circulation of banknotes and coins and amending Law No 6/1993 Coll. on Česká národní banka. Under Article 35 of Law No 136/2011 Coll., CNB is authorised to issue a decree to implement specific provisions of the Law.

<sup>3</sup> See Opinion CON/2009/52. All ECB opinions are published on the ECB’s website at [www.ecb.europa.eu](http://www.ecb.europa.eu).

of euro banknotes<sup>4</sup> and (ii) the reproduction rules for euro banknotes<sup>5</sup> currently do not apply to Česká národní banka. These requirements will apply to Česká národní banka once the Czech Republic adopts the euro and Česká národní banka becomes a fully integrated member of the Eurosystem. In this context, the ECB generally welcomes the efforts to make the Czech legal framework in this area compatible with that applicable in the euro area as this will facilitate the future participation of the Czech Republic in economic and monetary union. However, Opinion CON/2009/52 remains largely valid also in the context of the present draft decree<sup>6</sup> and should be considered alongside the specific observations set out below.

### 3. Specific observations

#### 3.1 *Standards for processing the national currency*

The ECB notes that the standards for processing the national banknotes draw largely on Decision ECB/2010/14. As regards the procedures for the testing of currency processing equipment, the draft decree provides that each type of equipment will only be tested once and that the validity of a test will not be time limited. However, Česká národní banka may, where appropriate, retest all equipment that has already passed the test<sup>7</sup>. This approach may bear the risk that currency processing equipment is not regularly and mandatorily re-tested to check that it is still capable of detecting the most recent counterfeits in circulation. The ECB notes that under Decision ECB/2010/14 the successful test results are valid for one year only, provided that the relevant equipment is capable of detecting all counterfeits known during this period<sup>8</sup>.

#### 3.2 *Reproduction of banknotes*

According to the explanatory memorandum to the draft decree, the conditions under which banknote reproductions may be made are identical (with one exception allowing for the reproduction of visually distorted banknotes) to the conditions laid down in Decision ECB/2003/4. The ECB notes, however, that the draft decree allows tangible reproductions that have the original banknote size and the word 'Specimen' or other similar word printed diagonally across them<sup>9</sup>. Decision ECB/2003/4 does not allow such reproductions of euro banknotes, as the risk that they may be mistaken by the general public for genuine euro banknotes is considered too high.

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<sup>4</sup> See Decision ECB/2010/14 of 16 September 2010 on the authenticity and fitness checking and recirculation of euro banknotes (OJ L 267, 9.10.2010, p. 1).

<sup>5</sup> See Decision ECB/2003/4 of 20 March 2003 on the denominations, specifications, reproduction, exchange and withdrawal of euro banknotes (OJ L 78, 25.3.2003, p. 16).

<sup>6</sup> See, in particular, paragraphs 2.2, 2.3 and 3.1 of Opinion CON/2009/52.

<sup>7</sup> See Article 6(5) of the draft decree.

<sup>8</sup> See Article 9(3) of Decision ECB/2010/14.

<sup>9</sup> See Article 16(1)(d) of the draft decree.

**ECB-PUBLIC**

This opinion will be published on the ECB's website.

Done at Frankfurt am Main, 22 June 2011.

[signed]

*The President of the ECB*

Jean-Claude TRICHET