

## **Local Cash Recycling – Frequently Asked Questions**

### **1. Why have a cash recycling Code?**

The aim of the Code is to minimise the risk of counterfeit notes being recirculated through customer-operated cash dispensers (COCDs), when the recipient has no opportunity to refuse a suspect note. To help maintain confidence in the currency, the Code requires banknotes dispensed through COCDs to have been machine-authenticated prior to their dispense. Overall, only a tiny fraction of notes in circulation are [counterfeit](#). However, it is important that the growing practice of filling note-dispensing machines with 'recycled' notes does not increase the risk of counterfeits being recirculated.

### **2. What is 'cash recycling'?**

Cash recycling is the practice of filling COCDs with notes sourced from the public without these notes being sent via a wholesale cash processor, for example, by a merchant using till takings. Such practices bypass the controls in place in the wholesale cash sector which works to strict standards to ensure that only genuine, fit notes reach the public. Locally recycled banknotes need to be authenticated to the same standards to ensure the public can be confident that the banknotes they receive are genuine.

### **3. What types of note-dispensing machines are covered by the Code?**

The Code covers all COCDs, including self-service checkout terminals and ATMs, and is being implemented in stages (see 'When did the Code come into effect?'). Transactions where banknotes are handed over by a person are not included. This is because members of the public receiving banknotes from another person, at a till or branch counter, have the opportunity to refuse the banknotes if they are not confident that they are genuine.

### **4. How does the Code affect organisations which buy all their notes from a third party?**

There are two different, Code compliant, approaches to note authentication by bulk banknote suppliers. For the COCD operator, Code compliance can be achieved by sourcing notes authenticated by either of these approaches. The key to ensuring Code compliance for an organisation which sources its notes from a bulk supplier is to confirm with the supplier that the notes have been authenticated via one of these methods and have not been recirculated since the authentication. The two approaches are:

- 'Wholesale' – notes that have been authenticated by a cash processor according to the terms of a contract it has with the Bank of England or Scottish or Northern Ireland banknote issuers. For Bank of England notes the Note Circulation Scheme (NCS) Members and the Northern Ireland issuing banks each sort notes under such contracts. These notes are authenticated robustly and compliance is monitored by the Bank of England.
- 'Other bulk supply' – notes that have not been authenticated under contract with the Bank of England or Scottish or Northern Ireland issuers. These notes are compliant with the Code so long as they are authenticated in accordance with the principles of the Code using a machine and software/firmware version listed on the Framework (see question 5a).

### **5.**

#### **a) What is the Machine Testing Framework?**

There are two frameworks: one for Bank of England notes and one run by the ACBI for Scottish and Northern Ireland notes. The Frameworks are a voluntary mechanism by which manufacturers can submit their machines for testing with genuine and counterfeit notes according to standards set by the Bank or ACBI. The Bank and ACBI publishes lists of machines which have passed these tests. Information on the Framework can be accessed [here](#) (Bank of England) and [here](#) (ACBI).

#### **b) What happens if my authentication device becomes out of action for any reason?**

A backup authentication process must be in place in the event of a machine being temporarily inoperable. This can include a manual process, examples of which are available on the [Bank of England's website](#). The machine must be repaired or replaced within 28 calendar days.

## 6. Does the Code require notes to be sorted for quality?

While banknote quality sorting is not a requirement of the Code, it is strongly encouraged, particularly for those who are undertaking local recycling on a significant scale. Guidance on minimum quality standards is provided for Bank of England banknotes and can be sought from Scottish and Northern Ireland issuers. Where possible, banknotes not meeting minimum standards should be deposited with a bank or wholesale cash processor rather than recirculated, so they can be returned by wholesale cash processors to the issuer for replacement.

## 7. How does the Code treat Scottish and Northern Ireland banknotes?

The Code initially applied to Bank of England Banknotes only. In March 2017 the Association of Commercial Banknote Issuers (ACBI) launched a machine testing framework that tests machines that can authenticate Scottish and Northern Ireland banknotes. This provided the opportunity for the Code to be extended to S&NI banknotes, which provides members of the public with the same reassurance on authenticity regardless of which sterling banknote is dispensed by a Customer Operated Cash Dispenser (COCD).

A public consultation was held from April to June 2016 on extending the Code to include Scottish and Northern Ireland banknotes, and the results of this consultation, including the recommendations and responses to comments received, were published March 2017.

## 8. How does the Code apply to a self-service checkout or ATM which dispenses both bulk supplied and recycled notes?

In order to be Code-compliant, COCDs must dispense only notes which have been authenticated by a device listed on the [Bank of England's Machine Testing Framework](#) or [ACBI's Machine Testing Framework](#). For bulk third party supplied notes, the operator should confirm with the supplier that this requirement is met for the notes supplied. The COCD operator must ensure that any notes which are locally sourced ('recycled') also meet this requirement, even if they form only a small proportion of total notes dispensed. This [diagram](#) provides more detail on how the Code applies to various configurations of note-dispensing machines.

## 9. Who is responsible for the Code?

The Code Sponsors are the Bank of England, British Retail Consortium, Cash Services, LINK, and Association of Commercial Banknote Issuers (ACBI). A Review Group, which comprises of representatives of the Sponsors, reports to UK Cash Services Advisory Board (formerly Cash Services Senior Group (CSSG)), whose members include the Bank of England, the Royal Mint, HM Treasury, wholesale cash operators and representatives of retail banks and other cash industry stakeholders.

## 10. When did the Code come into effect?

The Code was published in July 2013 and has a staged implementation process for note-dispensing machines, depending on the banknote, type of machine and volume of transactions achieved. The deadlines for compliance are as follows:

### Bank of England banknotes:

- 31 March 2014 – all newly-installed ATMs and ATMs with renewed contracts
- 30 September 2014 – all ATMs achieving 500 or more cash transactions per month and all self- service checkouts
- 31 March 2016 – non- merchant-fill\* ATMs achieving between 150 and 500 cash transactions per month
- 31 March 2017 – all other ATMs

### Scottish and Northern Ireland banknotes:

- 31 March 2019 – All COCDs dispensing Scottish and Northern Ireland notes

\*A 'merchant-fill' ATM is one where the cash loaded into the ATM comes directly from the merchant who hosts the ATM and is not processed by the ATM operator or any other third party before being loaded into the ATM. Any other ATM is considered 'non-merchant fill'.

## 11. How is compliance monitored?

Organisations operating non-LINK ATMs and/or other COCDs must declare their compliance state annually as at end March. Certification documents (which can be downloaded [here](#)) are available ahead of this timetable together with details of any additional information required. The certificate

should be completed and sent to [local.recycling@cashservices.org.uk](mailto:local.recycling@cashservices.org.uk). The deadline for submissions is end May each year. LINK scheme members certify the compliance of their ATMs as part of their annual LINK attestation process.

**12. Will the Code be reviewed?**

The Code includes a commitment for the Review Group to report to Code Sponsors on at least an annual basis on the level of uptake of the Code among stakeholders, feedback received and suggested improvements that could be made. The first formal review was published in 2015. This and subsequent reviews can be found on the [Cash Services website](#).

The Review Group currently consists of representatives of the Bank of England, the British Retail Consortium, UK Cash Services Advisory Board, LINK, Payments UK and The Association of Commercial Banknote Issuers. Other representatives will be added to the Group as necessary to ensure appropriate stakeholder representation.

**13. Has the introduction of polymer banknotes affected the implementation, or requirement for, the Code?**

Following feedback, the implementation deadlines were changed to be more compatible with the timetable for the introduction of polymer notes, and are detailed under question 10 (above).

No banknote will ever be counterfeit proof, and as such the Code remains a vital tool in helping to prevent counterfeit notes from circulating in the economy.

**14. Have any other countries launched a Code?**

Other countries have also introduced arrangements to minimise the recirculation of counterfeit banknotes from automated cash-dispensers. For example, ECB legislation requires all euro banknotes to be authenticated (and fitness tested) prior to being machine-dispensed.

**15. How can I seek clarification to any other questions about the Code?**

If you have any other questions about the Code, or wish to raise any issues or concerns, please email [local.recycling@cashservices.org.uk](mailto:local.recycling@cashservices.org.uk).