



Brussels, 12.10.2017
C(2017) 6734 final

REPORT FROM THE COMMISSION

TO THE ECONOMIC AND FINANCIAL COMMITTEE

under Article 12(4) of Regulation (EU) No 1210/2010 of the European Parliament and of the Council of 15 December 2010 concerning authentication of euro coins and handling of euro coins unfit for circulation

**REPORT FROM THE COMMISSION
TO THE ECONOMIC AND FINANCIAL COMMITTEE**

under Article 12(4) of Regulation (EU) No 1210/2010 of the European Parliament and of the Council of 15 December 2010 concerning authentication of euro coins and handling of euro coins unfit for circulation¹

1. OBJECTIVE OF REGULATION (EU) No 1210/2010

In order to improve the protection of the euro against counterfeiting Council Regulation (EC) No 1338/2001² requires credit institutions and, within the limits of their payment activity, other payment service providers and any other institutions engaged in the processing and distribution to the public of notes and coins (hereinafter "institutions") to ensure that euro notes and coins, which they have received and which they intend to put back into circulation, are checked for authenticity and that counterfeits are detected.

For coins this obligation is further detailed in Regulation (EU) No 1210/2010 of the European Parliament and of the Council of 15 December 2010 concerning authentication of euro coins and handling of euro coins unfit for circulation (hereinafter "the Regulation"). The objective of the Regulation is to ensure effective and uniform authentication of euro coins throughout the euro area by providing binding rules for the implementation of common procedures for the authentication of euro coins in circulation as well as for implementation of control mechanisms of the authentication procedures by the national authorities. An authentication procedure is designed to verify that euro coins are authentic and fit for circulation.

The Regulation stipulates that the authentication obligation shall be implemented by means of coin-processing machines or by trained personnel. Following the authentication procedure all suspected counterfeit coins and coins unfit for circulation are to be sent to the Coin National Analysis Centre or another authority designated by the Member State concerned. The Regulation sets out the testing requirements for the coin-processing machines, rules for handling coins unfit for circulation, as well as control mechanisms to be put in place by Member States to make sure the institutions are fulfilling their authentication obligation.

¹ OJ L339, 22.12.2010, p. 1.

² Council Regulation (EC) No 1338/2001 laying down measures for the protection of the euro against counterfeiting. OJ L181, 04.07.2001, p. 6.

The European Technical and Scientific Centre (ETSC), established by Council Decision 2003/861/EC³ and Commission Decision 2005/37/EC⁴, defines the Guidelines on implementation of Regulation (EU) No 1210/2010 (hereafter the "ETSC Guidelines") in accordance with Article 7 of the Regulation.

2. PURPOSE OF THE REPORT

The Commission, after having analysed the annual reports received from the Member States, shall present an annual report to the Economic and Financial Committee (EFC) on developments and results concerning authentication of euro coins and euro coins unfit for circulation according to Article 12(4) of the Regulation.

The Commission has presented four reports to the EFC covering the years 2012⁵, 2013⁶, 2014⁷ and 2015⁸. This report is the fifth report that the Commission is presenting to the EFC and it refers to the year 2016. Its main purpose is to monitor the correct implementation of the common authentication procedures, to assess whether the control mechanisms of the authentication procedures by the national authorities are effective and, finally, to furnish a statistical overview based on the reports received from Member States.

3. REPORTS OF MEMBER STATES ON THEIR ACTIVITIES AS REGARDS AUTHENTICATION OF EURO COINS

Member States are required to submit annually reports to the Commission on their activities as regards authentication of euro coins in line with Article 12(1) of the Regulation. The information provided should include the number of controls carried out, and of coin-processing machines checked, the test results, the volume of coins processed by those machines, the number of suspected counterfeit coins analysed and the number of euro coins unfit for circulation reimbursed. The deadline for transmission of the annual reports by Member States is set in the ETSC Guidelines as the 15th of February of the year following the reporting year.

³ Council Decision of 8 December 2003 concerning analysis and cooperation with regard to counterfeit euro coins (2003/861/EC) OJ L 325, 12.12.2003, p. 44.

⁴ Commission Decision of 29 October 2004 establishing the European Technical and Scientific Centre (ETSC) and providing for coordination of technical actions to protect euro coins against counterfeiting (2005/37/EC) OJ L 19, 21.1.2005, p. 73.

⁵ COM(2014)277 final.

⁶ C(2014)6536 final.

⁷ C(2015)6960 final.

⁸ C(2016) 6465 final.

4. ASSESSMENT OF THE REPORTS OF MEMBER STATES FOR THE YEAR 2016

4.1. Assessment criteria

The main reporting criteria concerning authentication of euro coins and euro coins unfit for circulation are set out in Article 12(1) of the Regulation. In order to coordinate the implementation of the authentication procedures, Article 7 of the Regulation authorises the ETSC to define guidelines, including practical implementation provisions, related to controls, checks and auditing by Member States, after having consulted the counterfeit coin experts' group (CCEG)⁹. On the basis of the ETSC Guidelines the Member States are required to report on the following indicators¹⁰:

1. Total number of coins processed in 2016 for the three highest denomination;
2. Total number of on-the-spot controls carried out;
3. Total number of coin-processing machines checked;
4. Total volume of coins processed by coin-processing machines checked;
5. Total number of suspect counterfeit coins analysed; and
6. Total number of unfit coins reimbursed.

4.2. Assessment of the Reports

All 19 euro-area Member States were able to comply with the obligation to submit their annual report for the year 2016. A complete overview of all figures is provided in Annex II.

4.2.1. Total number of coins processed in 2016 for the three highest denominations

On the basis of Article 3 the institutions¹¹ implement the authentication obligation by using coin-processing machines included on the list of ETSC designed to verify that euro coins are authentic and fit for circulation. The total number of coins processed by coin-processing machines in 2016 for the three highest denominations (2 euro, 1 euro and 50 eurocent) amounts to **18 177 540 550**¹². This amount represents **97.24%** of the amount of coins issued in 2016¹³.

⁹ Established by Commission Decision C(2015)6968 final of 19.10.2015.

¹⁰ See Annex I.

¹¹ Institutions are defined in Article 2(d) of Regulation (EU) No 1210/2010 in conjunction with Article 6(1) of the Council Regulation (EC) No 1338/2001.

¹² See Annex I.

¹³ Calculated on the basis of net issuance of 18 693 198 000 coins (Source: ECB Currency information system report of December 2016). It should be noted however that some coins might have been checked several times.

4.2.2. Total number of on-the-spot controls carried out

Member States are required to perform annual on-the-spot controls in institutions with a view to verifying, through detection tests, the proper functioning of a representative number of coin-processing machines used in accordance with Article 6 of the Regulation.

A total of **590**¹⁴ on-the-spot controls were carried out by Member States in 2016. The number of controls reported varied considerably between **1** and **69** controls per Member State. This may be explained by the size of the market and the way the market in a particular Member State is organised with respect to cash-processing. In some Member States the entire amount of coins is processed by a single cash-in-transit company and in others, for instance, by individual commercial banks. One Member State (Luxembourg) did not report that it had carried out any controls¹⁵.

4.2.3. Total number of coin-processing machines checked

A total of **773**¹⁶ coin-processing machines has been checked and **76.06%**¹⁷ of them demonstrated conformity with specifications. For the machines deemed non-compliant, Article 6(7) of the Regulation provides for corrective measures to be carried out¹⁸.

4.2.4. Total volume of coins processed by coin-processing machines checked

Member States have the obligation according to Article 6(3) to check the coin-processing machines which have processed at least 25% of the total cumulated net volume of the three highest denominations of euro coins issued by that Member State between the introduction of euro coins and the end of 2015.

On the basis of the data extracted from the ECB database on the net issuance per Member State from the introduction of the euro until the end of 2015, the following Member States complied with the criteria of 25% referred to in Article 6(3): Belgium, Germany, Estonia, Ireland, Greece, Spain, France, Cyprus, Latvia, Lithuania, Malta, the Netherlands, Portugal, Slovenia, Slovakia and Finland¹⁹ (see Annex III).

¹⁴ See Annex I.

¹⁵ The Commission launched an EU PILOT case for Luxembourg (EUP(2016)8969) requesting information on the implementation of Article 6 of the Regulation. The Luxembourg authorities informed the Commission that a national legislative measure is in the process of being adopted, allowing the competent authorities to carry out controls and to fulfill their obligation. The Commission considered their feedback satisfactory and thus closed the EU-Pilot case.

¹⁶ See Annex I.

¹⁷ See Annex II.

¹⁸ The ETSC Guidelines provides instructions for the Member States on how to deal with these cases.

¹⁹ Austria, Italy and Luxembourg did not comply.

The total volume of coins processed by coin-processing machines, which were checked by the designated national authorities, amounts to **8 170 994 458**²⁰. This represents **44.95%** of the volume of coins processed in 2016²¹.

4.2.5. *Total number of suspect counterfeit coins analysed*

The total number of suspect counterfeit coins analysed refers to all suspect coins sent to the Coin National Analysis Centres (CNACs) in individual Member States for analysis. The total number of suspect counterfeit coins analysed amounts to 1 440 036²² coins. The total number of counterfeit coins detected in circulation amounts to **150 258** coins²³.

4.2.6. *Total number of unfit coins reimbursed*

Member States are required to 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. Member States 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 coins collected for charitable purposes, such as "fountain coins"²⁴.

The total number of unfit coins reimbursed amounts to **13 823 614**²⁵ coins.

5. CONCLUSIONS

The current report for the year 2016 shows the following tendencies in comparison with the Commission's report to the EFC for the year 2015.

- An increasing number of coins is being authenticated (in 2016 over 18 billion coins were authenticated²⁶);
- The number of coins processed for the three highest denominations increased in 2016 by 5.14%²⁷;
- The number of analysed suspect counterfeits has increased as well as the number of unfit coins reimbursed²⁸;

²⁰ See Annex I.

²¹ Based on the figure under point 4.2.1.

²² See Annex I.

²³ Source: ETSC annual report "The protection of the euro coins in 2016"

(https://ec.europa.eu/info/sites/info/files/2016_annual_report_euro_coins_-_public_-_final.pdf).

²⁴ See Article 8 of the Regulation.

²⁵ See Annex I.

²⁶ See Annex IV – Chart 1.

²⁷ Variations on the yearly basis can be observed which could be explained because the Member States apply the rotation principle when deciding which coin processing machines should be checked in conformity with Article 6(3).

- The number of controls carried out by the Member States increased as well as the number of coin-processing machines checked²⁹;
- The number of machines deemed to be compliant (successfully passing the detection test as stipulated in Article 4(1)) has increased³⁰;
- In comparison with the previous year the number of Member States complying with the obligation to check the coin-processing machines which have processed at least 25% of the total cumulated net volume of the three highest denominations of the issued euro coins from the introduction of the euro, as stipulated in Article 6(3), has increased³¹;
- 18 out of 19 Member States of the euro area (Belgium, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Lithuania, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland) carry out controls of the correct implementation of the authentication obligation by the institutions referred to in Article 6 of the Council Regulation (EC) No 1338/2001;
- Italy has carried out controls in 2016 and Luxembourg is currently taking the necessary measures to fulfil its obligation to carry out controls.

It can be concluded that the authentication procedure in the institutions continues to work in the majority of euro area Member States. The objectives of the Regulation to achieve an effective and uniform authentication of euro coins throughout the euro area are progressively achieved.

Based on the experience of the Commission's reports for the years of 2012, 2013, 2014 and 2015, the process of implementation of the Regulation visibly improves at the level of both the credit institutions and the Member States. The timeliness and the accuracy of the Member States' reports have been improved but some progress can still be made.

As indicated in the previous Commission report on 2015³², there is a need to facilitate the implementation of the Regulation rather than to modify it. The Commission, therefore,

²⁸ See Annex IV – Chart 3.

²⁹ See Annex IV – Chart 2.

³⁰ See Annex IV – Chart 2.

³¹ Austria carries out controls but did not comply with the obligation under Article 6 (3) of the Regulation and thus the Commission will take the necessary steps reminding Austria its obligation to comply with Article 6 (3).

³² C(2016) 6465 final.

established a CCEG sub-group with Member States' representatives in order to update the ETSC Guidelines facilitating the implementation of the Regulation. The 'revised ETSC Guidelines' were endorsed by the CCEG representatives and entered into force on 15 January 2017. Moreover, the Commission has organised a conference³³ with representatives from Member States' national authorities and representatives from the coin-processing machines manufacturers. Following this conference the Commission published the non-confidential parts of the 'revised ETSC Guidelines'³⁴ further facilitating the implementation of the Regulation for stakeholders.

³³Euro coin authentication workshop/conference' was organised in Brussels, 16-18 May 2017, under the Pericles 2020 programme.

³⁴https://ec.europa.eu/info/sites/info/files/etsc_guidelines_-_public_version_-_ares.pdf