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EUROPEAN ANTI-FRAUD OFFICE (OLAF)

Protection of the Euro
European Technical & Scientific Centre (ETSC)

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THE EUROPEAN TECHNICAL & SCIENTIFIC CENTRE
ACTIVITY IN 2002

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1. ESTABLISHMENT OF THE ETSC

The European Technical and Scientific Centre (ETSC), provided for in Regulation 1338/2001, was created through an exchange of letters between the President of the Council and the French Minister for Finance, of 28 February and 9 June 2000.

Based on the above, the ETSC is temporarily hosted at the French Mint, as a distinct and independent administrative entity. It became operational on 1 October 2001. The analysis of the counterfeits is carried out in the French Mint's facilities at Pessac.

For the accomplishment of its tasks, the ETSC benefits from the administrative structure of the Commission/OLAF. The manager of the ETSC and one engineer performing technical analysis are staff of OLAF. The Paris Mint provides premises, the necessary equipment and maintenance for the functioning of the ETSC, as well as additional staff when necessary, technical support through its minting facilities and the analysis laboratory.

2. TASKS AND ACTIVITIES OF THE ETSC

The basic tasks of the ETSC are defined in the Council Regulation no. 1338/2001 laying down measures necessary for the protection of the euro against counterfeiting. The detailed responsibilities of the ETSC were initially specified by the Mint Directors Working Group (MDWG). In addition, Member States expressed the need for additional action by the ETSC. As a result, the ETSC was called to perform a broader, pro-active role in the fight against fraud and euro counterfeiting. The ETSC takes initiatives to propose and carries out specific studies where it feels it is appropriate.

Overall, the tasks and specific objectives of the ETSC are as follows.

- The primary task of the ETSC is the analysis of new types of counterfeit coins and their classification in the Counterfeit Monitoring System (CMS) or in specific registers.
- In addition, the ETSC provides continuing technical and scientific assistance to the authorities competent for the fight against currency counterfeiting namely the Coin National Analysis Centres, Europol and the National Central Offices.
- It organises seminars for specialised training in the analysis of counterfeits.
- It has developed and maintains registers on counterfeits and other fraudulent objects. Of particular importance are its contributions for the development of the CMS
- The ETSC is in contact with the coin operated industry with a view to contributing to the protection against fraud related to the euro coins; it collaborated with the main Commission/OLAF services in the preparation of proposals related to the authentication of the euro coins and the rules for medals and tokens.
- Finally, the ETSC makes substantial contributions through its participation at a number of Commission/OLAF and external groups.

For the complete analysis of counterfeits and of other fraudulent objects the ETSC also benefits from the proximity with the minting facilities and, importantly, from the metallurgical laboratory at Pessac.

3. STATUS OF COUNTERFEIT COINS IN THE COMMUNITY

During the first six months of 2002, coin-counterfeiting activity was generally low. In the second half of 2002, the euro coin counterfeiting activity seemed to enter a period with more regular detection and seizures of counterfeits.

During 2002, the number of counterfeit coins found in circulation totalled 2339. These were mainly 50c, 1€ and 2€ and were mainly detected by National Central Banks during automatic sorting operations.

In addition, 70 590 stamped counterfeit 50-cent counterfeits of high quality were seized, in June 2002, by the Carabinieri when an illegal workshop was discovered. A second illegal Mint producing 1-euro counterfeit coins was also dismantled by the Italian police in October 2002. Material for striking about 200 000 counterfeit coins and tooling for the minting were seized as well.

In 2002, the ETSC identified, in total, eleven different classes (with thirty-four variants) of stamped counterfeits: five classes of 2-euro, five classes of 1-euro and one class of 50-cent.

In terms of risk for the public, most of the detected counterfeits are likely to be accepted in hand-to-hand transactions. But vending and other coin-operated machines should reject these counterfeits if adjusted to measure conductivity and magnetism.

The ETSC estimates that, in 2002, up to two million counterfeit coins may have been put into circulation. This quantity is however very small compared to the approximately 40 billion circulating euro coins.

With regard to counterfeit cast coins directly classified in local classes by the CNACs, the activity is mainly related to 2-euro counterfeits and is concentrated in Germany where the first cast coins were effectively 2-euro, found on 28 March 2002. In total, 755 cast coins were found by National Central Banks, classified in eight local classes. The casting process for obtaining these counterfeit coins does not allow the production of large quantities, while their quality is relatively mediocre.

2-euro stamped counterfeits

Stamped counterfeit coins started appearing in April with the detection, in Germany, of a few 2-euro counterfeits with Belgian and German national faces. Other 2-euro counterfeit coins were also found by the National Central Bank for the first time in France in July 2002 and in Austria in August 2002. The quality of 2-euro counterfeits is relatively good and they are circulating mainly in Germany, with German, French, Belgian, Irish, Dutch and Spanish faces. Currently available information does not allow firm conclusions on the scale of production.

1-euro stamped counterfeits

The first 1-euro stamped counterfeit coin was found in France (Marseille) in June 2002 by the Police. This is a counterfeit with a French national side, coin-year 1999.

Almost one thousand more counterfeits were then found by the French Central Bank, mainly in the south-east of France but also in several parts of the country. Smaller quantities of 1-euro stamped counterfeit coins were also found in Germany, Italy and Austria between August and December 2002. The national faces are mainly French, Italian, but also German and Spanish.

The ETSC collaborated with the Italian CNAC in the technical analysis of 1-euro counterfeits, which allowed the conclusion that 1-euro counterfeit coins detected in the above countries had the same origin, the illegal Mint detected by the Italian authorities in October 2002 as mentioned above.

50-cent stamped counterfeits

One class has been identified so far, corresponding to stamped counterfeit coins seized by the Italian Carabinieri, as mentioned above. The quality of the design of these coins are very close to the genuine coins.

4. ASSISTANCE TO COMPETENT AUTHORITIES

4.1. Coin National Analysis Centres (CNACs)

The ETSC is regularly in contact with the CNACs. At the time of the initial implementation of the technical scheme for handling counterfeit euro coins, the ETSC contributed to and oversaw the technical preparation of the functioning of the CNACs. Currently, the ETSC provides continuing assistance in the following forms.

- a. *Continuous information and periodic reports.* The ETSC communicates to the CNACs the relevant information gained from its analysis, with a view to increase the global analysis capacity and further harmonise the individual component in technical scheme for handling counterfeit euro coins.
- b. *Technical advice.* Technical advice is frequently requested by CNACs to the ETSC regarding several cases of suspect euro coins and blanks. The ETSC periodically checks the CNACs' input of counterfeit coins in the CMS.

The ETSC frequently provides advice and training to CNAC experts for the visual analysis of counterfeit coins.

- c. *Collaboration in analysis.* Within the framework of continuous collaboration with the CNACs, prominent are the results of an analysis carried out jointly by the ETSC and the Italian CNAC. The objective of this collaboration was mainly to analyse the 1-euro counterfeit coins and working tools seized in Turin by the police in October 2002.

4.2. Europol / National Central Offices (NCOs)

The ETSC's role in technical and scientific analysis, means that it does not have an aptitude to contribute information on the identification of counterfeiters. However, based on its expertise in the detailed metallurgical analysis and production methods, it is in the position to assist, together with the Coin National Analysis Centres, the police and judicial authorities in their investigations. Thus, it provides, within the limits of its responsibilities, evaluations of specific cases of counterfeits and information of the specific sources of materials used for counterfeits and other fraudulent objects.

Consequently, the ETSC is in regular contact with Europol and with individual National Central Offices competent for the fight against counterfeiting.

4.3. Co-operation with the European Central Bank (ECB)

The ETSC is in close contact with the ECB. In particular, it communicates its reports to the ECB. The main area of collaboration concerns the improvement of the CMS where the ETSC acts as a representative of the Coin National Analysis Centres.

5. SPECIALISED TRAINING

In November 2001, the ETSC assisted the French Mint in organising a "Seminar on technical analysis of counterfeit coins" in Pessac/Bordeaux on the premises of the ETSC.

In the framework of the Pericles program, the ETSC organised an "Advanced technical analysis training for technical experts from the Member States" in October 2002 on the premises of the ETSC in Pessac. The training was aimed at improving proficiency in technical analysis in the Member States (CNACs) and to harmonise the approaches regarding counterfeit coins.

6. DEVELOPMENT AND MAINTENANCE OF DATABASES/REGISTERS

6.1. Counterfeit Monitoring System (CMS)

The ETSC has been assisting the ECB in improving the functionalities of the CMS and in particular to adapt the counterfeit coins components to the needs of the Coin National Analysis Centres. That includes the testing of the application.

6.2. Register of medals, tokens and other metallic objects similar to euro coins

As agreed by the Euro Coin Sub-committee, the ETSC has established a register of medals, tokens and other objects that resemble euro coins and can cause confusion among the public if they enter into circulation and are used for payments. The information contained in the register is based on the cases that have been dealt with by or that have been reported to the ETSC.

The objects on that register include, by a large part, medals that were produced to welcome the advent of the euro. None of these medals seems to have been officially authorised.

6.3. Register of objects fraudulently used in coin-operated machines

The ETSC was called to act as the centre for fraud-related information from the coin-operated industry. As a result, the ETSC has created a register for objects fraudulently used in coin-operated machines, mainly tokens, medals and genuine foreign coins.

7. FRAUD PREVENTION IN COIN-OPERATED MACHINES

The Coin Operated Industry had requested the Commission/OLAF's assistance with respect to the protection against fraud in vending machines. Following the request, OLAF has organised three meetings with the industry in the course of 2002. The ETSC assisted the European Commission / OLAF in preparing the meetings.

The ETSC carried out a detailed analysis of tokens and foreign coins fraudulently used in cigarette vending machines in Germany. This was done in collaboration with the chairman of the Technical Sub-group (TSG) of the MDWG.

The ETSC also organized three meetings in Pessac with representatives of coin mechanism manufacturers for an update on technological developments in coin-processing and coin-operated equipment and to further improve the co-operation with the industry. The closer collaboration with these manufacturers should enable the safer rejection by the coin mechanisms of counterfeits, tokens and other fraudulent objects.

8. AUTHENTICATION OF EURO COINS

The ETSC assisted the European Commission/OLAF in drafting a proposal of a procedure for the authentication of euro coins. The experience and the contributions from the CCEG and the MDWG's Technical sub-group (TSG) are included in that proposal. The ETSC mainly contributed to the definition of appropriate coin parameters and tolerance ranges to be applied by electromechanical sorting machines.

9. GROUPS RELATED TO THE PROTECTION AGAINST COIN COUNTERFEITING

9.1. Counterfeit Coin Experts Group (CCEG)

The ETSC assists the European Commission / OLAF in preparing the meetings of the CCEG, which serves to co-ordinate Member States' actions with respect to the protection of the euro coins against counterfeiting. The ETSC plays a key role in the Group, by introducing proposals, responding to technical requests, monitoring and presenting the status of counterfeit coins in Europe. Five meetings of the CCEG have been held since the ETSC became operational, four of which in 2002.

9.2. Mint Directors Working Group (MDWG)

In its supervising role, the MDWG has been receiving the ETSC's reports and discussing its initiatives.

In particular, the ETSC has been providing the MDWG with detailed information on the developments with respect to the counterfeit euro coins.

In addition, the ETSC has made a substantial contribution to the MDWG's work on procedures allowing to clean the market from coins unfit for circulation. The ETSC participated at the MDWG's Technical Sub-group (TSG) meetings on this subject. Consequently, it contributed to the TSG work concerning the "Procedure for handling coins unfit for circulation in the euro area". The procedure was approved by the MDWG in September 2002 and subsequently proposed for discussion at the Euro Coin Sub-committee.

The ETSC also maintains close relationship with the MDWG regarding coin technical issues, such as measurement procedures, materials to be used to prevent fraud, improvements of euro coin specifications, etc.

9.3. Other Groups

COCOLAF

The Counterfeit Experts' Group of the Advisory Committee for the Co-ordination of Fraud Prevention (COCOLAF) managed and chaired by OLAF, brings together counterfeit experts from law enforcement, central banks and ministries. This ensures the multidisciplinary character necessary for the elaboration of legislative proposals, the implementation of training and technical assistance projects etc. The ETSC participates at the meetings and contributes with regard to counterfeiting of euro coins.

Mint Directors Conference (MDC) Materials Committee

The ETSC is represented in the MDC's (Mint Directors Conference) Materials Committee in the framework of the protection of the euro. The objective of the ETSC participation is in particular to contribute to the discussions regarding the safest materials for coins, with a view to reinforce protection of future generations of euro coins.

Europol's Counterfeit Experts Group

The ETSC participates in the quarterly meetings of Europol's Counterfeit Experts' Group. The ETSC's participation and contributions at the meetings ensure that law enforcement agencies do not focus only on counterfeiting of euro banknotes.

Interpol

The ETSC has established and keeps contact to the Counterfeit Currency Unit of the General Secretariat of Interpol, which is responsible for dealing with counterfeit euro banknotes and coins detected outside of the European Union Member States.

The ETSC participated at the "10th International Interpol Conference on Currency Counterfeiting", which was held in May 2002 in the Hague/Netherlands. The ETSC presented and explained the technical scheme for handling counterfeit euro coins within the European Union.

10. CONCLUSION

The introduction of the euro coins created the need for a closer co-ordination among Member States concerning the protection against coin counterfeiting. The ministerial agreement on the Technical Scheme for handling counterfeit euro coins led to the establishment, in October 2001, of the ETSC, temporarily hosted at the French Mint, as a distinct administrative entity.

During the first six months of 2002, coin-counterfeiting activity was low. In the second half of 2002, the euro coin counterfeiting activity seemed to enter a steady state, with counterfeit euro coins appearing in a number of countries and with regular detection and seizures of counterfeits.

More than 70 000 counterfeits (50-cent and 1-euro) were seized in 2002 in two illegal workshops in Italy. With regard to counterfeit euro coins found in circulation, the total amount detected in 2002, mainly by National Central Banks, amounted to 2339 cast and stamped counterfeits (mainly 1 and 2-euro).

While many of these counterfeits may be accepted in hand to hand transactions, they are generally rejected by coin operated machines. The overall number of counterfeits detected and seized, including those that may have been put into circulation, is very small compared to the approximately 40 billion circulating euro coins.

The ETSC has conducted technical and scientific analysis for these categories of counterfeits. In the accomplishment of its mission, the ETSC benefited from the proximity with and the know-how of the French Mint, particularly the metallurgical laboratory at Pessac.

In addition to its primary task in the technical and scientific analysis and classification of the counterfeit coins, the ETSC is in close contact with the Coin National Analysis Centres, to which it provides advice, assistance and training. The ETSC collaborates closely with the ECB in the further development of the database on counterfeit coins and maintains registers useful in the fight against counterfeiting. It prepares regular reports

for the law-enforcement agencies and is in contact with the coin-operated industry, on issues related to fraud prevention.

Finally, the ETSC's participation in various working groups allowed, among others, the achievement of a high level of harmonisation of analysis techniques in the Member States and substantial progress towards the adoption of methods for adequate authentication of the euro coins.