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ECONOMIC AND FINANCIAL AFFAIRS
Fiscal Policy and Policy mix
Euro protection and euro cash

The protection of euro coins in 2015

Situation as regards euro coin counterfeiting and the activities of the
European Technical & Scientific Centre (ETSC)

Based on Article 4 of Commission Decision C (2004) 4290 of 29 October 2004

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EXECUTIVE SUMMARY

- ▶ Since the 1st January 2015 the protection of euro against counterfeiting is an integral part of the objectives of the Directorate General for Economic and Financial Affairs (DG ECFIN) for a deepened, efficient and fair Economic and Monetary Union.
- ▶ The data withdrawn from Counterfeit Monitoring System (CMS)¹ indicate a decrease in the number of counterfeit coins seized in 2015, compared to 2014, reaching almost the number of 150 000 pieces per year. The overall value of counterfeit coins seized in 2015 was EUR 236 047.5, lower than in 2014.
- ▶ The quality of counterfeits continued to improve in 2015 as demonstrated by an increasing number of counterfeits having electromagnetic properties close to the specification. Moreover, poor quality counterfeits have significantly decreased.
- ▶ Despite the decrease of counterfeits seized, the quality continues to improve and the proportion of the "high quality" counterfeits to the total, continues to increase. A number of actions was carried out by the Commission in order to define the extent of the problem and to improve detection by coin-processing machines of these high quality counterfeits.
- ▶ In the framework of the enhanced Commission activities for the euro protection against counterfeiting, the European Technical and Scientific Centre (ETSC) coordinates the activities of the Counterfeit Coin Experts Group (CCEG)², participates in other institutional groups with regard the protection of euro coins against counterfeiting and provides training under the *Pericles 2020* programme.
- ▶ A comprehensive legal framework exists for the protection of the euro consisting of administrative, training and criminal law measures at European level:
 - ▶ The European Parliament and the Council adopted a Directive,³ which reinforces the criminal law rules to protect the euro and other currencies against counterfeiting. In particular, the Directive improves the level of criminal law sanctions, the deterrence of counterfeit notes and coins and the tools for cross border investigations. The Member States shall transpose the provisions of this Directive into to their national law by 23 May 2016. The Commission has organised a workshop with the Member States in 2015 in order to facilitate the transposition process and is currently taking all the necessary procedural steps following the transposition deadline.

¹ The Counterfeit Monitoring System (CMS) is a database managed by the European Central Bank.

² Commission Decision of 19.10.2015 setting up the Counterfeit Coin Experts Group on the Commission's policy and Regulations regarding the protection of euro coins against counterfeiting. See Section 3.2.1.

³ Directive 2014/62/EU of the European Parliament and of the Council of 15 May 2014 on the protection of the euro and other currencies against counterfeiting by criminal law, and replacing Council Framework Decision 2000/383/JHA. OJ L 151, 21.05.2014.

- ▶ Regulation (EU) No 1210/2010 on the authentication of euro coins⁴ sets out the rules for financial institutions to ensure that all euro coins put back into circulation are genuine. In accordance with Article 12 (4) of this Regulation, the Commission presented its annual report for 2014 to the Economic and Financial Committee (EFC) on developments and results concerning authentication of euro coins and euro coins unfit for circulation.

⁴ 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. OJ L 339, 22.12.2010.

1. Introduction

1.1. DG ECFIN's mission and mandate

The mission of the Directorate-General for Economic and Financial Affairs is to contribute to raising the economic welfare of the citizens in the European Union and beyond, notably by developing and promoting policies that ensure sustainable economic growth, a high level of employment, stable public finances and financial stability.

In pursuing this mission one of the core objectives is to ensure a smooth functioning of the EU's Economic and Monetary Union (EMU) through a strong economic governance framework. In this context, the protection of the euro against counterfeiting is a specific objective.

1.2. DG ECFIN's role in the protection of the euro

DG ECFIN plays an important role in the area of the protection of the euro banknotes and coins against counterfeiting.

The action of the Commission with regard to the protection of the euro refers mainly to three domains:

- ▶ preparation of political or legislative initiatives for the Commission and reporting on the implementation of EU legislation;
- ▶ training and technical assistance, based mainly on the Pericles programme⁵;
- ▶ the technical analysis of counterfeit euro coins, through the European Technical and Scientific Centre (ETSC). DG ECFIN implements these tasks in close cooperation with other relevant Institutions and in co-ordination with the competent authorities of Member States.

1.3. The European Technical & Scientific Centre (ETSC)

The European Technical & Scientific Centre (ETSC) was established in 2004 within the European Commission⁶.

Within this framework, the mission of the ETSC is to analyse and classify every new type of counterfeit euro coin⁷, to contribute to the fulfilment of the objectives of the

⁵ Regulation (EU) No 331/2014 of the European Parliament and of the Council of 11 March 2014 establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the 'Pericles 2020' programme) and repealing Council Decisions 2001/923/EC, 2001/924/EC, 2006/75/EC, 2006/76/EC, 2006/849/EC and 2006/850/EC. OJ L 103, 05.04.2014.

⁶ Council Decision of 8 December 2003, concerning analysis and co-operation with regard to counterfeit euro coins. OJ L 325, 12.12.2003; 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, OJ L 19, 21.1.2005.

Pericles programme, to assist the Coin National Analysis Centres (CNAC) and to generally collaborate with law enforcement and other authorities competent for counterfeit euro coins and the strengthening of euro protection.

In addition, the ETSC coordinates the necessary actions to protect euro coins against counterfeiting through periodic meetings of the Counterfeit Coin Experts Group (CCEG).

This report is presented in line with Commission Decision of 29 October 2004 based on Council Decision of 8 December 2003⁸. Article 4 of the Commission Decision stipulates that “The Economic and Financial Committee, the European Central Bank, Europol and the competent national authorities shall be kept regularly informed of the activities of the European Technical & Scientific Centre (ETSC) and of the situation as regards coin counterfeiting”.

The report is structured according to the above-mentioned requirements. Section 2 provides a detailed overview of the evolution of euro coin counterfeiting in 2015. Section 3 presents the activities that the ETSC carried out in 2015 in order to reinforce the protection of euro coins.

⁷ In line with the provision of Article 5 of Council Regulation (EC) 1338/2001 (OJ L 181, 04.07.2001) as modified by Council Regulation (EC) No 44/2009 of 18 December 2008 (OJ L 17, 22.01.2009).

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

2. Situation with regard to counterfeit euro coins⁹

A distinction has to be made between counterfeit euro coins detected in circulation and those seized before circulation. Counterfeits seized before circulation are usually seized by police before causing financial damage, whereas those detected in circulation are generally detected in coin sorting centres operated by National Central Banks or by credit institutions¹⁰.

2.1 Counterfeit coins detected in circulation¹¹

The total number of counterfeit euro coins removed from circulation in 2015 was 146 889, a decrease of about 23.57 % compared to 2014.

The breakdown by denomination of counterfeits found in circulation for the last five years is shown in the table below.

Table 1: Counterfeit euro coins detected in circulation, 2011 – 2015*

Year	50 cent	1 euro	2 euro	Total	Value (EUR)
2015	25 146	20 022	101 709	146 889	236 013
2014	36 004	24 851	131 340	192 195	305 533
2013	30 100	27 100	120 400	177 600	282 950
2012	32 700	29 500	121 000	183 200	287 850
2011	28 400	32 800	96 300	157 500	239 600

* The figures comprise both stamped counterfeits (common classes) and other counterfeits (local classes).

When compared to 2014, 2015 marks a decrease in all three higher denomination coins. In particular, 2 euro denomination counterfeits decreased by 22.56 %, 1 euro by 19.43 % and 50 cent by 30.16 % in comparison to 2014.

In particular, the 50 cent denomination maintains the second position, from a quantity point of view (17.12 %) in 2015 continuing the trend of the last three years. The 2 euro remains by far the most counterfeited denomination, constituting 86.19 % in value terms (up from 85.97 % in 2014).

⁹ In producing statistics, the data used by the European Technical and Scientific Centre, are withdrawn from the Counterfeit Monitoring System (CMS), which is a database managed by the European Central Bank. The national competent authorities enter quantitative data and the technical details of the counterfeit coins seized in their respective countries. All national data have to be based on a common set of definitions and classifications, in order to ensure that they are sufficiently comparable to produce a significant aggregate.

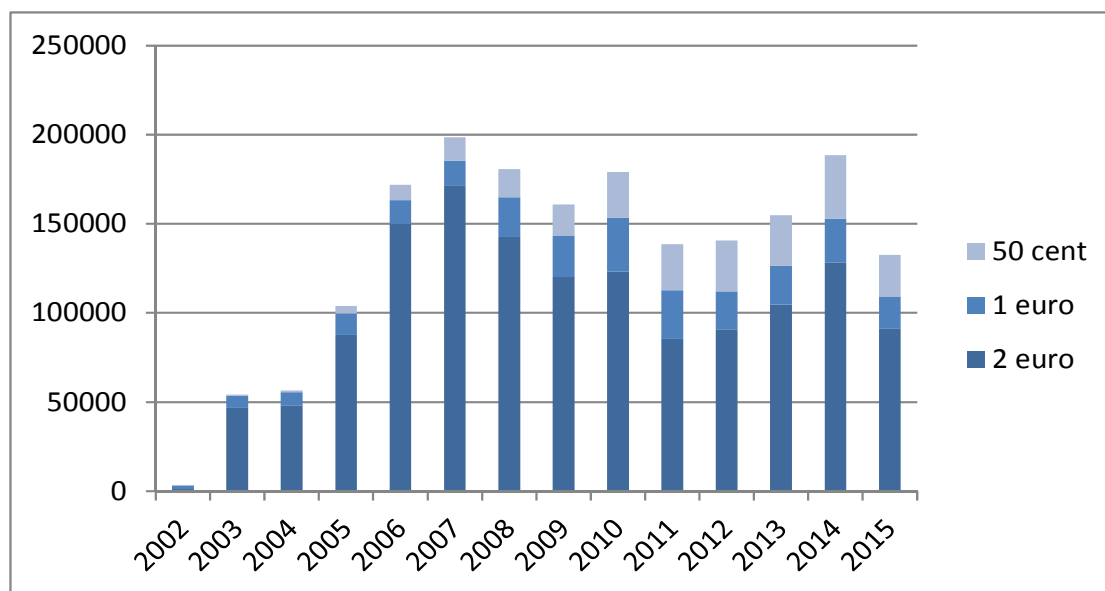
¹⁰ As referred to in the first subparagraph of Article 6(1) of Regulation (EC) No 1338/2001.

¹¹ Data withdrawn from CMS on 18.01.2016.

Overall, 1 994 375 counterfeit euro coins have been removed from circulation since the introduction of euro coins in 2002.

The evolution since the introduction of euro coins in 2002 is given in the following chart.

Chart 1: Counterfeit euro coins detected in circulation



In 2015 Italy, the country with the highest number of detected counterfeit euro coins, registered a decreased level (25.88 %) compared to 2014. However, the counterfeits seized in Italy, together with those seized in Germany, Spain, France and Greece, accounted for almost 80 % of the total counterfeits seized in 2015.

Counterfeit euro coins were found in all Member States of the euro area in 2015. The counterfeit coins detected in Italy has increased over the last years to 26.63 % of the total number of the received counterfeits. About 250 pieces of counterfeit euro coins were also detected in Member States which do not belong to the euro area and in third countries.

Overall, the number of counterfeit coins detected in circulation in 2015 remains modest in comparison to the total of 116 billion genuine euro coins in circulation including approximately 18 billion of the three highest denominations. Compared to the latter, the proportion of counterfeit euro coins is one for every 123 000 genuine coins.

2.2 Counterfeit coins seized before circulation

In addition to the counterfeit euro coins removed from circulation, counterfeits are regularly seized before they enter into circulation, mainly in the framework of police operations and investigations.

These activities include dismantling of clandestine mints, but also seizures of significant quantities from individuals, who might be involved in the distribution of counterfeit coins. These seizures occur on an occasional basis therefore the number of counterfeits seized before circulation varies significantly from year to year.

The registration in the CMS (Counterfeit Monitoring System) indicates a significant decrease in the number of counterfeit coins seized before circulation in 2015 (only 20 pieces). The breakdown per denomination of counterfeit euro coins found before circulation, as registered in the CMS for the last five years is shown below.

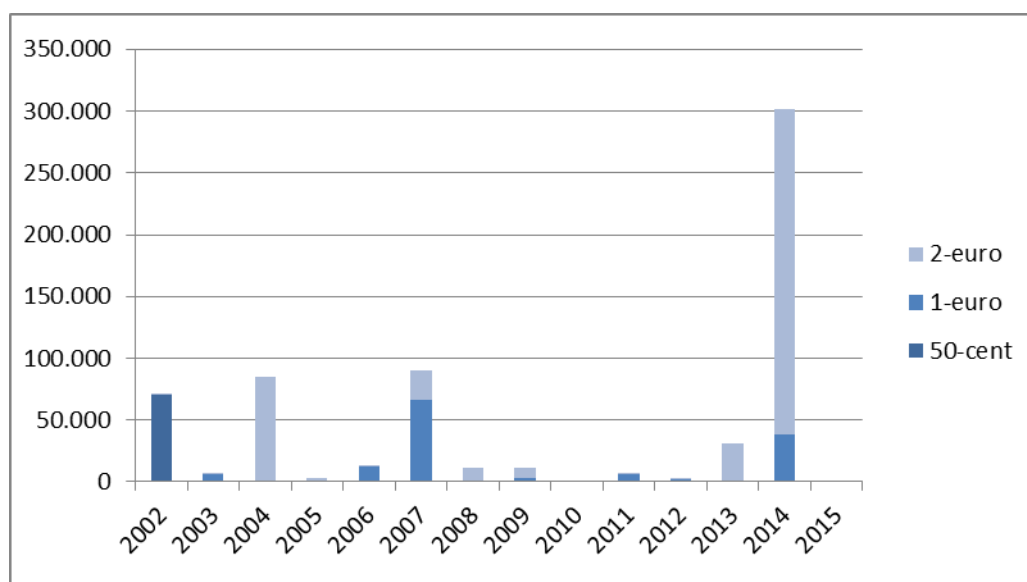
Table 2: Counterfeit euro coins detected before circulation, 2011 – 2015*

Year	50 cent	1 euro	2 euro	Total	Value (EUR)
2015	1	4	15	20	34.5
2014	1	38 690	263 279	301 970	565 245.5
2013	160	360	30 501	31 051	61 472
2012	4	1 800	72	1 872	1 946
2011	511	5 735	390	6 636	6 770,50

* The figures comprise both stamped counterfeits (common classes) and other counterfeits (local classes).

The development of the number of counterfeit coins detected before circulation since the introduction of the euro in 2002 is presented in the following chart.

Chart 2: Counterfeit euro coins detected before circulation



Roughly 630 000 counterfeit euro coins have been seized before circulation since 2002 which corresponds to a face value of nearly EUR 1 023 878.5.

In October 2015, one fully equipped illegal mint was dismantled in Genova (Italy).

The illegal mint was located on the 5th floor of an apartment building. The "kitchen" room of the apartment was used as main production area for the counterfeiting activity. The investigators seized a large number of devices (a lathe, punching tools, a hydraulic jack used as a press, a grinding machine, a drill, several punching tools) and material used for the production of counterfeit 1 euro coins such as dies and blanks, as well as finished counterfeit coins.

Despite the fact that few counterfeit coins were seized, the distinctive defects on the dies seized were linked to common class CEUAS 02E00036, and more specifically to 9 variants of this class, which were created in November 2015.

Common class 2E36 was originally created in 2009 and consists of 22 variants in total. The above-mentioned variants have electrical properties very close or within the specification of the genuine, indicating that the quality of the technical characteristics have improved significantly.

From a quantity point of view, the 9 variants of this class constitute almost 34 % of the total number of pieces belonging to this class.

The illegal mint dismantled in Genova represents an innovative case because of the location (an apartment) and of the new (and quite dangerous) methodology used by the counterfeiter for producing fake coins.

The following table gives an overview of the illegal mints dismantled so far in Europe.

Table 3: Illegal mints discovered, 2002 – 2015

Year	Date	Place	Denomination (€)	Total/year
2002	June	Italy	50 cent	2
	October	Italy	1 and 2	
	May	Portugal	2	
2003	August	Italy	1	3
	October	Italy	2	
	April	Italy	2	
2004	April	Spain	2	3
	July	Italy	1	
	January	Poland	1	
2005	October	Hungary	2	3
	November	Bulgaria	1	
2006	April	Italy	2	1
	March	Italy	1 and 2	
2007	March	Spain	2	2
2008	March	Austria	50 cent	1
2009	/	/	/	0
2010	/	/	/	0
2011	April	Belgium	1	2
	August	Italy	1 and 2	
2012	June	Greece	2	1
2013	January	Italy	1 and 2	1
2014	March	Italy	1	4
	December	Spain	2	
	December	Spain	2	
	December	Spain	2	
2015	October	Italy	2	1
Total				24

Chart 3: Illegal mints discovered, 2002 – 2015



3. Activities of the European Technical & Scientific Centre (ETSC)

3.1. Analysis and classification of counterfeit euro coins

Counterfeit coins detected in the Member States are analysed by the Coin National Analysis Centres (CNACs). They are classified according to counterfeit types which have been previously identified and defined by the ETSC. Counterfeits that cannot be classified into one of the already identified types are sent to the ETSC in order to create a new common class¹² or variant¹³.

A distinction is made between common classes and local classes. Local classes correspond mostly to cast counterfeit coins¹⁴, usually produced in smaller quantities and circulated in one country.

3.1.1. Common classes (stamped counterfeit coins)

Common classes are counterfeits manufactured through a stamping process¹⁵, sometimes similar to the one used in official minting. With such processes, larger amounts of counterfeits can be produced; for this reason monitoring on the EU level has been applied. Stamped classes usually bear defects which are characteristics of the tools used to produce them. Stamped counterfeit coins are classified into classes and variants according to their defects. Similar defects may indicate that counterfeits have been produced by the same tools, probably indicating the same illegal mint.

New variants of classes indicate a development in production tools, material used or production methodology applied. Variants therefore provide useful indications of the development in counterfeiting activity. The procedure of classification is an important "tool" for the law enforcement investigations as it facilitates the monitoring of counterfeit coins from a quality point of view and can provide important information related to links between dismantled illegal mints and existing classes of counterfeit coins.

¹² Class: group of counterfeits having matching technical characteristics, therefore assumed to have the same origin.

¹³ Variant: "subclass" of a counterfeit class, corresponding to modification of the class, by changing the national side and/or the material used, etc... The variants have distinctive defects, linking them to their "mother class".

¹⁴ Cast coinage refers to coins made by a casting process (casting is a manufacturing method in which a molten metal is injected or poured into a mold - or mould - to form an object of the desired shape).

¹⁵ Stamping is a type of manufacturing process which shapes sheet metal by punching using a machine press or stamping press.

3.1.2. Overall analysis

Creation of common classes

The total number of families of counterfeits (common classes) created by the ETSC decreased compared to 2014 but was in line with the average level of previous years.

An effective European framework for the protection of the euro has a deterrent impact on the creation of the new (illegal) mints and counterfeiting tools.

The number of common classes created by the ETSC every year since the introduction of euro coins is indicated in the table below.

Table 4: Number of newly identified common classes

Year	50 cent	1 euro	2 euro	Total
2002-2009	47	33	35	115
2010	6	3	2	11
2011	1	3	2	6
2012	2	2	5	9
2013	2	6	7	15
2014	1	4	5	10
2015	1	-	-	1
Total	60	51	56	167

The total number of common classes has now increased to 167. Despite the large number of common classes, the bulk of counterfeit coins is still concentrated in a small number of classes.

In particular, in 2015, one family of linked common classes (2 euro common class 6, 31 and 37) represented 18 % of the total number of registered 2 euro counterfeits.

In total, 5 classes (class 6, class 24, class 1, class 53, class 65) cover about 61 % of the total number of 2 euro counterfeits seized.

For the 1 euro denomination, 4 classes (class 33, class 4, class 37, class 49) emerged as representing almost 54 % of the total.

For the 50 cent denomination, over 55 % of the counterfeits found in circulation belong to two classes (common classes 1 and 39) and, in total, four classes (class 1, class 39, class 52, class 53) are responsible for nearly 70 % of the total number of counterfeits found in circulation.

Creation of variants

In 2015, 16 new variants (sub-types of classes) were created, more than in previous years.

This brings the total number of classes and variants to 628. The number of new classes including new variants created by the ETSC every year since the introduction of euro coins is indicated in the table below.

Table 5: Number of newly identified variants of the common classes

Year	50 cent	1 euro	2 euro	Total
2002-2009	14	52	326	392
2010	1	4	13	18
2011	0	8	10	18
2012	0	1	3	4
2013	0	3	12	15
2014	0	0	9	9
2015	2	1	13	16
Total	17	69	386	472

Counterfeits of commemorative euro coins have also been found, i.e. 2 euro coins with specific national sides¹⁶. Since 2006 counterfeits of the following 2 euro commemorative coins have been detected:

- ▶ the 5th decade of the World Food Programme, IT 2004;
- ▶ the Summer Olympic Games in Athens, GR 2004;
- ▶ the Belgium-Luxembourg Economic Union, BE 2005;
- ▶ the 20th Winter Olympic Games in Turin, IT 2006;
- ▶ the German Federal State of Schleswig Holstein, DE 2006;

¹⁶ Regulation (EU) No 651/2012 of the European Parliament and of the Council of 4 July 2012 on the issuance of euro coins, OJ L 201, 27.7.2012.

Council Regulation (EU) No 729/2014 of 24 June 2014 on denominations and technical specifications of euro coins intended for circulation. OJ L 194, 02.07.2014.

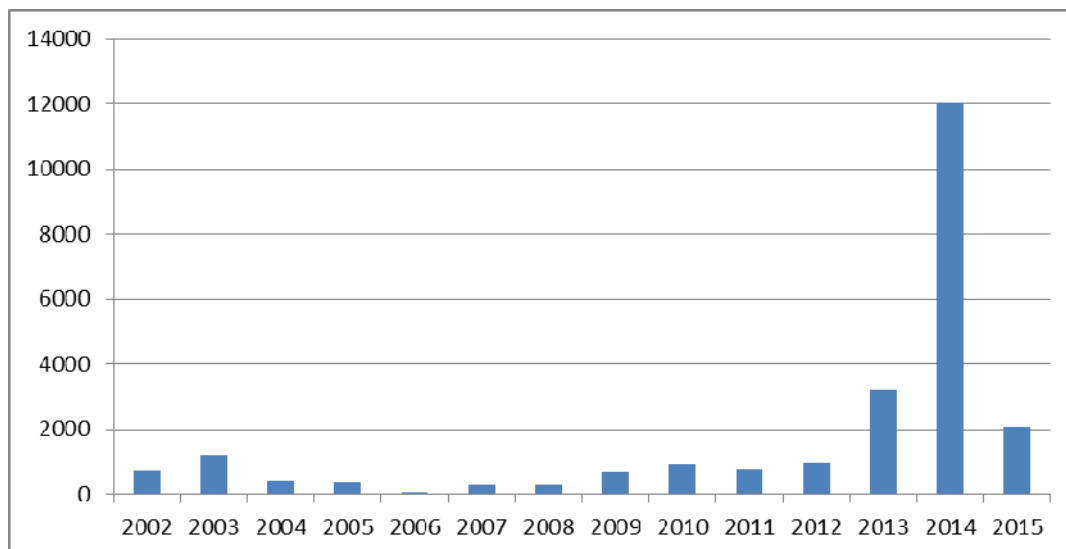
In addition to the regular coins, there are also commemorative and collector coins. Member States may issue a commemorative 2 euro coin once a year to celebrate a subject of major national or European relevance. Commemorative coins are legal tender throughout the euro area, and have the same features and properties as regular 2 euro coins. Euro-area Member States may decide to issue a commemorative coin jointly to celebrate a subject of the highest European relevance. In that case, all euro area Member States simultaneously issue a coin bearing the same design on the national side. Collector coins are not intended for general circulation and their designs may not be too similar to other euro coins to avoid confusion.

- ▶ the 1st anniversary of the signing of the European Constitution, IT 2005;
- ▶ the German Federal State of Mecklenburg-Vorpommern, DE 2007;
- ▶ 10th anniversary Economic Monetary Union, BE, 2009;
- ▶ 10th anniversary Economic Monetary Union, IE, 2009
- ▶ 50th anniversary of the Treaty of Rome, AT 2007;
- ▶ 50th anniversary of the Treaty of Rome, IE 2007;
- ▶ 50th anniversary of the Treaty of Rome, DE 2007;
- ▶ 200th anniversary of the birth of Camillo Benso, Count of Cavour, IT 2010.

3.1.3. Local classes (cast¹⁷ counterfeit coins and other counterfeits)

The number of local classes detected in 2015 are shown in the table below.

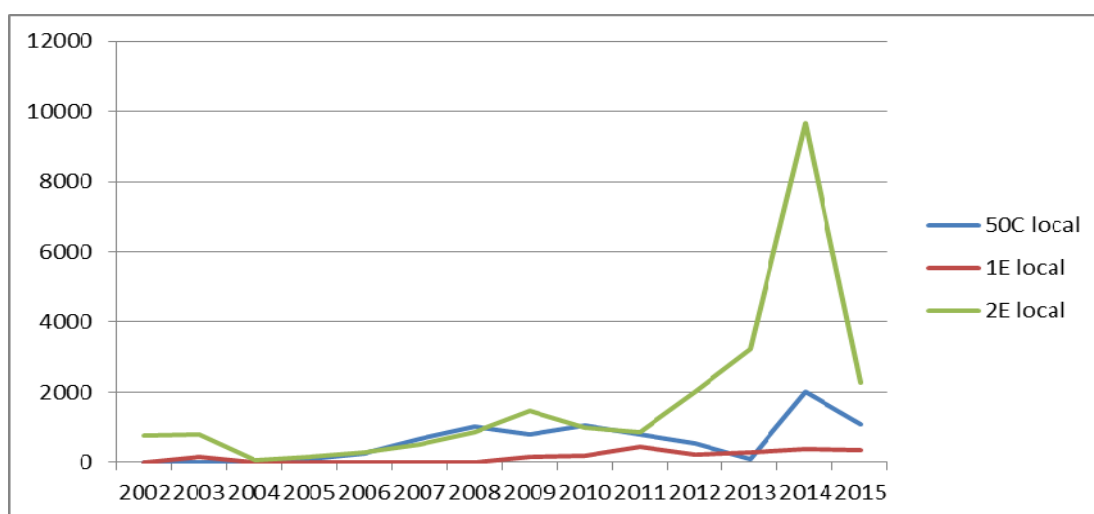
Chart 4: Local classes (2002 – 2015)



During 2015 the number of local classes decreased compared to 2014 (by about 80 %). Local class counterfeits are dominated by 2 euro denomination counterfeits representing 70 % of the total. They are of a relatively low quality and are therefore considered as less dangerous (than common classes).

The share of local classes compared to the total number of counterfeits detected in circulation, in 2015 remains very low, standing at 1.4 % of the total

Chart 5: Evolution of local classes



¹⁷ Cast coinage refers to coins made by a casting process (casting is a manufacturing method in which a molten metal is injected or poured into a mold - or mould - to form an object of the desired shape).

After having reached a peak in 2014, the number of local classes has decreased significantly, by 69% in 2015. This peak of 2014 is attributable to a series of seizures in Spain in which a large number of local counterfeit classes were found.

It is noteworthy that, the share of 50 cent local classes has increased during this time (61.3 % for the 2 euro, 9.6 % for the 1 euro and 29.1 % for the 50 cent denomination).

3.2. Coordination of actions to protect euro coins against counterfeiting: CCEG and other groups

The primary mission of the ETSC is the technical and scientific analysis and classification of common classes of counterfeit coins.

The coordination of the activities of competent authorities for euro coin protection against counterfeiting is attributed to the Commission. This co-ordination takes place mainly within the Counterfeit Coin Experts Group (CCEG) as well as through other coin related groups.

3.2.1. The Counterfeit Coin Experts Group (CCEG)

In line with its establishing Commission Decision, the Counterfeit Coin Experts Group (CCEG), chaired by the Commission, is the group serving:

- ▶ to assist the Commission in the preparation of legislative proposals and delegated acts and policy initiatives for the protection of euro coins against counterfeiting;
- ▶ to establish cooperation between the Heads of the Coin National Analysis Centres ('CNACs') established in accordance with Article 5(1) of Regulation (EC) No 1338/20014, the Commission, the European Technical Scientific Centre (ETSC), the European Central Bank ('ECB') and Europol in matters relating to policy initiatives and actions aimed at an efficient anti-counterfeiting strategy;
- ▶ to provide advice and expertise to the Commission for implementing Union legislation, programmes and policies, in particular with regards to Regulation (EU) No 1210/20106;
- ▶ to exchange experience and establish good practices for the protection of euro coins against counterfeiting;
- ▶ to raise awareness among the public authorities involved in the protection of the euro against counterfeiting for upcoming threats and to monitor implementation of effective repressive measures for an anti-counterfeiting policy strategy;
- ▶ to promote training initiatives for the protection of the euro coins against counterfeiting;
- ▶ to promote and develop studies and to ensure technical support in facilitating counterfeiting detection activities;
- ▶ to discuss issues relating to the technical specifications of counterfeit euro coins.

The CCEG held two meetings in 2015.

The 'ETSC Work Team', formally a sub-group of the CCEG¹⁸, chaired by the ETSC, held one technical meeting of technical coin experts from several CNACs in 2015 to address the following:

- Implementation of the action plan on Common Class 1E37¹⁹;
- Update the "European Technical Procedure for Detection Test";
- Issues related to the new release of the Counterfeit Monitoring System.

3.2.2. Other institutional groups

During 2015, the ETSC provided updates to the groups mentioned below about the situation of coin counterfeiting while addressing possible actions to undertake:

- the Euro Counterfeiting Experts Group (ECEG) in the framework of the Council Regulation (EC) No 1338/2001. This group, chaired by the Commission, brings together counterfeit experts from law enforcement, central banks and ministries and meets three times per year. A number of coin protection related issues were discussed. In 2015, the ETSC reported the statistics on coin counterfeiting, and the main outcomes of the action plan against Common Class 1E37 as well as on the progress made on legislative issues concerning coin authentication.
- the Euro Coin Sub-Committee (ECSC) of the Economic and Financial Committee brings together representatives from coin issuing authorities of Member States. Commission initiatives are systematically discussed in that group. In 2015 the main issues addressed concerned the implementation of Regulation (EU) No 1210/2010, the appearance of the new dangerous class 1 euro class 37 and the added value of the adopted Directive 2014/62/EU improving the criminal law protection of the euro;
- the Mint Directors Working Group (MDWG) brings together the heads of the Mints of the EU Member States. The ETSC participated in all the meetings organised in 2015;
- the CEG (Counterfeit Experts' Group). These meetings are organised by the ECB and bring together experts on banknote counterfeiting. The ETSC is invited to exchange and present information on coin counterfeiting;
- the Focal Point SOYA meeting. These meetings are organised by Europol and include representatives of Law Enforcement Agencies from Member States and third countries having cooperation agreements with Europol. The ETSC participated in the 13th Soya meeting held in 2015 providing participants with an overview on euro coin counterfeiting statistics and main threats with respect to euro coin counterfeiting;

¹⁸ In line with Article 5 of the Commission Decision of 19.10.2015 setting up the Counterfeit Coin Experts Group on the Commission's policy and Regulations regarding the protection of euro coins against counterfeiting. See Section 3.2.1.

¹⁹ See Section 3.2.3.

- ▶ the Euro Cash Users Group (ECUG) meetings are organised by the Commission and the ECB in order to inform the main users of euro cash in the private sector about developments concerning euro banknotes and coins including counterfeits. In 2015, one meeting was organised in Frankfurt.

3.2.3. The action plan to tackle the diffusion of Common Class CEUAS01E00037

Following the activities organized at German CNAC in Mainz with coin-processing machine manufacturers, an *ad hoc* ETSC Work Team meeting was organised to select samples of 1E37 for the test pack and for updating the "European Technical Procedure for Detection Test".

The ETSC Work Team defined the technical specification of the new test pack (including the 1E37) in consultation with the CCEG, as referred to in Articles 4 and 5 of the Regulation (EU) No 1210/2010. The new test pack technical specifications were adopted in April 2015 allowing for the distribution of the new test pack to CNACs.

3.2.4. Medals and tokens similar to euro coins

With a view to preventing fraud and avoiding confusion regarding euro coins, the European Union has Council Regulation (EC) 2182/2004²⁰ concerning medals and tokens similar to euro coins amended by Council Regulation (EC) No 46/2009²¹, prohibiting the production and sale of medals and tokens similar to euro coins.

The Commission has the responsibility to specify whether the protective provisions referred to in the amended Regulation 2182/2004 have been respected and whether a metallic object is a medal/token after having consulted the counterfeiting coin experts.

In total, two cases of medals and tokens similar to euro coins were discussed in the CCEG meetings in 2015. One case was evaluated as having no characteristics similar to euro coins and did not fall under the prohibition of Article 2 paragraph 1 (c) of Regulation (EC) No 2182/2004 (the production, sale and distribution is forbidden).

²⁰ OJ L 373, 21.12.2004.

²¹ OJ L 17, 22.01.2009.

3.3. Assistance to national authorities

The technical assistance provided by the ETSC to relevant authorities is essential in strengthening the protection of the euro coins against counterfeiting.

The ETSC may provide assistance to Member States' CNACs and police agencies and to third country authorities based on Cooperation Arrangements with third countries concerned²².

Support given by the ETSC is based on an interaction between law enforcement and technicians. The effectiveness of this approach has been proved in recent years since it adds expertise to investigations against currency counterfeiting, significantly improving their quality.

In 2015, ETSC experts provided "on-the-spot" technical support in the following cases:

- ▶ the investigation (still on-going) carried out by Italian *Carabinieri* permitting the seizure of the largest amount of counterfeit euro coins ever discovered by law enforcement agencies in Europe since the introduction of the euro²³.

The importance of this investigation is twofold:

- ▶ from a technical point of view, the 2 euro counterfeit coins seized represent a technical development of a non-magnetic mother class: the counterfeiters managed to introduce some electro-magnetic properties partially imitating the features of genuine coins.
- ▶ the investigation demonstrated that an involvement of Chinese criminality in producing counterfeit money is increasing. Chinese criminals are providing not only raw materials used to produce counterfeit euros such as holograms, but significantly, they have also become directly involved in the production phase.
- ▶ The investigation carried out by the Italian *Polizia di Stato* led to the discovery of an illegal mint in Genova (Italy, on 9 October 2015). The illegal mint was located on the 5th floor of an apartment building. The "kitchen" room was used as main production area for the counterfeiting activity. The investigators seized a large number of devices (a lathe, punching tools, a hydraulic jack used as a press, a grinding machine, a drill, several punching tools) and material used for the production of counterfeit 1 euro coins such as dies and blanks, as well as finished counterfeit coins. The illegal mint dismantled in Genova represents an innovative case because of the location (an apartment) and of the new (and quite dangerous) methodology used by the counterfeiter for producing fake coins.

²² Administrative Cooperation Arrangements with Montenegro, Turkey and Serbia have been already concluded.

²³ *Poggiomarino* (Naples), 23 September 2014. During the action 263 083 2 euro counterfeit coins and 31 421 1 euro counterfeit coins were seized.

3.4. Training

3.4.1. Pericles actions for the protection of the euro coins

The 'Pericles' Programme is a Union financing instrument aimed at reinforcing the protection of the euro banknotes and coins against counterfeiting, by means of seminars, conferences, staff exchanges, studies and other actions undertaken by Member States or the Commission.

The ETSC participated as trainer/speaker in three Pericles actions: the Pericles seminar/workshop "Developing a common approach in protecting the euro", Ankara (Turkey), 3-5 March 2015; the Technical Tactical Training "Protection of the euro against counterfeiting", Cali (Colombia), 22-24 April 2015; the Pericles technical training "Strengthening the protection of the euro", Tirana (Albania), 19-21 May 2015. The actions were addressed to experts from Member States and third countries in order to improve the protection of the euro in regions that represent a counterfeiting threat to the euro. In 2015, the ETSC was one of the main contributors to the successful fulfilment of the Pericles programme priorities.

In addition, the 3rd International Conference of the Euro against Counterfeiting was held in Frankfurt am Main on 24-27 March 2015, jointly organised by the European Central Bank, the European Commission and Europol.

Presentations were given by representatives of the organising European Institutions and by other participants from national authorities of the EU Member States and of third countries as well as by international organisations. Nine workshops were organised and moderated by representatives of the organising European Institutions.

During the conference and in particular following the workshops, some key issues and a potential way forward were identified, summarized as follows:

- ▶ As technology is progressing more highly deceptive counterfeits are being produced creating an "emerging" threat for the protection of the euro;
- ▶ Availability on internet of raw materials for the production of counterfeit banknotes and coins is an emerging trend;
- ▶ International cooperation and information exchange among the relevant stakeholders are considered essential for a more structured and efficient response to the new challenges for the protection of the euro against counterfeiting;
- ▶ Training is acknowledged as a key prevention tool;
- ▶ Adequate institutions, such as National Central Offices, are elementary;
- ▶ Communication actions to the public are important for raising awareness regarding the security features of genuine euro banknotes and coins;

- ▶ Counterfeiting is an increasing worldwide phenomenon, which is due to increased organised crime cross-border activities.

Furthermore, the following instruments for the way forward were highlighted

- ▶ Pressure at a political level not only for signing but also for ratifying the Geneva Convention of 1929 by all countries is considered fundamental for the protection of the euro against counterfeiting; therefore non-signatory countries have to be encouraged to both sign and to ratify the Geneva Convention;
- ▶ Possible upgrading of the existing legal framework (Geneva Convention) in order to adequately address the emerging issues due to the technological developments;
- ▶ The Pericles 2020 programme is a key preventive and policy tool to prevent and fight counterfeiting. Increasing participation from the EU and third countries' law enforcement agencies, judicial and customs authorities in financed actions should address upcoming threats and establishing a broad network among Member States and between the latter and third countries;
- ▶ Technical support during investigations is essential for a successful law enforcement intervention and for prevention purposes. The ECB, the European Commission and Europol will closely cooperate on that subject and will make use of funding opportunities;
- ▶ Coordination of cross-border investigations; institution building of NCO's and the use of the Europol platform for counterfeit experts (EPE);
- ▶ Targeted communication actions in order to increase awareness to bank retailers and to the public are necessary for preventing counterfeiting.

3.4.2. Cooperation with third countries

As a follow-up of the "Technical-Tactical Training" organised in the framework of the Pericles program in Colombia and in Albania, the ETSC continued assisting Colombian and Albanian authorities with technical expertise and analysis in 2015.

3.5. Coin-related legislative instruments and developments

3.5.1. Administrative provisions

The European Commission's policy with regard to anti-counterfeiting is based on four pillars: prevention, repression, training and cooperation.

The "authentication" process is vital with respect to prevention. The Regulation (EU) No 1210/2010, adopted in December 2010, and concerning authentication of euro coins and handling of euro coins unfit for circulation, constitutes the legally binding instrument guaranteeing equal standards for the authentication of euro coins throughout the euro area. It introduces specific obligations with regard to the authentication procedures to be applied by the institutions concerned, and the necessary controls to be conducted by Member State authorities.

Following Article 7 of the Regulation, and in order to assist the Member States in implementing these procedures, the ETSC has defined the technical specifications for the detection test and drafted the "ETSC guidelines" related to controls, checks and auditing by Member States and the rules for the rectification of non-compliance²⁴.

According to Article 12 (4) of this Regulation, the Commission presented to the Economic and Financial Committee its annual report on developments and results concerning authentication of euro coins and euro coins unfit for circulation²⁵.

Based on the information reported, referring to 2014, the report shows the following tendencies in comparison with the Commission's report to EFC for the year 2013:

- ▮ An increasing number of coins is being authenticated (in 2014 over 12 billion coins were authenticated);
- ▮ The number of coins processed for the three highest denominations increased by 18.36% in 2014;
- ▮ The number of controls carried out by the Member States has increased along with the number checks made of coin-processing machines;
- ▮ The number of the machines deemed to be compliant (successfully passing the detection test as stipulated in Article 4(1)) has increased; hence, the number of the non-compliant machines has decreased;
- ▮ The number of suspect counterfeits analysed increased whereas the number of unfit coins reimbursed decreased in 2014;
- ▮ 16 out of 18 Member States of the euro area are carrying out controls of the correct implementation of the authentication obligation by the institutions referred to in Article 6 of Regulation (EC) 1338/2001.

²⁴ The ETSC Guidelines were distributed, for internal use only, to the CNACs (Coin National Analysis Centres, competent national authorities as referred to in Article 2(b) of Council Regulation (EC) No 1338/2001).

²⁵ COM(2015) 6960 final.

The following charts offer an overview on the main figures described above.

Chart 21: Volume of euro coins authenticated in 2012 - 2014

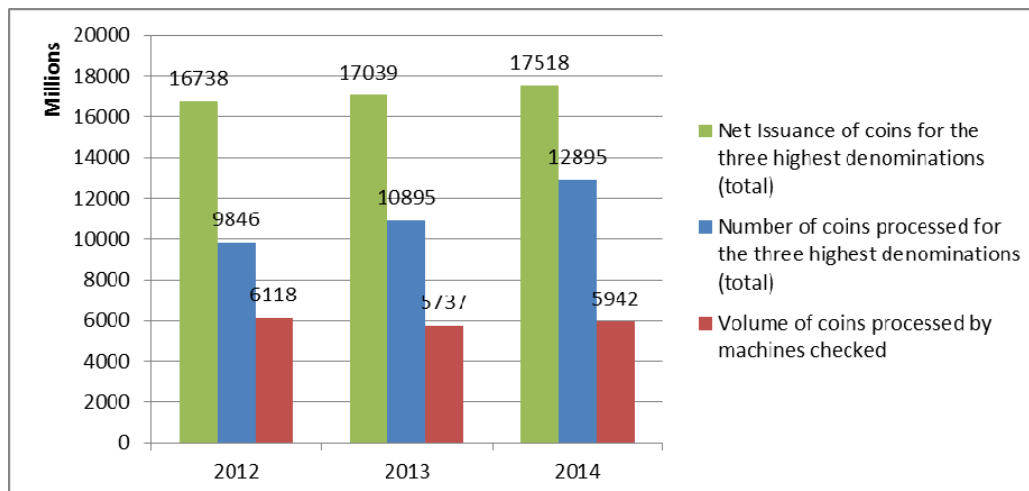


Chart 22: Controls carried out in 2012 - 2014

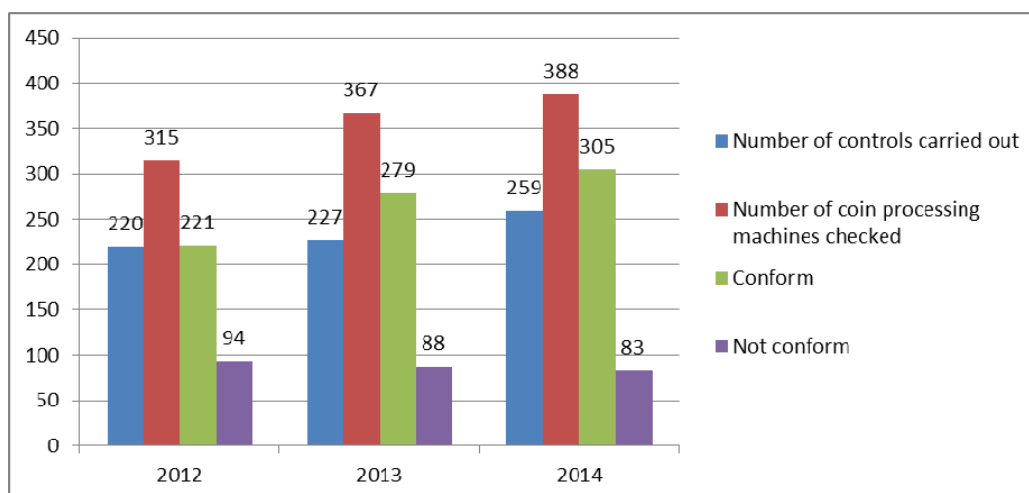
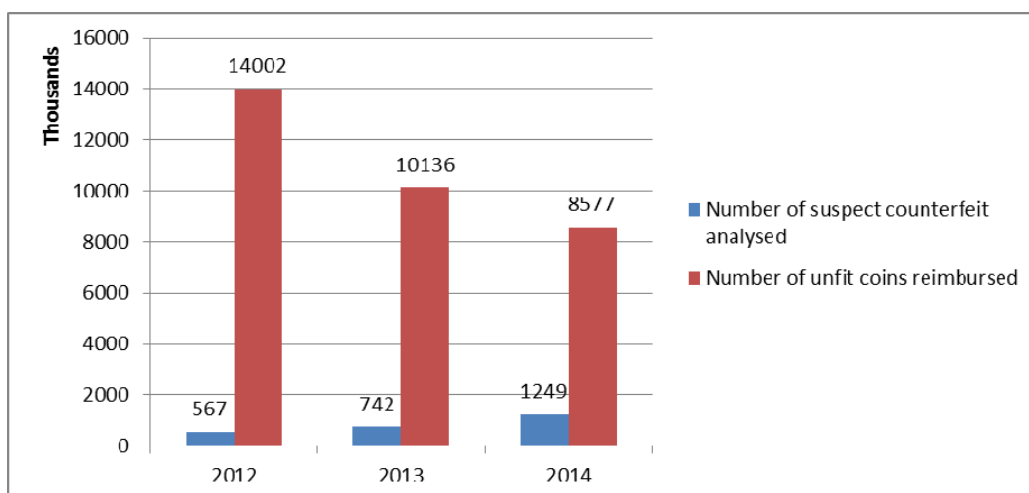


Chart 23: Counterfeit coins and unfit coins in 2012 - 2014



3.5.2. Criminal law provisions

The protection of the euro notes and coins and other currencies against counterfeiting is also ensured by criminal law. The European Parliament and the Council adopted a Directive which reinforces the criminal law rules to protect the euro and other currencies against counterfeiting

This Directive, which replaces the Council Framework Decision 2000/383/JHA and was adopted in May 2014, introduces efficient investigative tools and improves prevention by allowing for the analysis of counterfeits by competent authorities, further enhancing the protection of the euro and other currencies from criminal measures.

Criminal offences have been modernised in this Directive. It is a criminal offence to produce and distribute not yet issued notes and coins; which is important in relation to the issuing of new euro notes (denomination 20 euro and higher).²⁶

It further includes an introduction of a maximum sanction of at least 5 years imprisonment for distribution offences including not yet issued notes and coins; the maximum sanction of 8 years imprisonment for production offences should now include not yet issued notes and coins²⁷.

The directive introduces the use of more effective investigation tools such as those that are used in combatting organised crime or other serious crime cases (like, the interception of communications, covert surveillance including electronic surveillance, the monitoring of bank accounts and other financial investigations)²⁸.

Member States have to ensure that during criminal proceedings the examination by the National Analysis Centres and Coin National Analysis Centres of suspected counterfeit euro notes and coins is permitted without any delay²⁹.

The Directive shall be implemented by the Member States by the 23 May 2016. The Commission, following the transposition deadline and upon the receipt of the transposition reports provided by the Member States, will assess the compliance of the national laws with the provisions of the Directive and if necessary will take all the necessary measures in the cases where the transposition is incomplete.

²⁶ See Article 10 of Directive 2014/62/EU.

²⁷ See Article 5 of Directive 2014/62/EU.

²⁸ See Article 9 of Directive 2014/62/EU.

²⁹ See Article 10 of Directive 2014/62/EU.

4. Successful ETSC measures and potential threats to euro coins

Developments in 2015 confirm the success of the measures applied by the ETSC in conjunction with the administrative and training EU instruments to protect the euro coins in particular against counterfeiting. The annual report shows the following:

- ▶ the number of counterfeit euro coins found in circulation has remained well below 200 000 pieces per year, representing an equivalent of 1 counterfeit coin for 123 000 genuine coins;
- ▶ despite the decreasing number of new types of counterfeit coins found in circulation, a significant number of illegal mints is still operating inside and outside Europe. This means that the criminal production capacity is still present and that continuous vigilance and cooperation is necessary to safeguard confidence when using euro coins;
- ▶ the implementation of the authentication procedures under Regulation (EU) No 1210/2010, facilitated by the ETSC, will continue having a positive impact on prevention from circulating of counterfeiting of the euro;

With a view to maintaining the high level of protection of euro coins, future actions should aim especially at the following:

- ▶ vigilance in relation to new technical developments (high quality counterfeit classes) and to local phenomena, including in third countries, by law enforcement;
- ▶ cooperation and awareness-raising actions together with Chinese authorities. The involvement of Chinese criminality in producing counterfeit money is increasing: they are not only providing raw materials for producing counterfeit euros such as holograms but they have also become since 2014 directly involved in the production phase;
- ▶ promotion of studies on new detection technologies and security features of coins, in order to keep ahead of counterfeiters.