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**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**

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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 the 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 (EU) 2017/1507⁴, defines the Guidelines on implementation of Regulation (EU) No 1210/2010 (hereafter the "ETSC Guidelines") in accordance with Article 7 of the Regulation.

The global COVID-19 pandemic and related social distancing measures and travel restrictions have profoundly affected the implementation of Regulation (EU) No 1210/2010. The Regulation is implemented mainly through detection tests performed at the designated national authority's premises and during the on-the-spot controls for demonstrating the capability of coin-processing machines to detect the known types of counterfeit euro coins, euro coins unfit for circulation and all other coin-like objects that do not comply with the specifications of genuine euro coins⁵. The restrictions on travel and in-person gatherings imposed due to the pandemic as of March 2020 meant that the safe implementation of these actions was no longer possible, resulting in the rescheduling of almost all of the activities.

Subject to the epidemiological developments, it is expected that at least part of the all activities performed by Member States could be implemented with in-person participation in 2021. Due to the disruption of activities that the coronavirus pandemic created, the European Commission, through its relevant service, extended the validity period of coin-processing machines without testing, on an exceptional basis, for the period March 2020 – September 2021. Considering the continued impact of COVID-19 on the Regulation (EU) No 1210/2010, the Commission will apply a policy of flexibility.

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.

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 (EU) 2017/1507 of 28 August 2017 amending Decision 2005/37/EC establishing the European Technical and Scientific Centre (ETSC) and providing for coordination of technical actions to protect euro coins against counterfeiting. [OJ L 222, 29.8.2017, p. 25.](#)

⁵ Member States carry out detection tests in line with Article 4 of the Regulation "testing requirement and coin-processing machines".

The Commission has presented eight reports to the EFC covering the years 2012⁶, 2013⁷, 2014⁸, 2015⁹, 2016¹⁰, 2017¹¹, 2018¹² and 2019¹³. This report is the ninth report that the Commission is presenting to the EFC and it refers to the year 2020. 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 annual 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, 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.

4. ASSESSMENT OF THE REPORTS OF MEMBER STATES FOR THE YEAR 2020

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'

⁶ [COM\(2014\) 277 final.](#)

⁷ [C\(2014\) 6536 final.](#)

⁸ [C\(2015\) 6960 final.](#)

⁹ [C\(2016\) 6465 final.](#)

¹⁰ [C\(2017\) 6734 final.](#)

¹¹ [C\(2019\) 218 final.](#)

¹² [C\(2019\) 7295 final.](#)

¹³ C(2020) 4638 final

group (CCEG)¹⁴. Based on the ETSC Guidelines the Member States are required to report on the following indicators¹⁵:

1. Total number of coins processed in 2020 for the three highest denominations;
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 2020. A complete overview of all figures is provided in Annex II.

4.2.1. Total number of coins processed in 2020 for the three highest denominations

On the basis of Article 3 the institutions¹⁶ implement the authentication obligation by using coin-processing machines (included on the list of the ETSC) which are designed to verify that euro coins are authentic and fit for circulation. The total number of coins processed by coin-processing machines in 2020 for the three highest denominations (2 euro, 1 euro and 50 eurocent) amounts to **12 832 407 097**¹⁷. This amount represents **61.51%** of the amount of coins issued until 2020¹⁸ (decreased by 23.82% in comparison to 2019).

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 **124**¹⁹ on-the-spot controls were carried out by Member States in 2020 (a decrease by 76.69% in comparison to 2019). The number of controls reported varied considerably, between

¹⁴ Established by Commission Decision [C\(2015\) 6968 final](#) of 19.10.2015.

¹⁵ See Annex I.

¹⁶ 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.

¹⁷ See Annex I.

¹⁸ Calculated on the basis of net issuance since 2002 of 20 862 495 000 coins (Source: ECB Currency information system of December 2020). It should be noted however that some coins might have been checked several times.

¹⁹ See Annex I.

1 and 46 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. Two Member States (Estonia and Slovenia) did not carry out any controls because of the pandemic. Luxembourg did not report they had carried out any controls.

4.2.3. Total number of coin-processing machines checked

A total of 274²⁰ coin-processing machines has been checked (decreasing by 62.77% in comparison to 2019) and 86.86%²¹ of them demonstrated the capability to detect the known types of counterfeit euro coins, euro coins unfit for circulation and all other coin-like objects that do not comply with the specifications of genuine euro coins. The proportion of machines which demonstrated non-conformity in comparison to the previous year decreased²². For the machines deemed non-compliant, Article 6(7) of the Regulation provides for corrective measures to be carried out²³.

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

According to Article 6(3), Member States have 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 euro coins issued by that Member State between the introduction of euro coins and the end of 2019.

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 2019, only the following Member States complied with the criteria of 25% referred to in Article 6(3): Belgium, Greece, Spain, Italy, Latvia, Lithuania, Malta, the Netherlands, Austria, Portugal and Finland.

Germany, Estonia, Ireland, France, Cyprus, Slovenia and Slovakia did not comply with the criteria of 25% referred to in Article 6(3) due to the COVID-19 pandemic. Luxembourg did not comply because they reported they did not carry out any controls (see Annex III).

²⁰ See Annex I.

²¹ See Annex II.

²² See Annex IV.

²³ The ETSC Guidelines provide instructions for the Member States on how to deal with these cases.

The total volume of coins processed by coin-processing machines which were checked by the designated national authorities amounts to **4 503 324 505**²⁴. This represents **35.09%** of the volume of coins processed by coin-processing machines in 2020²⁵ (a decrease by 47.17% as compared to 2019).

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 **972 780** coins. The total number of coins analysed by the CNACs and assessed as being counterfeit amounts to **210 429** coins²⁶.

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 that 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"²⁷. The total number of unfit coins reimbursed amounts to **15 761 857**²⁸ coins.

5. CONCLUSIONS

- The global COVID-19 pandemic has profoundly affected the implementation of the Regulation (EU) No 1210/2010. Consequently, the following trends in comparison with the Commission's report to the EFC for the year 2019 are reflected in the current report for the year 2020²⁹;
- There was a significant decrease in the number of coins which have been authenticated in 2020. Nevertheless, almost 13 billion coins were authenticated

²⁴ See Annex I.

²⁵ Based on the figure 12 642 387 307 mentioned in section 4.2.1

²⁶ Source: ETSC.

²⁷ See Article 8 of the Regulation.

²⁸ See Annex I.

²⁹ See Annex IV – Chart 1.

- A decrease in the number of suspected counterfeits that have been analysed following the authentication procedure;
- An increase in the number of unfit coins reimbursed³⁰;
- The number of controls carried out has decreased significantly compared to the previous year;
- The number of coin-processing machines checked decreased compared to the previous year³¹;
- The number of machines properly functioning, among those checked, decreased in comparison with 2019³² as well as the number of machines demonstrating non-conformity;
- 16 out of 19 Member States of the euro area carried out controls of the correct implementation of the authentication obligation by the institutions referred to in Article 6 of the Regulation;
- Due to the COVID-19 pandemic, Estonia and Slovenia did not carry out controls in 2020 of the correct implementation of the authentication obligation;
- Due to the COVID-19 pandemic, Germany, Estonia, Ireland, France, Cyprus, Slovenia and Slovakia did not comply with the criteria of 25% referred to in Article 6(3) of the Regulation;
- Luxembourg still does not carry out controls and consequently did not comply with the criteria of 25%. The Luxembourg government has presented in January 2020 the necessary legislation to comply with its obligation to carry out these controls. The legislation is adopted, published and entered into force in July 2021³³.

Despite the COVID-19 pandemic, it can be concluded that the authentication procedure in the institutions continued to work sufficiently in the euro area but the pandemic's impact heavily compromised the achievement of the objectives of the Regulation in 2020.

Since 2019, the Commission has started discussions with the Member States to facilitate the implementation of the Regulation, including also in this process representatives of the coin-processing machine manufacturers.

³⁰ See Annex IV – Chart 3.

³¹ See Annex IV – Chart 2.

³² See Annex IV – Chart 2.

³³ In January 2020, the Treasury presented the draft law, as prepared by the Ministry of Finance, to the Finance and Budget Commission of the Parliament for discussion and for the initiation of the further legislative procedure.

Following discussions with the relevant stakeholders the Commission updated the ETSC guidelines³⁴, in line with Article 7 of the Regulation and the European Technical Procedure for the Detection Test. The updated ETSC guidelines and the updated European Technical Procedure for the Detection Test aimed at facilitating and improving the implementation of the Regulation by providing enhanced guidance to the Member States. These updates aimed at improving the handling of coins unfit for circulation and ensuring more homogeneity among the Member States in the implementation of the Regulation. Unfortunately, because of the COVID-19 pandemic and the lockdown measures that restricted the activities of the Member States, the effectiveness of the measures adopted could not be monitored in the course of 2020.

In coordination with the CNACs, the Commission will monitor the situation in the Member States concerning the authentication procedures, and will continue its reflection on how further to improve the homogeneity among Member States in the implementation of the Regulation (with a view to improving the number of machines properly functioning and to reducing the number of coin-processing machines which are non-conforming). In view of the potential impact of the COVID-19 pandemic, the Commission will, if necessary, continue to take measures in order to ensure business continuity with regard to the implementation of the Regulation.

³⁴ The updated ETSC Guidelines apply as of 1st of January 2020:
https://ec.europa.eu/info/sites/info/files/economy-finance/etsc_guidelines_october_2019_public-ares2019-6661509.pdf