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ANNEX – PART 2/2

ANNEX

to the

COMMISSION DECISION

on the financing of the Pericles IV programme and the adoption of the annual work programme for 2023

ANNEX



EUROPEAN COMMISSION
DIRECTORATE GENERAL
ECONOMIC AND FINANCIAL AFFAIRS
Fiscal policy and policy mix
Euro protection and euro cash

Brussels,

Subject: **Update of the Pericles IV strategy: priority action points**

This paper updates the previous Pericles Strategy¹ and describes the priority action points of the Pericles implementation for the upcoming year. It is presented to the Euro Counterfeiting Experts Group (ECEG)² and will be annexed to the 2023 Annual Work Programme for the Pericles IV programme.

These priorities can be adapted in case of upcoming unexpected new threats in relation to the protection of the euro which require activities financed under the Annual Work Programme for 2023.

The actions which the Pericles programme will focus in 2023 are the following³:

- a. Supporting activities aimed at improving cooperation among those Member States which are particularly affected by the production and distribution of counterfeits

Within the European Union (EU), Italy is the most sensitive country with respect to the production of counterfeit euro coins and banknotes. Italy has dismantled the highest number of dangerous print shops and illegal mints in Europe since 2002⁴. The latest developments in terms of online distribution of counterfeits also affected the methods used by the Italian criminals for distributing counterfeits. The Italian police forces successfully neutralised two organised crime groups, in December 2020 and March 2022, which were disseminating via various online platforms counterfeits assumed to originate in Italy. In the second case, they also succeeded in dismantling an illegal mint⁵. There is a well-founded suspicion that about

¹ Ares(2016)5745977 endorsed in the ECEG of 19 November 2020.

² In line with Article 4 of Regulation (EU) 2021/840 of the European Parliament and of the Council establishing the "Pericles IV" programme.

³ The priorities of the "Pericles IV" programme have been endorsed by the Euro Counterfeiting Experts Group (ECEG), as provided for by Council Regulation (EC) 1338/2001 of 28 June 2001.

⁴ Information received during Euro Counterfeiting Expert Group (ECEG) meetings indicating that 76 illegal mints and print shops dismantled from 2002 to 2018.

⁵ Source: Europol

40% of counterfeit euro banknotes in circulation continue to be produced in the area of Naples (common classes denominated "Napoli group")⁶.

In 2021, France, Italy, Germany and Spain together were subject to the largest distribution of counterfeit euro banknotes removed from circulation⁷, accounting for 74% of the total. In 2020, Germany was the country with the highest number of detected counterfeit euro coins. The counterfeits seized in Germany, together with those seized in Greece, Spain and Italy represent 80.5% of the total counterfeits seized in 2020. Each of the four countries had a share close to 20% of the total.

Implementation:

Actions focusing on cooperation between France, Germany, Spain and Italy, such as workshops and staff exchanges targeting both production and distribution.

Actions focused on countering counterfeit coin distribution in Germany, Greece, Spain and Italy.

b. Fostering cooperation with authorities of third countries where there is suspicion of, or evidence for, counterfeit euro production

China

Chinese counterfeiters continue to represent a threat relating to the production of raw materials for banknote counterfeits as well as for coin counterfeits. The number of counterfeits seized in and before circulation having a deceptive hologram (the majority of which has been confirmed to be originating from China) increased from 22 000 in 2013 to 100 000 in 2021⁸, representing 16.9% of the total. The Chinese origin of these holograms have been confirmed by a number of successful police operations conducted in EU Member States⁹. In April 2021, the German customs seized 1.032 holograms for various denominations of the euro banknotes stocked in a shipment coming from China¹⁰.

For 2021, China continued to represent the main resource country for materials (mainly fake holograms, special paper & inks and other security features) for currency counterfeiting –

⁶ Information received during Euro Counterfeiting Expert Group (ECEG) meetings.

⁷ Information received from the ECB.

⁸ Information received during Euro Counterfeiting Expert Group (ECEG) meetings: already in 2009, the Spanish Police carried out a successful operation involving holograms produced in China and used on counterfeit euro notes; counterfeit holograms for banknotes appeared on sale on the Chinese "alibaba" website.

⁹ Information received from Europol concerning successful police actions include: Operation Chimera (Germany, July 2021): On 08 April 2021, during a random check performed by German Customs, a postal shipment with 1.032 holograms were seized which could have been used for the production of counterfeit money with a total value of at least 38.800 euro. According to the findings of NAC Germany, the seized holograms are similar to the holograms used for the production of counterfeit euro banknotes of several different indicatives. The source of two such indicatives was identified by the German authorities, in a recent operation, Operation Chimera. On 14 July 2021, a digital print shop has been dismantled with a high amount of holograms found.; operation Tulipa (January 2019, Netherlands) led to the dismantlement of an illegal print shop and the seizure of sheets containing emulations of series €50 banknotes and special paper imported from China used by the perpetrators to produce such counterfeit euro notes; Operation Deep Money (2019, Portugal) led to a seizure of sheets imported from China containing emulations of series A €50 banknotes used by the perpetrators to produce counterfeit euro notes.

¹⁰ Source: Europol

particularly for counterfeit euros. Altered-design counterfeit banknotes, some of them also presumed to be originated in China (such as movie money or prop copy), are available on the surface web.

Chinese criminality has also become directly involved in the production of ‘movie money products’ as further explained in chapter d.I, as well as counterfeit euro coins, demonstrated by seizures in December 2014¹¹, June 2017¹² and February 2022¹³. The economic and demographic size of China as well as the proven contacts between Chinese nationals and organised crime in the EU increase the risks of currency counterfeiting and it can thus be expected that there will be more cases with operational links to China. There is a need to re-establish and reinforce cooperation following a decline due to the Covid-19 pandemic, which should also include the organisation of awareness raising actions with Chinese competent authorities. This builds on the experience gained from the first EU-China platform meeting/workshop held in 2017 and subsequent EU-China cooperation meetings held in Beijing in 2019 between the European Institutions and the Chinese national competent authorities.

Colombia and Peru

Outside the EU, traditionally the highest quality and largest quantity of counterfeit euros are produced in Colombia and Peru. Successful operations in Colombia¹⁴ and Peru¹⁵ - as well as the recent arrest of counterfeiters from Colombia setting up an illegal printing operation in the the Canary Islands, Spain¹⁶ - point to the necessity of maintaining strong cooperation between EU Member States, the European Institutions and both Colombian and Peruvian national authorities respectively. In fact, these successful cases would not have been possible without the strong cooperation of the involved authorities and the links that had previously been established between them (a link supported by previous Pericles-actions). This cooperation is essential in the combat against potential threats to the euro in the South American region.

¹¹ Europol (2015). *Report on Euro Counterfeiting 2014*. 306.000 coins produced in China were seized by the Italian authorities in the port of Naples.

¹² Information received during the Euro Counterfeiting Expert Group (ECEG) meeting of 16 March 2017: Almost 55.000 euro in counterfeit 2 euro coins from China was seized in Prato, Italy.

¹³ Information received by the CNAC-EL in February 2022: about 42.000 counterfeit euro coins were seized inside a container coming from China at the Piraeus port of Greece.

¹⁴ E.g. information received from Europol, that the Colombian National Police, supported by the Spanish BIBE and the Colombian armed forces, conducted a successful raid of a clandestine print shop on 24 April 2019. Nearly 300 million face-value counterfeit pesos were seized. The production of counterfeit euros was only in an incipient phase, therefore only try-outs for €50 and €100 were found.

¹⁵ E.g. information received from Europol, that the Peruvian authorities conducted a raid on 2 September 2020 in Lima, Peru (Operation Sol) in which a clandestine print shop was dismantled and three suspects were arrested, including one of the most notorious counterfeiters in South America. Approximately 100,000 euros (in €100 counterfeit notes) were seized, along with USD 300,000 and 50,000 Peruvian soles.

¹⁶ Information received from Europol: Spain has recently identified a migration of counterfeiters from Cali, Colombia to the Canary Islands, Spain. These criminals, with an extensive experience and criminal records in currency counterfeiting, traveled to Gran Canaria with the intention of setting up a new illegal production facility for producing counterfeit euro banknotes, with the intent to distribute these false notes both in Canary Islands and continental Spain. A significant amount of equipment and ‘raw material’ were found during the house searches (printers, printer cartridges, testing machinery, guillotines, inks, paper, etc.). Samples of €20 and €50 were found and seized.

Implementation:

Actions such as staff exchanges and trainings aimed at complementing the EU-China platform in supporting and developing close cooperation with the relevant Chinese authorities.

Staff exchanges, technical/tactical trainings and networking events involving Colombian and Peruvian competent national authorities, aimed at reinforcing their capacities.

c. Maintaining an efficient framework for the protection of the euro in South Eastern Europe

This area is one of the most sensitive regions in Europe with respect to euro counterfeiting. Because of their strategic geographical position close to the euro area, all countries in this region can be considered as both transit areas and potential production sites.

Montenegro and Kosovo UNSCR 1244¹⁷ use the euro as their only official currency. The Commission has concluded Administrative Cooperation Agreements with Türkiye, Serbia, North Macedonia, Kosovo UNSCR 1244, Albania and Montenegro in order to foster cooperation. Albania has established a structure of well-organised competent national authorities.

Türkiye is a potential place of transit and production of counterfeit currency¹⁸. On 10 February 2021, the Istanbul Police Department's Fighting against Financial Crimes Branch dismantled an illegal mint in Esenyur and caught and detained the network involved in the counterfeiting activities. The investigators seized a press machine, stone and sand used in minting coins, and roughly a thousand fake euros consisting of finalized €2 coins, additionally to 5 000 not yet minted coins, the inner part of the 9 200 coins, the outer ring of 22 900 coins, 1 923 pieces of not yet minted coins with the core and ring parts plus other 600 completed pieces ready to be spent. More counterfeit coins were caught prior to their shipment. The coins minted in the workshop were placed in sacks and seized just before being taken to Germany.

The centralisation of information in the country as well as the cooperation among competent national authorities and with European authorities still present room for improvement. Further actions involving the Turkish authorities are needed as a follow-up to successful actions carried out in 2015, with a particular focus on reinforcing cooperation with specialised law enforcement authorities.

¹⁷ This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

¹⁸ In 2021, two different illegal mints counterfeiting euro coins in Türkiye were dismantled. Furthermore, from open sources it is confirmed that at the beginning of April 2021, Kosovo Police arrested 4 Turkish criminals and 2 Kosovo Albanian criminals in Prizren after they received a parcel from Türkiye. The parcel, which was collected at the local Post Office, contained 375,000 euros in allegedly counterfeit 50 and 100 euro banknotes.

Bulgarian organised crime continues to represent a threat due to its involvement in the production of high quality counterfeit euro banknotes¹⁹ and involvement in criminal networks, operating both domestically²⁰ and in other countries in the region. This threat to the euro in South Eastern Europe is also demonstrated by the continuous successful police operations taking place, including in neighboring countries²¹. There is an added value to ensuring the sustainability of the results in the fight against counterfeiting, through the organisation of actions that build on previous Pericles actions organised by Croatia, Bulgaria, Romania and the Commission. With regard to Croatia and Bulgaria, support for their respective competent authorities will acquire a higher urgency in the coming years because these Member States have joined the ERM II in July 2020 and Croatia will join the euro on 1/1/2023 and Bulgaria has expressed its intention to join the euro in 2024.

Implementation:

Networking actions aimed at reinforcing regional cooperation among all South Eastern European countries and establishment of a framework for the protection of the euro similar to the one already in place within the EU.

Reinforcing cooperation with specialised law enforcement authorities in Türkiye.

Support to South Eastern European Member States for developing further activities in the area like multilateral conferences/workshops and staff exchanges, guaranteeing sustainability in the fight against counterfeiting.

Support to Bulgarian and Croatian authorities to further improve the protection of the euro against counterfeiting.

d. Topical developments

I. *Distribution of counterfeits and high quality components on the darknet, and ‘movie money’ and ‘prop copy’ products online (including altered design notes)*

In response to the increasingly effective and coordinated efforts in the dismantling of traditional counterfeit distribution networks, criminals are resorting to more innovative ways of selling their counterfeits. This is particularly the case on the darknet and on the open internet. On the darknet, advertisements have been found for both high quality components and materials of euro banknotes and coins, as well as complete euro

¹⁹ E.g. Europol press release of March 2021 that , on 15 March 2021, the Bulgarian NCO dismantled another illegal printshop, this time it being an operation from an University in Sofia.

²⁰ Information provided by Europol on two recent cases in Bulgaria: On 14 August 2020, The Bulgarian police arrested twelve individuals that were part of a distribution network of high quality counterfeit €200 banknotes (Operation Struma). Over 610 counterfeit banknotes were seized and the criminal network operating in Sofia and Sandanski have been disrupted. On 7 December 2019, the Bulgarian authorities arrested an individual suspected for currency counterfeiting criminal activities. During a search of the suspected address, a total of 26600 euro in face value (counterfeit €100 banknotes) were seized.

²¹ E.g. Europol: on 27 January 2021, three different illegal printshops were dismantled in Bulgaria, Romania and Serbia (operation Sportisti – Bulgaria, Operation Golden Deer – Romania and Operation Jozsef – Serbia).

counterfeits²². According to Europol²³ and the Dutch National Police, The Netherlands is a relevant focus-country in terms of its role as a significant ‘hub’ in the distribution of counterfeit and high quality components purchased on the darknet. Moreover, a print shop was dismantled in Belgium in July 2020 with Dutch nationals counterfeiting and operating the online accounts, and the Netherlands has been experiencing a development of so-called rip-deals, in which the €200 denomination reached market shares unseen in the past, triggered by altered design notes which were used in large quantities for such deals²⁴. A further threat is the availability of ‘movie money’ and ‘prop copy’ products on the open internet. These products, being unlawful reproductions of euro banknotes – despite having a disclaimer on the product – have in numerous cases been accepted as genuine euro banknotes by the general public and retail community. Approximately 30% of all counterfeit removed from circulation are of this variety. It is therefore vital to coordinate a unified response to this threat, which requires cooperation at both European and international levels. The relatively easy access to these products and the relative percentage of these notes in circulation points to the now persistent nature of this problem.

II. Support for the establishment / reinforcement of NCO's

In line with Article 12 of the Geneva Convention for the suppression of counterfeiting currency, all signatories should establish a National Central Office (NCO), which should centralise in each country all relevant information to facilitate the investigation, prevention and punishment of counterfeiting currency. Given that the euro has increasingly become an international currency in wide circulation within and beyond the EU, there is a need for institution-building actions in those countries where an NCO has either recently been established, like Argentina²⁵, or is in the process of being established. Efforts should also be made to establish NCO's capable of carrying out the activities under the Geneva convention in countries with close links to the EU such as Moldova, Senegal and Morocco. NCO's in countries like Türkiye, Albania and Serbia also need further support.

²² Europol (25 September 2018). *Darknet euro counterfeiter arrested in Poland*. Press release.

²³ Dismantled prints in NL in the last years:

OP TULIPA – 29.01.2019

OP DESWAEN – 06.12.2019 – Rip-deal

OP HYPERION – 21.01.2020

OP FAKE – 25.02.2020

OP 03Counter – 22.11.2021

OP ZEEWIND – 12.07.2022

All cases except Deswaen were involving the online distribution of the notes, with raw materials used being most likely imported from China.

²⁴ As reported by the ECB.

²⁵ Information received from the Spanish BIBE that in September 2018 a seizure of counterfeit 100 euro banknotes took place in Argentina.

III. Euro coins: Fight against high quality classes of counterfeits, implementation of Regulation (EU) No 1210/2010 and handling of euro coins unfit for circulation.

High quality counterfeit coins, which imitate the electro-magnetic properties of genuine euro coins, are highly deceptive for coin-processing machines. Therefore, advanced technical investigation and laboratory research are needed to respond effectively to current and emerging threats. Enhanced security features for euro coins are therefore needed to better protect coins against high quality counterfeits. Studies of new security features which may be used to counter the technological advances of counterfeiters are a prudent measure against future threats. Furthermore, as a result of the diversification in the use of coin processing machines by financial intermediaries, technical developments within the coin processing machine (CPM) industry are increasing. This recent development imposes a need for enhanced and more uniform implementation of Regulation (EU) No 1210/2010 concerning authentication of euro coins and handling of euro coins unfit for circulation.

Implementation:

Workshops on how to effectively investigate threats posed by the darknet/internet and 'movie money'/'prop copy' products, including the interception of distribution channels.

Workshops, staff exchanges and studies to share best practices on coin authentication methods, and seminars aimed at increasing awareness on Regulation (EU) No 1210/2010 complementing the platform 1210 conferences.

Technical studies to develop new security features of coins and authentication methods.

Purchase of equipment for competent national authorities of non-EU Member States²⁶ and facilitating the installation of a National Central Office as described in the International Convention for the suppression of counterfeiting currency, 1929, if not yet established.

Actions aimed at institution-building in those countries where an NCO has recently been or will be established.

Attachments:

- Status of counterfeiting
- Methodology and patterns of intervention for implementing the Pericles IV programme in 2021

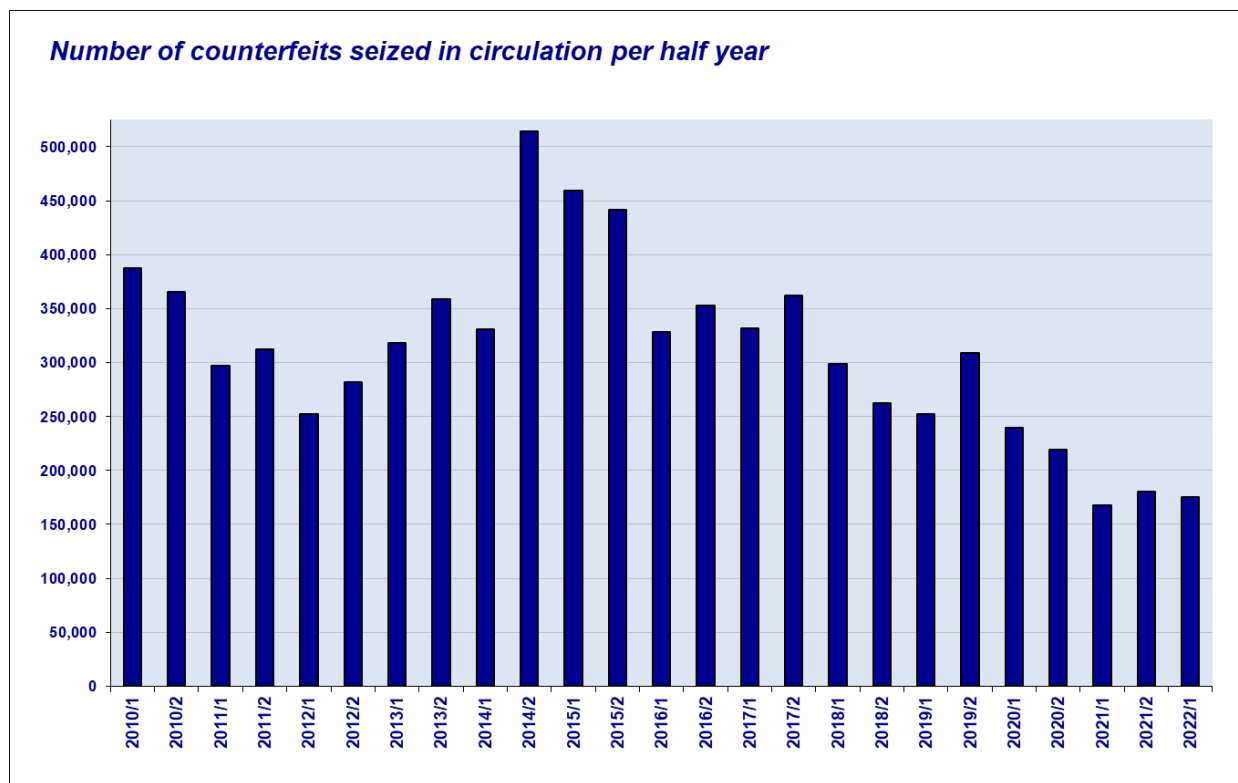
²⁶ Provided for in Article 6 of Regulation (EU) 2021/840 of the European Parliament and of the Council establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the 'Pericles IV' programme).

ATTACHMENT 1

Subject: Status of counterfeiting

Counterfeiting has decreased substantially but still continues to represent a serious threat to the euro. The level of counterfeit banknotes and coins detected, the presence of high quality counterfeits, the increasing availability of technology and the interest shown by organised crime groups also outside the EU indicate that the criminal offences related to counterfeiting would rise considerably if competent authorities do not maintain or increase the current efforts against innovative forms of euro counterfeiting. Circa 347,000 counterfeit euro banknotes were withdrawn from circulation in 2021, a decrease of about 24% when compared with 2020²⁷.

Chart 1: Counterfeit euro banknotes detected in circulation (source: ECB)



The €20 and €50 notes continued to be the most counterfeited banknotes, jointly accounting for about two thirds of the total percentage of all counterfeits notes.

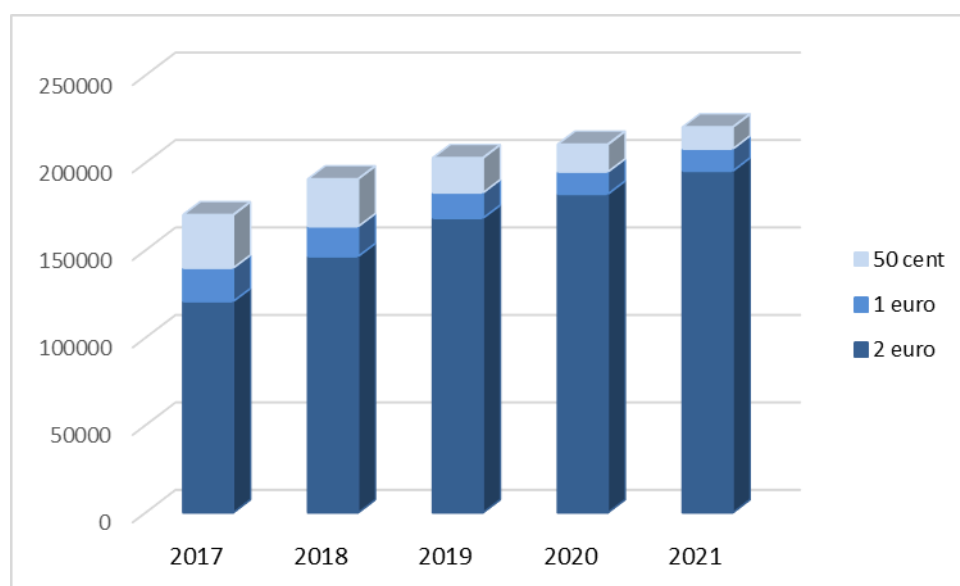
The quality of coin counterfeits continued to improve in 2021. New common classes were created covering "high quality" counterfeits. Several actions were carried out by the Commission to define the extent of the problem and to improve detection of these high quality counterfeits by coin-processing machines.

²⁷ ECB Press Release of 22 January 2021. Available at <https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210122~5b82ddc7b9.en.html>

The number of counterfeit coins detected in circulation and received by the Coin National Analysis Centres (CNACs) in 2021 increased by 4.7% compared to 2020. The number of detected counterfeit coins now exceeds 220 314 pieces per year (2 euro, 1 euro and 50 cent denominations represent respectively 88.6%, 5.7% and 5.7%). The overall value of counterfeit coins detected in circulation in 2021 was EUR 409 398, which is again higher than in 2020.

The 2 euro coin remains by far the most counterfeited denomination, constituting 95.40% of the total in terms of value (up from 94.66% in 2021). In 2021 counterfeits of the 1 euro denomination became the second most common (5.63% of the total) overtaking the 50 cent denomination.

Chart 2: Counterfeit euro coins detected in circulation (Source: ETSC)



In 2021, law enforcement measures resulted in the dismantling of 12 clandestine print / mint shops within and outside the European Union and the seizure of approximately €38 million in counterfeit euro banknotes, together with raw materials, tools and machinery used by counterfeiters for the forgery of euro.

11 print shops were located in EU Member States (Italy, Germany, Bulgaria (2), Belgium, Serbia, France, Spain, Romania and The Netherlands) and 1 mint in Türkiye.

With respect to the criminal phenomenon of counterfeiting, the long-term view held by Europol and expressed by national experts, the Directorate-General for Economic and Financial Affairs (DG ECFIN) confirms the growing interest in euro counterfeiting of organised crime groups located outside the EU.

The Serious and Organised Crime Threat Assessment (SOCTA) review published in 2021 identified an increased advertisement and sale of counterfeits online (social media, instant messaging applications, e-commerce platforms) and on the darknet. The 2020 Europol Report on Euro Counterfeiting once again confirmed these findings: the online availability and

distribution of counterfeits (and related ‘raw material’ for their production, such as holograms) has grown in the past years. The recent phenomenon of movie money and prop copy, easily available and accessible on large e-commerce platforms, also demonstrates the overall surge of counterfeits bought and sold online.

For organised crime groups, euro counterfeiting continues to represent a lucrative market. Organised crime groups involved in euro counterfeiting are characterised by their rigid organisation and distribution of tasks to independently operating cells. Organisers fund activities but are not involved in the production process; some printers possess high levels of technical capabilities (offset printing or digital printing); high-level distributors purchase counterfeits at low prices, while low-level distributors are usually unskilled youths operating in small but flexible and temporary networks²⁸.

²⁸ See SOCTA 2021 and discussions at the ECEG meeting of March 2012. This opinion was confirmed by experts also in the latest ECEG meetings.

ATTACHMENT 2

Subject: **Methodology and patterns of intervention for implementing the Pericles IV programme in 2023**

1. Methodology

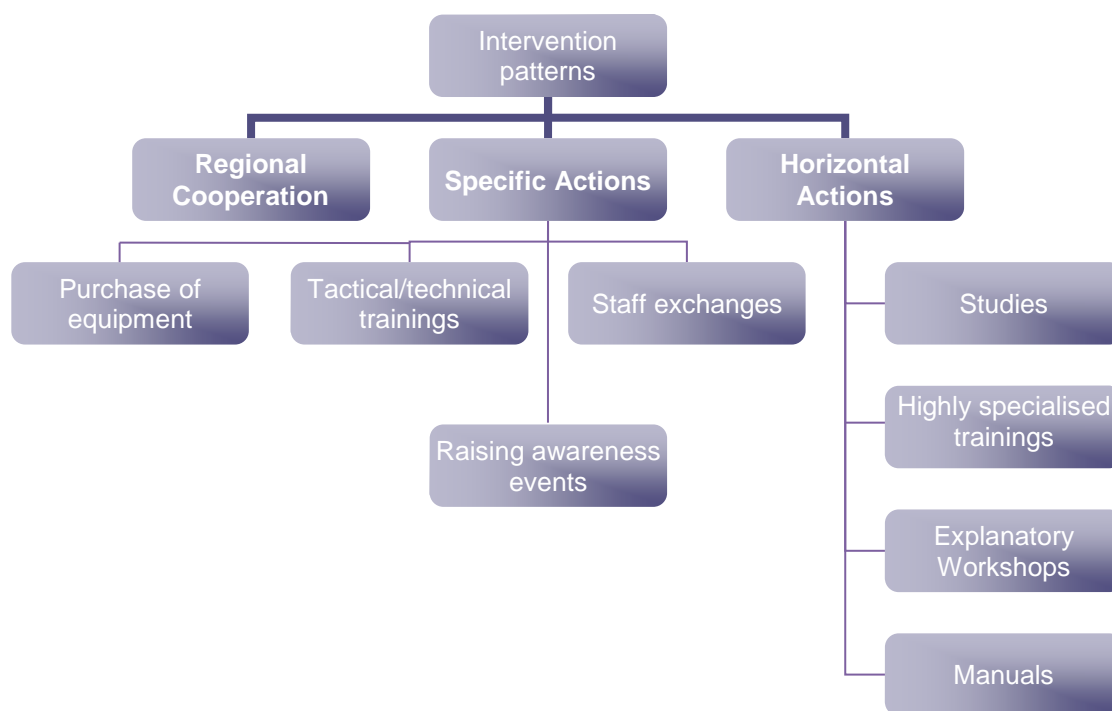
The strategy for implementing the Pericles programme has traditionally been based on the deliberations of the Commission's Euro Counterfeiting Experts' Group (ECEG)²⁹, bringing together experts from all relevant disciplines and Member States, as well as Europol, Interpol and the European Central Bank (ECB). The discussions are generally based on notes prepared by the Directorate-General for Economic and Financial Affairs (DG ECFIN) and bilateral preparations with potential Pericles beneficiaries. Discussions focus on defining the specific needs for training and technical assistance, as well as the geographical areas where action needs to be taken. This ensures the efficient implementation of the Pericles programme in the Member States most affected by euro counterfeiting and the active support and involvement of other Member States.

With respect to areas outside the EU, priorities are also defined on the basis of discussions in the ECEG, taking into account risk assessments carried out by Interpol and by Europol, as well as specific initiatives of Member States or the Commission/DG ECFIN. Additionally, the Commission/DG ECFIN establishes bilateral contacts with competent authorities in the areas/countries determined, with a view to specifying the type (conference/seminar, workshop, staff exchange, study) or domain (law enforcement, judicial, financial, technical) of training and technical assistance. In all cases, the general lines and each of the individual projects proposed are described in detail and discussed at the ECEG.

When it occurs that relevant priorities are not sufficiently covered by actions proposed by Member States, the Commission/DG ECFIN organises complementary actions on its own initiative based on priorities identified together with the experts and available budget.

²⁹ In line with Article 4 of Regulation (EU) 2021/840 of the European Parliament and of the Council establishing the "Pericles IV" programme.

2. Intervention patterns



Mid-term priorities are implemented as follows:

Regional cooperation

Regional cooperation covers sensitive regions of the world (e.g. Latin America and South East Europe) and consists of:

- One yearly seminar/conference bringing together the key experts of the region from police, judicial and financial staff;
- Various specific actions involving two or more countries in the area and organised by Member States or by the Commission/DG ECFIN.

Specific actions

These actions are aimed at increasing the level of protection of the euro in specific countries by targeting definite categories of professionals (e.g. judicial, police, customs or financial staff). Specific actions fall under four categories:

- Technical and tactical trainings (mainly addressed to investigators or cashiers, these are practical workshops on how to recognise suspect euro coins and banknotes);
- Staff exchanges (these actions have the main goal of exchanging know-how and increasing the creation of homogeneous framework for protecting the euro against counterfeiting);

- Purchase of equipment (technical equipment to be used by specialised anti-counterfeiting authorities from most sensitive third countries in order to protect the euro against counterfeiting);
- Awareness-raising events (multidisciplinary seminars and conferences mainly addressed to medium-high level staff from ministries and competent authorities with the aim to create favourable conditions to further develop co-operation for the protection of the euro against counterfeiting).

Horizontal actions

Horizontal activities contribute to the overall protection of the euro. These include studies, highly specialised trainings, explanatory workshops and manuals.