



EUROPEAN COMMISSION
EUROPEAN ANTI-FRAUD OFFICE (OLAF)

Protection of the EURO

Brussels, 31 May 2007
OLAF/C5/ I (2007) / 2985

THE PROTECTION OF EURO COINS IN 2006

TABLE OF CONTENTS

1.	Introduction	3
2.	Situation with regard to counterfeit euro coins	3
2.1.	Counterfeit coins detected in circulation	3
2.2.	Common classes seized before circulation	4
2.3.	Total number of counterfeit coins	5
2.4.	Increasing diversity	5
3.	Coordination of actions to protect euro coins	6
3.1.	Counterfeit Coin Experts Group (CCEG)	7
3.2.	Cooperation with groups specialised in coins	7
3.3.	Other groups related to the protection of the euro	8
3.4.	Cooperation with private sector coin-operated industry	8
4.	Activity of the ETSC	8
4.1.	Analysis and classification	8
4.2.	Assistance to competent authorities	9
4.3.	Training	9
4.4.	Databases, registers and technical framework	9
5.	Initiatives concerning the protection of the euro coins	10
5.1.	Pericles actions for the protection of euro coins	10
5.2.	Cooperation with the Turkish authorities	11
5.3.	Specialised technical initiatives	11
6.	Follow-up on legislation	12
6.1.	Rules on medals and tokens	12
6.2.	Authentication of euro coins and coins unfit for circulation	13
7.	Parliamentary questions and information activity	14
8.	Conclusions	14

1. INTRODUCTION

The technical aspects of the protection of euro coins against counterfeiting is a responsibility of the Commission/OLAF, in line with a Decision by the Council¹ and a Decision by the Commission². The latter provides for the coordination of the technical actions of Member States for the protection of the euro coins, which is carried out mainly in the framework of meetings of counterfeit coin experts. It also involves close cooperation with other relevant groups, as well the coin-operated private sector industry.

The above-mentioned Commission Decision of 29 October 2004, also provides for the establishment of the European Technical and Scientific Centre (ETSC), primarily responsible for the analysis and classification of counterfeit euro coins. The ETSC, which was provisionally hosted, from October 2001, at the French Mint, is now established in Brussels, with staff detached at the plant of the French Mint in Pessac, where it carries out the necessary analyses. To that effect, a formal exchange of letters between the Commission and the French Government, concluded on 19 December 2006, completed the Commission's Decision.

In the framework of its responsibilities, the Commission/OLAF takes initiatives to further reinforce the protection of euro coins. Financing of these initiatives generally is ensured by the Pericles Programme.

This report provides general information about the situation as regards euro coin counterfeiting and the actions to protect euro coins, as well as the activity of the ETSC.

2. SITUATION WITH REGARD TO COUNTERFEIT EURO COINS

2.1. Counterfeit coins detected in circulation

The number of counterfeit euro coins removed from circulation in 2006 reached nearly 164 000, rising by almost 64% from 2005, a rate almost twice as large as in 2005.

The diversity of the counterfeit euro coins continued to increase substantially. In particular, fourteen new families of counterfeits (common classes) were created in 2006, with the total number rising to eighty for the three high denominations.

Despite the large number of common classes, the bulk of counterfeit coins is still concentrated. In particular, for the 2-euro, three classes represent about 60 % of the total number of registered counterfeits. The situation is similar to the 1-euro coins.

Counterfeit euro coins are found throughout the euro area and in several other EU Member States as well as outside the EU: Switzerland and Yugoslavia.

¹ Council Decision of 8 December 2003 concerning the analysis and cooperation with regard to counterfeit euro coins (2003/861/EC), OJ L 325/44, 12.12.2003.

² Commission Decision C(2004)4290 of 29 October 2004, OJ L 19/73, 21.01.2005.

The number of counterfeits found in circulation is still significantly lower than figures of legacy, pre-euro, coins. The absolute number of the counterfeit euro coins, even including potentially produced and circulating counterfeits, is also extremely small compared to the 69 billion circulating (genuine) euro coins or to the 13 billion euro coins of the counterfeited denominations.

The breakdown of counterfeit euro coins found in circulation is shown below.

Counterfeit euro coins detected in circulation *				
	50-cent	1-euro	2-euro	Total
2002	29	1 105	1 035	2 169
2003	556	6 561	25 642	32 759
2004	950	8 482	65 046	74 478
2005	3 989	12 771	83 731	100 491
2006	8286	14 099	141 437	163 822
TOTAL	13 810	43 018	316 891	373 719
* The figures comprise both stamped counterfeits (common classes) and cast counterfeits (local classes).				

Most counterfeit coins found in circulation are detected with coin sorting machines mainly in National Central Banks but also in commercial banks and other financial institutions. Greater efforts to detect circulating counterfeits, in line with Commission Recommendation 2004/504 of 27 May 2005 concerning authentication of euro coins and handling of euro coins unfit for circulation, should result in a higher number of counterfeit euro coins removed from circulation.

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, including dismantling of clandestine mints. In 2006, almost 14.000 counterfeit euro coins were seized in that way.

The breakdown of counterfeit euro coins found before circulation is shown in the following table:

Counterfeit euro coins seized before circulation				
	50-cent	1-euro	2-euro	TOTAL
2002	70 590	99	2	70 691
2003	0	5 795	8	5 803
2004	161	380	84 578	85 119
2005	48	55	3 454	3 557
2006	3	12 988	750	13 741
TOTAL	70 802	19 317	88 792	178 911

One illegal mint was dismantled in 2006 in Italy. Since the introduction of the euro currency in 2002, twelve illegal mints have been dismantled: seven in Italy and one in each of Portugal, Spain, Poland, Hungary and Bulgaria.

2.3. Total number of counterfeit coins

Based on the above breakdown, the total number of counterfeit euro coins seized in or before entering circulation, rose to almost 553 000 in the year 2006.

Total number of counterfeit euro coins seized (in and before circulation)				
	50-cent	1-euro	2-euro	TOTAL
2002	70 619	1 204	1 037	72 860
2003	556	12 356	25 650	38 562
2004	1 111	8 862	149 624	159 597
2005	4 037	12 826	87 185	104 048
2006	8 289	27 087	142 187	177 563
TOTAL	84 612	62 335	405 683	552 630

2.4. Increasing diversity

The diversity of counterfeit euro coins has continued to increase significantly, reflecting an intense and continuing activity of counterfeiters, producing new minting tools and additional quantities of counterfeit coins: fourteen new families of counterfeits (common classes) were created in 2006, with the total number rising to eighty for the three high denominations. In total, seventy families and

sub-types of counterfeits (classes and variants) were created in 2006, bringing their total number to 363.

The number of common classes and variants created by the ETSC for each year since the introduction of euro coins, is indicated in the two tables below.

Number of common classes				
	50-cent	1-euro	2-euro	TOTAL
2002	1	5	5	11
2003	6	4	5	15
2004	11	3	8	22
2005	9	3	6	18
2006	6	5	3	14
TOTAL	33	20	27	80

Number of common classes + variants				
	50-cent	1-euro	2-euro	TOTAL
2002	1	14	19	34
2003	6	7	50	63
2004	12	12	72	96
2005	12	7	81	100
2006	10	9	51	70
TOTAL	41	49	273	363

The total number of common classes so far is eighty. Out of these, just over a dozen are connected to the twelve clandestine mints that have been dismantled until now. The great majority of counterfeit types are still operation.

3. COORDINATION OF ACTIONS TO PROTECT EURO COINS

The above-mentioned Council and Commission Decisions provide for the co-ordination, by the Commission, of the activities of the competent technical authorities to protect euro coins against counterfeiting. This co-ordination takes

place mainly in the Counterfeit Coin Experts Group but materialises also through the cooperation with coin related and other groups.

3.1. Counterfeit Coin Experts Group (CCEG)

The Counterfeit Coin Experts Group (CCEG), chaired by the Commission/OLAF, is the basic group serving to co-ordinate Member States' technical actions with respect to the protection of the euro coins against counterfeiting, in line with Council Decision of 8 December 2003 and the Commission Decision of 29 October 2004.

The Group held four meetings in 2006. These bring together the Heads of the Coin National Analysis Centres (CNACs), the ETSC as main player, the ECB and Europol.

The CCEG enables the exchange of information on subjects emerging from the daily work at the CNACs and the ETSC and allows a common position to be taken.

The Group discussed issues such as the analysis of new cases of counterfeits, the work program of the ETSC Work Team, cases of medals and tokens in the framework of the Council Regulation 2182/2004 of 6 December 2004 concerning medals and tokens similar to euro coins, the implementation follow up of the Commission Recommendation of 27 May 2005 concerning authentication of euro coins (see the section 6.2), the preparation of a grading system for the similarity of counterfeits to euro coins and other issues related to coins, including the connection to the Counterfeit Monitoring System (CMS) at the ECB.

3.2. Cooperation with groups specialised in coins

The *Mint Directors Working Group* (MDWG), which brings together the heads of the Mints of the EU Member States, co-operates in the protection of the euro coins. The ETSC particularly maintains close relations with the MDWG regarding coin technical issues.

In 2006, OLAF/ETSC collaborated particularly with the MDWG sub-group mandated to study higher security characteristics for euro coins; the ETSC provided input related to the various techniques used by counterfeiters for imitating euro coins.

The ETSC also brought its technical expertise to the MDWG for the design of the new common side of euro coins, following the enlargement of the European Union.

The *Mint Directors Conference (MDC)* brings together, every two years, the heads of Mints worldwide. On 2-4 May 2006, the MDC organized its plenary Conference at the French Mint in Paris. On that occasion, the OLAF/ETSC made a presentation on the Regulation of 6 December 2004 on medals and tokens (see the section 6.1) and the Recommendation of 27 May 2005 on coin authentication. OLAF also championed a session on the protection of the euro coins against counterfeiting.

The *Euro Coin Sub-Committee (ECSC)* of the Economic and Financial Committee brings together representatives from the coin issuing authorities of the Member States. The ETSC also participates as part of the Commission/OLAF representation. The ECSC met twice, in March and October 2006.

3.3. Other groups related to the protection of the euro

Other relevant groups, where the Commission/OLAF participates, include:

- The *Euro Counterfeiting Experts Group*, functioning in the framework of the Advisory Anti-fraud Coordination Committee (Cocolaf). This group, chaired by OLAF, brings together counterfeit experts from law enforcement, central banks and ministries thus ensuring the multidisciplinary character necessary for the elaboration of legislative proposals, the implementation of training and technical assistance projects, etc. The ETSC participates at the quarterly meetings of that group.
- The *ECB's* group concerning counterfeit banknotes.
- *Europol's Forgery of Money Group*. The ETSC highlights the counterfeit coin aspects at the Europol meetings.

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

3.4. Cooperation with private sector coin-operated industry

In 2006, the cooperation continued with the coin-operated industry, with a view to enabling better prevention of fraud in this domain. The Commission/OLAF keeps the coin-operated industry informed of technical developments regarding counterfeits, foreign coins and other objects, so that equipment may be adjusted to safely reject these objects.

OLAF also presented the Recommendation for authentication of euro coins to the annual meeting of the European Security Transport Association (ESTA) in Valencia, in May 2006 and the situation on euro coin counterfeiting at the technical forum organized by the European Vending Association (EVA) and the Worldwide Vending Association (WVA) in Rome, in November 2006.

The ETSC, in close collaboration with the French CNAC, continued to organize and receive in Pessac a number of test sessions with coin mechanism manufacturers, aimed at updating sorting and coin validating equipment in the recognition of euro coins and the rejection of counterfeits.

4. ACTIVITY OF THE ETSC

4.1. Analysis and classification

The primary mission of the ETSC is the technical/scientific analysis and classification of common classes of counterfeit coins. To this effect, the ETSC

created in 2006 a total of seventy common classes and variants, of which fourteen common classes. Details of these are shown in section 2.

4.2. Assistance to competent authorities

The ETSC provides assistance to the competent authorities in the Member States, in particular to:

- Coin National Analysis Centres (CNACs): the ETSC is in daily contact with most CNACs. It provides technical advice regarding cases of suspect euro coins, particularly in terms of coin classification, as well as regarding the technical implementation of the Commission Recommendation of 27 May 2005 concerning the authentication of euro coins.
- Europol and National Central Offices (NCOs): with a view to facilitating the tasks of law enforcement agencies, the ETSC keeps regular contact with Europol and individual National Central Offices (NCOs). Europol and Interpol participated in the ETSC Work Team in 2006.
- European Central Bank (ECB): the ETSC continues to contribute to the improvement and testing of the database on counterfeit coins. As in previous years, the ETSC centralized change requests, processed and transmitted them to the ECB on behalf of the CNACs.

4.3. Training

In the framework of the Pericles programme, the ETSC provided training on counterfeit euro coin analysis and classification to experts from the Polish CNAC on the ETSC premises in Pessac on 21-22 November 2006.

The ETSC also participates regularly in seminars and conferences, organised under the Pericles programme or by third parties.

4.4. Databases, registers and technical framework

The ETSC continuously updates its registers, in particular:

- “Register of materials used for coin counterfeiting”, which is on one hand useful for coin experts at CNACs, for determining the type of material of a counterfeit coin without conducting sophisticated or destructive tests, and on the other hand, a helpful tool for law enforcement agencies in their investigations against the producers of counterfeit euro coins.
- “Register of medals, tokens, genuine foreign coins and other metallic objects similar to euro coins” (other than counterfeits), which is useful for future improvements of the euro coinage. In the same framework, the ETSC acts as the centre for fraud-related information from the coin-operated industry. It updates its specific register with information on objects fraudulently used in coin-operated machines, mainly tokens, medals and genuine foreign coins supplied

by the Coin Operated Industry. There was no substantial fraudulent use of this type of objects in 2006.

- *Technical framework*, which the ETSC maintains and updates, mainly consisting of technical documents and procedures, in particular the “Basic procedure for the technical analysis of counterfeit coins” and the “Elementary guidelines for the analysis of counterfeit coins”.
- *Technical sheets*, presenting the main technical characteristics of counterfeit euro coin classes and variants in a simplified and visual way; they are continuously updated by the ETSC for daily use by the CNACs, Europol and the National Central Offices.

5. INITIATIVES CONCERNING THE PROTECTION OF THE EURO COINS

5.1. Pericles actions for the protection of euro coins

The ‘Pericles’ Programme is a Community financing facility aimed at reinforcing the protection of the euro against counterfeiting, by means of seminars, conferences, staff exchanges, studies and other actions undertaken by Member States or the Commission. In the year 2006, in addition to other activities, the Pericles Programme financed a number of initiatives specifically or equally oriented to the protection of euro coins, as follows.

Follow up from the Paris Conference. Since the Commission/OLAF conference in Paris, on 28-29 November 2005 (“Interaction between investigation and technical/scientific analysis with regard to counterfeit euro coins”) more focus has been placed on the protection of euro coins, which are increasingly seen as a domain where additional action should be taken, particularly by law enforcement. Indeed, a larger number of coin-related initiatives was taken by Member States and the Commission/OLAF in the framework of the Pericles programme, while increasing police cooperation was sought in the framework of Europol analysis.

In particular, two training projects relevant to euro coins were financed by Pericles: the Italian Central Office organised a euro coin specific training seminar, held in Rome in December 2005 and the Bavarian Central Office focused the yearly “Euro South - East” conference, held in Zagreb in October 2006, on the protection of euro coins. Among the conclusions resulting from the latter, prominent was the view that coin authentication procedures should become mandatory in Member States, by means of Community legislation.

Counterfeit currency manual. The conclusions of the Pericles ‘Euro South-East’ conference held in Prague 4-8 June 2005, highlighted the importance of elaborating a ‘European Counterfeit Currency Manual.’ This manual is considered to be a significant step in establishing guidelines for specialised investigators of Member States’ authorities on measures to be taken upon arrival at a crime scene involving counterfeits.

Endorsed by the Commission/OLAF's Euro Counterfeiting Group, the above conclusion was undertaken by the Commission as OLAF's initiative, financed by Pericles. This manual, in its simplified or advanced form, contains basic or specialised information regarding the euro and characteristics of counterfeits, as well as analyses of technical, institutional, operational and legal issues regarding counterfeiting. The manual addresses the problem of counterfeit euro banknotes and coins, methods of recognition and methods to recognise and combat the phenomenon.

Higher security characteristics for future euro coins. In view of the importance of the euro coin circulation, as well as the increasing sophistication of certain classes of counterfeits, it was considered appropriate to initiate research in the higher security characteristics. Following endorsement at the Euro Coin Sub-Committee of the Economic and Financial Committee, the Commission/OLAF undertook that project as its own initiative financed under the Pericles programme. The implementation of the project was entrusted to the Mint Directors Working Group, which is carrying it out in close collaboration with OLAF/ETSC.

The 'ETSC Work Team'. The Pericles programme also financed the Commission's initiative for the "ETSC Work Team for technical support to law enforcement on counterfeit euro coins". The Work Team chaired by OLAF, held two meetings on the ETSC premises at the French Mint in Paris, on 18 July and 10 November 2006.

This team, whose creation was also one of the conclusions of the above-mentioned OLAF Conference held in Paris, aims at selecting and preparing appropriate information for use by law enforcement as regards the fight against euro coin counterfeiting. It offers a multi-disciplinary expertise by gathering police officers from the most expert Member States, with participation of Europol and Interpol, as well as CNAC experts.

5.2. Cooperation with the Turkish authorities

In 2006, the Commission continued the efforts, undertaken since 2004, to address to similarity of the recent Turkish coins to euro coins. Vice President Kallas visited Turkey, on 8-9 May 2006 and discussed the issue with the Turkish Prime Minister and with the Minister of Finance. OLAF/ETSC visited the Turkish Ministry of Finance and the Turkish Mint in April 2006 and discussed possible solutions to the similarity. OLAF/ETSC has advised the Turkish authorities that an appropriate solution consists in inverting the alloys of the inner and outer parts, which would allow a better recognition as compared to euro coins. These proposals have not yet been put in place by Turkey.

5.3. Specialised technical initiatives

In the framework of the Commission Recommendation on authentication of euro coins and generally to reinforce the protection against euro coin related fraud, the Commission/OLAF has initiated consideration of two technical initiatives in 2005:

- (a) The procurement of reference pieces to be used for testing authentication processes of euro coins. These pieces aim at enabling the adjustment of coin operated machines in such a way that they securely reject all counterfeits and other objects which do not strictly comply with the specifications of euro coins.
- (b) A study on the euro coin conductivity calibration procedure and the procurement of certified reference standards. The aim of the study is to provide a basis for a better recognition of euro coins based on the electrical conductivity.

In 2006, the ETSC finalized the definition of the technical specifications of the above initiatives and the Commission/OLAF published in the J.O.C.E. two calls for tenders.

6. FOLLOW-UP ON LEGISLATION

6.1. Rules on medals and tokens

Sanctions. Council Regulation on “Medals and tokens similar to euro coins” of 6 December 2004³ provides, in its Article 6, that Member States lay down ‘effective, proportionate and dissuasive’ sanctions to infringements of the Regulation provisions. According to information supplied to the Commission, national legislative measures provide for different types of sanctions. Some national laws introduce pecuniary sanctions, some pecuniary administrative and some even foresee imprisonment. The range of fines imposed also varies and in some cases substantially.

Cases considered. Under the Regulation, the Commission is responsible for declaring whether a design, on a medal or token, is similar to euro coin designs, with a view to deciding whether the medal or token needs to be forbidden. In considering these cases, the Commission consults with the CCEG.

In that capacity the Commission addressed, following consultation of the Counterfeit Coin Experts Group (CCEG), the following requests in 2006:

Germany: Euro medal “Football World Championships 2006”

The German Bundesbank advised the Commission on a medal resembling a 2-euro coin which is sold over the internet on the occasion of the Football World Championships 2006 in Germany. The Commission opined that these medals were indeed similar to the 2-euro coin as essential elements of the medals’ design reproduce to a large extent the equivalent elements of euro coins. In addition, these medals are advertised for sale on the internet as 2-euro coins, which emphasises the producers’ effort to achieve similarity.

³ JO L373, 21.12.2004, p. 1, n° 2182 and 2183/2004.

Italy: Euro Coins Pattern – Vatican

The Italian Mint informed the Commission on a set of ‘Vatican’ medals. The Commission concluded that, indeed, there was an intention by the manufacturers of these medals to imitate circulation Vatican coins to the extent that the former Pope is depicted on the national side and to the extent that there is a similarity in the figures which may be taken to represent face value, as well as a general visual resemblance. The Commission also advised the Italian authorities that these medals were not usable in vending machines and the selling price and the wrapping of these medals make it unlikely that they will be used in hand-to-hand transactions.

France: Euro Coins Pattern – Corsica

The French Mint requested the Commission’s opinion as regards a set of medals offered for sale as “Euro Coins Pattern – Corsica”. The Commission confirmed that there was an effort to imitate euro coins, in terms of visual characteristics. However, those medals are well packaged and sold at a price well above the nominal value of the equivalent euro coins; in addition, they should not present any risk for use in vending machines as their technical properties are different from those ones of euro coins. As a result, there did not seem to be a significant risk of confusion.

Czech Republic: Commemorative medal

A project by the Czech Mint for producing a set of medals following closely the medals previously authorised to the Slovakian Mint was considered sufficiently different from euro coins within the meaning of the Regulation.

6.2. Authentication of euro coins and coins unfit for circulation

The Commission adopted, on 27 May 2005, a Commission Recommendation on the “authentication of euro coins and handling euro coins unfit for circulation”⁴.

The Recommendation provides common rules for national authorities (i) to control authentication processes of euro coins during the cash cycle, with a view to removing from circulation counterfeits, euro coin-like objects, foreign coins and euro coins unfit for circulation, (ii) for handling and reimbursing genuine unfit euro coins.

According to information communicated to the Commission, an increasing number of Member States has taken or is in the process of taking legislative or other measures to implement the Recommendation. These include, mainly Germany, Belgium, France, the Netherlands and Austria, while Ireland and Portugal are in an advanced stage of preparation. The increased attention and efforts of the Member States has explained to some extent the considerable increase in the number of counterfeit coins found in circulation during sorting operations in those countries.

⁴ JO L184/60, 15.7.2005, n° 2005/504

In order to facilitate the technical implementation of the Recommendation, the ETSC prepared in 2006 a “Common test report” for the national authorities to formalize the results of tests performed on coin sorting machines. This template was reviewed and approved by the CCEG members.

7. PARLIAMENTARY QUESTIONS AND INFORMATION ACTIVITY

During 2006, Commission/OLAF replied to five questions submitted by the European Parliament in the area of the protection of the euro against counterfeiting.

The European Parliament was informed on the effective instruments available for the protection of euro banknotes and coins, the new legislative proposals and projects relating to euro protection, updated figures on counterfeits withdrawn from circulation, as well as the geographical location of counterfeits both inside and outside the EU. The issue of similarity between the two New Turkish Lira denominations and the 1-euro and 2-euro coins was specifically addressed. Detailed analysis of the Commission’s reactions was provided, as well as continuous updating on the meetings held between the Commission and the Turkish authorities, the solutions applied and conducts envisaged in view of protecting the euro coins.

In the framework of its information activity, the Commission carried out two press communications, on 13 January 2006 and 28 March 2006, on developments and issues concerning the protection of euro coins against counterfeiting.

8. CONCLUSIONS

In 2006, the institutional structure for the technical protection of euro coins was completed. In addition to the national analysis centres for coins, the ETSC is now formally established in the Commission/OLAF by means of a Commission Decision, and carries out its analyses using the equipment of the French Mint in Pessac, based on an exchange of letters between the Commission and the French Minister of Finance.

The year 2006 is characterised by an emphasis on and intensification of efforts to protect euro coins against counterfeiting, along with a considerable increase in the number of counterfeit coins removed from circulation.

The emphasis on the protection of euro coins is shown by the initiatives that Member States and the Commission/OLAF took, mainly in the framework of the Pericles Programme. Indeed, following OLAF’s November 2005 conference in Paris, seminars and conferences now increasingly have a protection of the euro coin content, which is leading to an increasing awareness of the need to protect them. In addition, coin related technical initiatives were undertaken, such as the study on higher security characteristics of coins; the counterfeit currency manual; the study on the measurement of coin conductivity; the preparation of reference pieces for the adjustment of coin operated machines; and the establishment of the Work Team around the ETSC, with participation of technicians and law enforcement, aimed at offering assistance to operational analyses.

A major feature of the year 2006 was the progressive introduction, in Member States, of the coin authentication procedures, in line with the Commission Recommendation of 27

May 2005, concerning authentication of euro coins. Thus, several MS are now applying these methods, mainly Germany, Austria, Belgium, the Netherlands and France, while others, such as Portugal and Ireland are at an advanced stage of preparation. Overall, the idea that circulating euro coins need to be checked for authenticity seems to be generally accepted, although more time is needed to enable all Member States to implement it.

These increased efforts seem to have led, by a large part, to the large increase in counterfeit euro coins detected in circulation in 2006. Indeed, while the number of new common classes and variants created in 2006 is lower than in previous years, the number of counterfeit euro coins removed from circulation rose by almost 64%, compared to the year before, to nearly 164 000 pieces. These are mainly of the 2-euro denomination and are found throughout the euro area, as well as in other EU countries and in some third countries. To the extent that authentication efforts continue to be introduced in Member States, further increases in the number of counterfeit coins should be expected in the future.

In spite of these increased efforts and of the fact that the number of counterfeits is still smaller than in legacy coins, i.e. before the introduction of the euro, vigilance with regard to counterfeit euro coins needs to be reinforced. This is because:

- (i) coin counterfeiting activity continues to grow. This is shown by the 14 new types of counterfeit euro coins discovered in 2006; and the 70 new (types and) sub-types overall, demonstrating that production of known types continues;
- (ii) the major illegal mints are still operating. Indeed, despite the fact that twelve illegal mints were dismantled until now, these were only producing 13 of the 80 known types of counterfeits. Thus, the vast majority of counterfeits continues to be produced, also including the major types of counterfeits;
- (iii) the sophistication and similarity of counterfeits to the genuine euro coins continues to increase. Indeed, while well adjusted vending and sorting machines are capable of rejecting the counterfeits, the appearance of more sophisticated counterfeits has demonstrated the capacity of counterfeiters to reproduce even more advanced security characteristics of coins. This has rendered necessary, among others, to consider additional ways of increasing the security of euro coins, thus rendering them safer for the user.

The above considerations make it clear that the system for the protection of euro coins is working efficiently. However, increased vigilance and cooperation is necessary to better guarantee the credible use of euro coins. This comprises:

- a) Increased cooperation, including national law enforcement and Europol, as well as technical support by the CNACs and the ETSC.
- b) Use by all Member States of the procedures for authentication of the circulating euro coins. Legislation in this domain should speed up this process.
- c) Closer cooperation with the private sector coin-operated industry, with a view to a more precise calibration of the relevant equipment, so as to enable rejection of also the most sophisticated types of counterfeits.

The Commission, in cooperation with the Member States, Europol and the ECB is working in these directions with a view to further increasing the protection of euro coins.