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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 2021**

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 2021 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 2021.

The actions which the Pericles programme will focus in 2021 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. In March 2020, an illegal mint was dismantled in Garbagnate, Italy, followed by several other seizures of counterfeit euro coins⁵. In July 2020, Italian law enforcement dismantled one of the largest criminal networks specialised in euro counterfeiting⁶. In fact, there is concrete suspicion that more than 45% of counterfeit euro banknotes in circulation continue to be produced in the area of Naples (common classes denominated "Napoli group")⁷.

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

² In line with art of Regulation (EU) No /2021 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 Europol counterfeit currency news January-March 2020.

⁶ Europol press release, 17 July 2020

⁷ Information received during Euro Counterfeiting Expert Group (ECEG) meetings.

In 2019, France, Italy, Germany and Spain were together subject to the largest distribution of counterfeit euro banknotes removed from circulation⁸, in total accounting for 74.7%. In 2019, Spain was the country with the highest number of detected counterfeit euro coins. The counterfeits seized in Spain, together with those seized Italy and Germany accounted for 64% of the total counterfeits seized in 2019.

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 France, Germany, Spain and Italy.

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

China

Chinese criminal groups 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 circulation having a deceptive hologram (the majority of which has been confirmed to be originating from China) increased from 22 000 in 2013 to 129 500 in 2018⁹. The Chinese origin of these holograms have been confirmed by a number of successful police operations conducted in EU Member States¹⁰.

Chinese sources have also become directly involved in the production of ‘movie money products’ and counterfeit euro coins, as demonstrated by seizures in December 2014¹¹ and June 2017¹². 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 therefore a continuous need for cooperation and awareness raising actions with Chinese competent authorities, building on the experience gained from the first EU-China platform meeting/workshop held in 2017.

⁸ Information received from the ECB.

⁹ 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.

¹⁰ Information received from Europol concerning successful police actions include: Operation Green-Heart (Austria, June 2018) led to a seizures of an envelope sent from China and addressed to an Austrian recipient, with 3000 holograms for €20 banknote series B; peration Tulipa (January 2019, Netherlands) led to the dismantlement of an illegal print shop and the seizure of 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 perperators to produce counterfeit euro notes.

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.

Colombia and Peru

Outside the EU, the highest quality and largest quantity of counterfeit euros are produced in Colombia and Peru. This has been the case for a number of years now. Recent successful operations in Colombia¹³ and Peru¹⁴ - as well as the recent arrest of counterfeiters from Colombia setting up an illegal printing operation in the the Canary Islands, Spain¹⁵ - point to the continued necessity of 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.

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 1244¹⁶ use the euro as their only official currency. The Commission has concluded Administrative Cooperation Agreements with Turkey, 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.

¹³ 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.

¹⁴ 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.

¹⁵ 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.

¹⁶ 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.

Turkey is a potential place of transit and production of counterfeit currency. 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.

South Eastern European Member States have close ties with other EU Member States, resulting in an increased movement of persons and goods within the EU. Indeed, Europol notes that some Italian organised crime groups have relocated their printshops to other European countries such as Romania¹⁷. Besides the euro, there have also been detections of high-quality Leu counterfeits in Romania¹⁸. Furthermore, 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. With regard to Croatia and Bulgaria, support to their respective competent authorities will acquire a higher urgency in the coming years because these Member States have joined ERM II in July 2020 and have expressed their intention to join the euro area in a near future.

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 Turkey.

Support to South Eastern European Member States for developing further activities in the area like multilateral conferences/workshops and staff exchanges.

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

¹⁷ Information provided by Europol: In 2014, Romanian prosecutors, in close cooperation with Italian authorities, discovered a counterfeit money factory in Oradea, in Western Romania. Following searches, the prosecutors held several persons who were part of a mafia clan from Naples, Italy, and also confiscated €13 million (Case Oradea 2014).

¹⁸ Europol press release 3 July 2020: On 24 June 2020, the Romanian police discovered and dismantled an illegal print shop which produced counterfeit Romanian Leu. The counterfeits were made of a polymer material and included advanced security features, making the identification of the fakes almost impossible for non-experts..

¹⁹ E.g. Europol press release 23 October 2018; In an operation supported by Europol, the Bulgarian authorities with the collaboration of the U.S. Secret Service have seized €11 million (in 50, 100 and 500 euro notes) and USD 1.7 million (Operation Cooper).

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 18 November 2019, a parcel was intercepted and its content was seized by the North Macedonian customs authorities. The parcel was sent from Singapore and contained over 10,000 emulations of €50 banknote (series A and B). Following this, consequent searches in Skopje were concluded with seizures of two high quality printers and a significant quantity of counterfeit €50 banknotes, paper, transparent follies and forged identity documents (belonging to EU police forces).

d. Topical developments

I. *Security features of euro coins*

More high quality euro coins have entered into circulation over the past years. 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.

II. *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 counterfeits²². According to Europol 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 counterfeits and high quality components purchased on the darknet.

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 counterfeits 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.

III. *The Implementation of Regulation (EU) No 1210/2010 concerning authentication of euro coins and handling of euro coins unfit for circulation*

As a result of the continuous technical developments within the coin processing machine (CPM) industry, the diversification in the use of coin processing machines by financial intermediaries is increasing. This recent development imposes a need for enhanced and more transparent implementation of Regulation (EU) No 1210/2010 concerning authentication of euro coins and handling of euro coins unfit for circulation.

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

IV. 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 Argentina²³, 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 Turkey, Albania and Serbia also need further support.

Implementation:

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

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.

Seminars aimed at increasing awareness on Regulation (EU) No 1210/2010 complementing the platform 1210 conferences.

Purchase of equipment for competent national authorities of non-EU Member States²⁴ 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

²³ Information received from the Spanish BIBE that in September 2018 a seizure of counterfeit 100 euro banknotes took place in Argentina.

²⁴ Provided for in Article of Regulation (EU) No /2021 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).

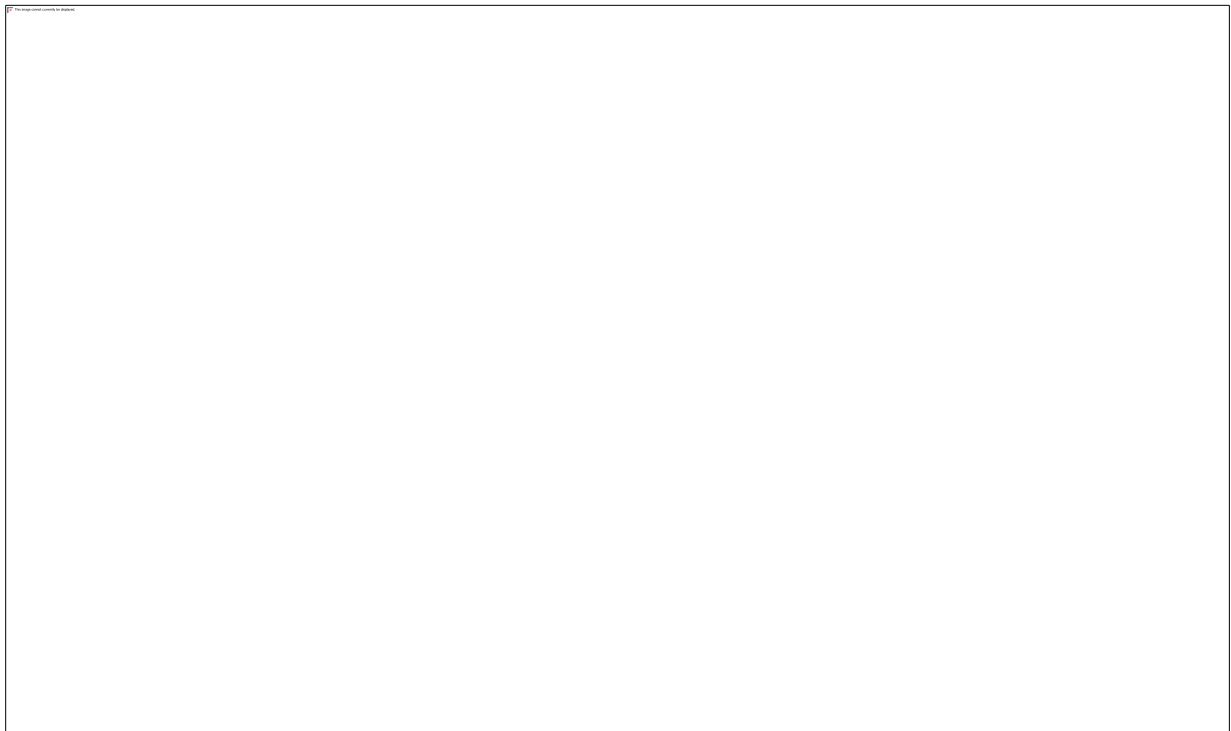
ATTACHMENT 1

Subject: Status of counterfeiting

A. Status of counterfeiting

Counterfeiting continues to represent a serious threat to the euro. The level of counterfeit banknotes and coins detected, the appearance 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 460,000 counterfeit euro banknotes were withdrawn from circulation in 2020, a decrease of 17.7% when compared with 2019²⁵.

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.

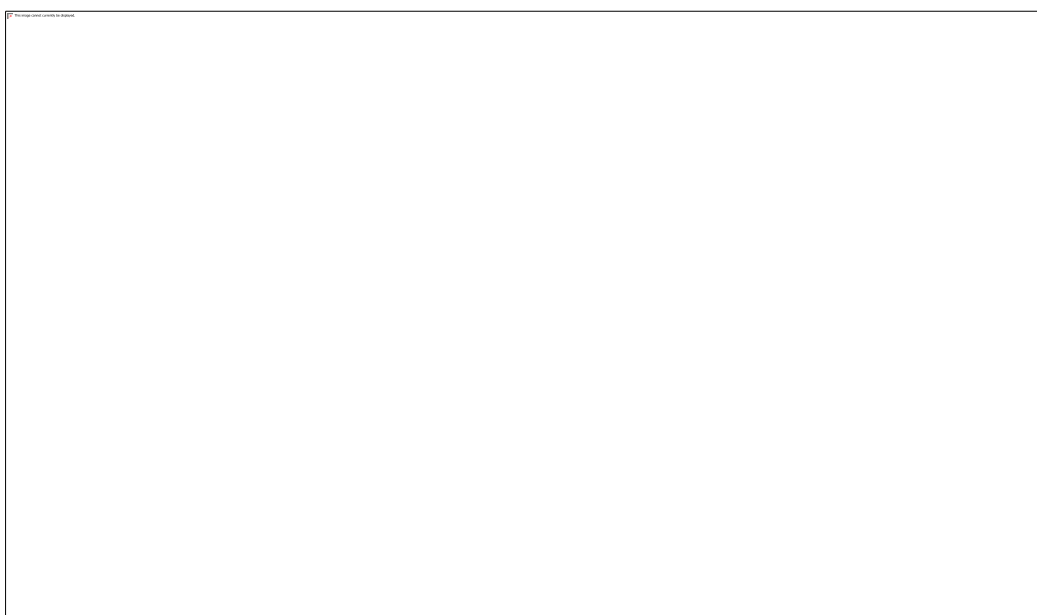
The quality of coin counterfeits continued to improve in 2018. New common classes were created covering "high quality" counterfeits. Several actions were carried out by the Commission to define the extent of the problem and to improve detection of these high quality counterfeits by coin-processing machines.

²⁵ 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) increased by 6.35% in 2019 compared to 2018. The number of counterfeit coins now exceeds 202 727 pieces per year. The overall value of counterfeit coins detected in circulation in 2019 was €361 146.5, which is higher than the value detected in 2018, namely €323 535.5. The 2 euro coin remains by far the most counterfeited denomination, constituting 93.23% in terms of value (up from 90.53% in 2018). The 50 cent denomination maintains the second position from a quantity point of view (7.16% of the total), continuing the trend of the last four years. Overall, 2 698 896 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 2: Counterfeit euro coins detected in circulation (Source: ETSC)



According to the latest Europol data, 927 982 banknotes were seized by the police in 2018. The total face value of these banknotes was approximately €82 million. 20 print shops and 2 illegal mints were communicated to Europol as dismantled within and outside the EU in 2018²⁶.

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 2017 identified an increased advertisement and sale of counterfeits online (social media, instant messaging applications, e-commerce platforms) and on the darknet. The 2018 Europol Report on Euro Counterfeiting once again confirmed these findings: the online availability and

²⁶ See Europol (2019) *Situation Report on Euro Counterfeiting 2018* and ETSC (2019) *The protection of euro coins in 2018*.

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 networks²⁷.

²⁷ See SOCTA 2011 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 2021**

1. Methodology

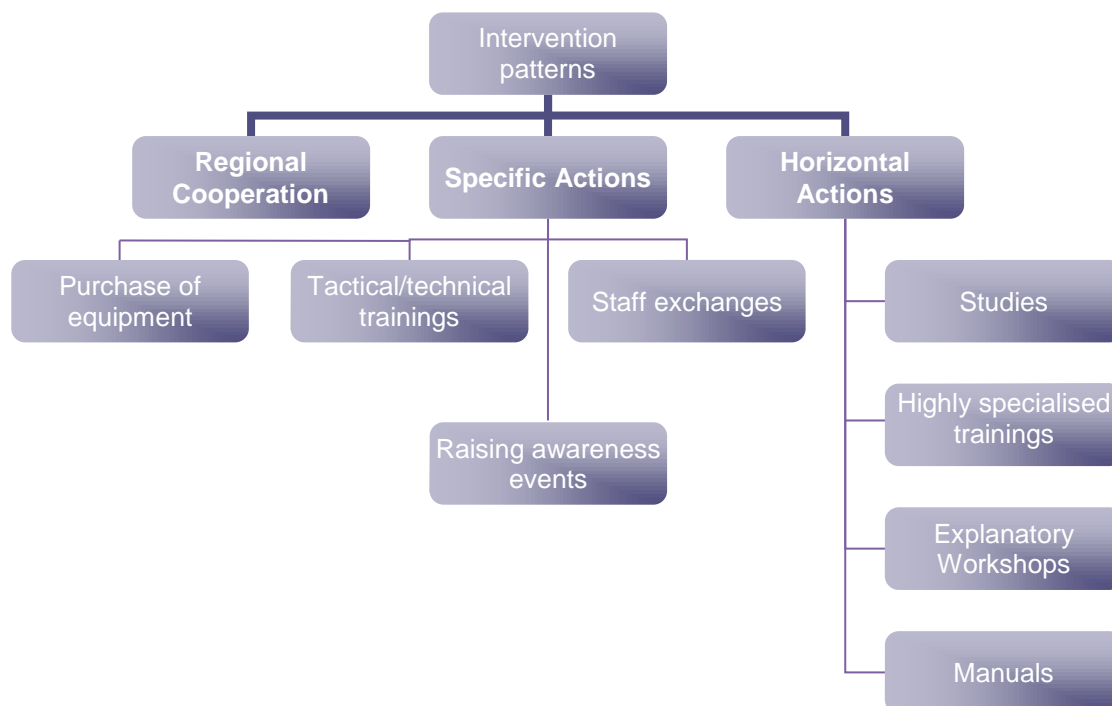
The strategy for implementing the Pericles programme has traditionally been based on the deliberations of the Commission's Euro Counterfeiting Experts' Group (ECEG)²⁸, bringing together experts from all relevant disciplines and Member States, as well as Europol, Interpol and the European Central Bank (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.

²⁸ In line with art of Regulation (EU) No /2021 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.