

# The protection of euro coins in 2013

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

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

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## EXECUTIVE SUMMARY

- ▶ The number of counterfeit euro coins found in circulation decreased slightly compared to 2012 and has remained well below 200 000 pieces per year, resulting in equivalent of 1 counterfeit coin for every 95 000 genuine ones. The number of counterfeit coins detected in circulation still remains higher than those seized before entering in circulation. The overall value of counterfeit coins removed from circulation in 2013 was EUR 283 000.
- ▶ The quality of counterfeits continued to improve in 2013 demonstrated by an increasing number of counterfeits having electromagnetic properties close to the specification. In addition, 2 new variants were registered of the recently identified sophisticated 1 euro counterfeits. A number of actions was carried out in order to define the extent of the problem and to improve the detection by the coin-processing machines.
- ▶ At European level a comprehensive legal framework exists for the protection of the euro consisting of administrative, training and criminal law measures. In view of the continued and substantial threat posed by (organised) crime activities in relation to currency counterfeiting and their persistent work to improve the quality of counterfeits (underpinned by this report), the European Parliament and the Council have agreed on a directive on the basis of a proposal made by the European Commission<sup>1</sup> which reinforces the criminal rules to protect the euro against counterfeiting especially targeted to improve the level of criminal law sanctions to boost deterrence and to improve cross border cooperation.  
This legislative proposal also introduces efficient investigative tools and improves prevention by allowing the analysis of counterfeits by the competent authorities, to further enhance the protection of the euro and other currencies by criminal measures.
- ▶ The entry into force of the Regulation<sup>2</sup> on the authentication of euro coins took place on 1 January 2012. It sets out the rules for financial institutions to ensure that all euro coins put back into circulation are genuine. This Regulation has become a powerful instrument to protect the euro against counterfeiting. According to Article 12 (4) of this Regulation, the year 2012 was the first year of implementation for which the Commission presents to the Economic and Financial Committee a report on developments and results concerning authentication of euro coins and euro coins unfit for circulation. Based on the information reported, the authentication procedure in the "institutions" seems to be in place in the majority of euro area Member States and that 12 out of 17 Member States of the euro area carry out controls of the correct implementation of the authentication obligation by the "institutions" referred to in Article 6 of Council Regulation (EC) No 1338/2001 of 28 June 2001. A further

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<sup>1</sup> Proposal for a Directive of the European Parliament and of the Council on the protection of the euro and other currencies against counterfeiting by criminal law, and replacing Council Decision 2000/383/JHA (COM (2013) 42 final).

<sup>2</sup> 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.

fine-tuning of the reporting obligation by Member States is necessary to allow the Commission to draw up a comprehensive picture of the authentication procedures put in place in Member States.

## 1. Introduction

### 1.1. OLAF's mission and mandate

The mission of the European Anti-Fraud Office (OLAF<sup>3</sup>) is threefold:

- ▶ it protects the financial interests of the European Union (EU) by investigating fraud, corruption and any other illegal activities;
- ▶ it detects and investigates serious matters relating to the discharge of professional duties by members and staff of the EU institutions and bodies that could result in disciplinary or criminal proceedings;
- ▶ it supports the EU institutions, in particular the European Commission, in the development and implementation of anti-fraud legislation and policies.

By performing its mission, OLAF contributes to the efforts made by the EU Institutions to guarantee that the best use is made of taxpayers' money.

The legal basis for EU action against fraud is Article 325 of the Lisbon Treaty. OLAF's main role and remit for carrying out its administrative investigations is defined principally in Regulation (EU, EURATOM) No 883/2013<sup>4</sup> which came into force on 1 October 2013, after its adoption by the European Parliament and the Council of the European Union.

For investigations concerning members and staff of EU institutions, bodies, offices and agencies ("internal investigations"), OLAF also derives its mandate from the inter-institutional agreement between the European Parliament, the Council and the Commission and from Staff Regulations.

While OLAF is part of the European Commission, under the responsibility of the Commissioner in charge of Taxation and Customs Union, audit and Anti-Fraud (from 2010 to 2014) it has an independent status for its investigative function.

Action taken by OLAF to protect the financial interests of the EU covers the entire expenditure side of the budget. On the revenue side of the budget, OLAF focuses particularly on "traditional own resources", including customs duties and sugar sector levies that represent around 14.1% of the revenue side of the EU budget.

### 1.2. OLAF's role in the protection of the euro

In the framework of its mandate, OLAF has a responsibility going beyond the EU's financial interest. It is in this context that, as a Service of the Commission, OLAF plays a role in the area of the protection of the euro banknotes and coins against counterfeiting<sup>5</sup>.

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<sup>3</sup> "OLAF" is the acronym of its title in French, *Office européen de Lutte Antifraude*.

<sup>4</sup> Regulation (EU, EURATOM) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (EURATOM) No 1074/1999.

<sup>5</sup> Commission Decision (1999/352/EC, ECSC, EURATOM) of 28 April 1999 establishing the European Anti-fraud Office as amended by Commission Decision (2013/478/EU) of 27 September 2013.

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

- ▶ preparation of political or legislative initiatives for the Commission and reporting on the implementation of Community legislation;
- ▶ training and technical assistance, based mainly on the Pericles programme<sup>6</sup>;
- ▶ the technical analysis of counterfeit euro coins, through the European Technical and Scientific Centre (ETSC). OLAF implements these tasks in close cooperation with other relevant Institutions and in co-ordination with the competent authorities of Member States.

### 1.3. The European Technical & Scientific Centre (ETSC)

The European Technical & Scientific Centre (ETSC) was established in 2004 within the European Commission, attached to the European Anti-Fraud Office (OLAF)<sup>7</sup>.

Within this framework, the mission of the ETSC is to analyse and classify every new type of counterfeit euro coin<sup>8</sup>, to contribute to the fulfilment of the objectives of the Pericles programme<sup>9</sup>, to assist the Coin National Analysis Centres (CNAC)<sup>10</sup> and to generally collaborate with the law-enforcement and other authorities competent for counterfeit euro coins and the strengthening of euro protection.

In addition, the OLAF/ETSC coordinates the necessary actions to protect euro coins against counterfeiting through periodic meetings of the Counterfeit Coin Experts Group (CCEG)<sup>11</sup>.

This report is presented in line with Commission Decision of 29 October 2004 based on Council Decision of 8 December 2003<sup>12</sup>. Article 4 of the Commission Decision stipulates that "The Economic and Financial Committee, the European Central Bank, Europol and the competent national authorities shall be kept

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<sup>6</sup> Council Decision of 17 December 2001 establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the "Pericles" programme). OJ L 339, 21.12.2001; Council Decision of 17 December 2001 extending the effects of the Decision establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting ('Pericles' programme) to the Member States which have not adopted the euro as the single currency. OJ L 339, 21.12.2001; Council Decision of 20 November 2006 (2006/849/EC). OJ L 330, 28.11.2006; Council Decision of 20 November 2006 (2006/849/EC). OJ L 330, 28.11.2006; Council Decision of 30 January 2006 (2006/75/EC). OJ L 36, 8.2.2006; Council Decision of 30 January 2006 (2006/76/EC). OJ L 36, 8.2.2006.

<sup>7</sup> Commission Decision of 29 October 2004 establishing the European and Technical Scientific Centre and providing for coordination of technical actions to protect euro coins against counterfeiting. OJ L 19, 21.01.2005.

<sup>8</sup> In line with the provision of Article 5 of Council Regulation (EC) 1338/2001 (OJ L 181, 04.07.2001) as modified by Council Regulation (EC) No 44/2009 of 18 December 2008 (OJ L 17, 22.01.2009).

<sup>9</sup> Council Decision of 17 December 2001 establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the "Pericles" programme). OJ L 339, 21.12.2001.

<sup>10</sup> Designated competent national authority according to Council Regulation (EC) No 1338/2001 of 28 June 2001 laying down measures necessary for the protection of the euro against counterfeiting. OJ L 181, 04.07.2001.

<sup>11</sup> See Section 3.2.1.

<sup>12</sup> Council Decision of 8 December 2003 concerning the analysis and cooperation with regard to counterfeit euro coins (2003/861/EC). OJ L 325, 12.12.2003.

regularly informed of the activities of the European Technical & Scientific Centre (ETSC) and of the situation as regards coin counterfeiting”.

The report is structured according to the above-mentioned requirements. Section 2 provides a detailed overview of the evolution of euro coin counterfeiting in 2013. Section 3 presents the activities that the ETSC carried out in 2013 in order to reinforce the protection of euro coins.

## 2. Situation with regard to counterfeit euro coins

A distinction has to be made between counterfeit euro coins detected in circulation and those seized before circulation. Counterfeits detected before circulation are usually seized by police before causing financial damage, whereas those detected in circulation are generally detected in coin sorting centres, operated by National Central Banks or private sector CIT (cash-in-transit) companies.

### 2.1 Counterfeit coins seized in circulation

The total number of counterfeit euro coins removed from circulation in 2013 reached nearly 177 500, a slight decrease of about 3% compared to 2012. The breakdown by denomination of counterfeits found in circulation for the last four years is shown in the table below.

**Table 1: Counterfeit euro coins detected in circulation, 2010 – 2013\***

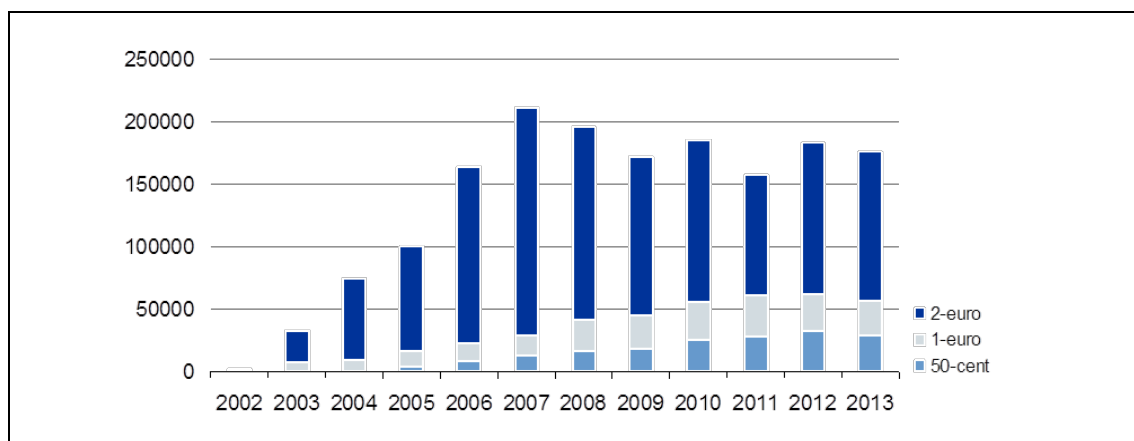
Year	50 cent	1 euro	2 euro	Total	Value (EUR)
<b>2013</b>	30 100	27 100	120 400	177 600	282 900
<b>2012</b>	32 700	29 500	121 000	183 200	288 000
<b>2011</b>	28 400	32 800	96 300	157 500	239 600
<b>2010</b>	25 100	31 000	129 700	185 800	302 950

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

When compared to 2012, among the 3 highest coin denominations, the number of 2 euro counterfeits remained unchanged. 2013 was also marked by a decrease in the number of counterfeit coins of 1 euro (-8%) and an equal drop in 50 euro cent counterfeits (-8%). The 2 euro remains by far the most counterfeited euro coin, constituting 85% in value terms (up from 84% in 2012). Overall, over the year 1 650 000 counterfeit euro coins have been removed from circulation since the introduction of the euro coins in 2002.

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

**Chart 1: Counterfeit euro coins detected in circulation**





In 2013 Germany, the country with the highest number of detected counterfeit euro coins, registered a similar level compared to 2012. A sharp increase took place in Spain, Austria and Portugal where the authentication procedures stated in Regulation (EU) 1210/2010<sup>13</sup> started being applied. In France and the Netherlands the level of detected counterfeits dropped.

Overall, the number of counterfeit coins detected in circulation in 2013 remains very small in comparison to the total of 102 billion genuine euro coins in circulation including 16,9 billion of the three highest denominations. Compared to the latter, the proportion of counterfeit euro coins is one for every 95 000 genuine coins.

To support the efforts in removing counterfeit euro coins from circulation, the European Parliament and the Council adopted the Regulation No 1210/2010 of 15 December 2010, on the authentication of euro coins. The Regulation sets out the rules for financial institutions to ensure that all euro coins, received by them with the intention to put back into circulation, are genuine.

In 2013 for the first time a report to the Economic and Financial Committee on application of the authentication procedures foreseen in the Regulation 1210/2010 was presented.

## 2.2 Counterfeit coins seized before circulation

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

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

The number of counterfeit coins seized before circulation sharply increased in 2013 (31 051 pcs). The breakdown per denomination of counterfeit euro coins found before circulation and registered in the CMS (Counterfeit Monitoring System)<sup>14</sup> for the last four years is shown below.

**Table 2: Counterfeit euro coins detected before circulation, 2010 – 2013\***

Year	50 cent	1 euro	2 euro	Total	Value (EUR)
<b>2013</b>	160	360	30 501	31 051	61 472
<b>2012</b>	4	1 800	72	1 872	1 946

<sup>13</sup> 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.

<sup>14</sup> Decision of the European Central Bank of 8 November 2001 on certain conditions regarding access to the Counterfeit Monitoring System (CMS).

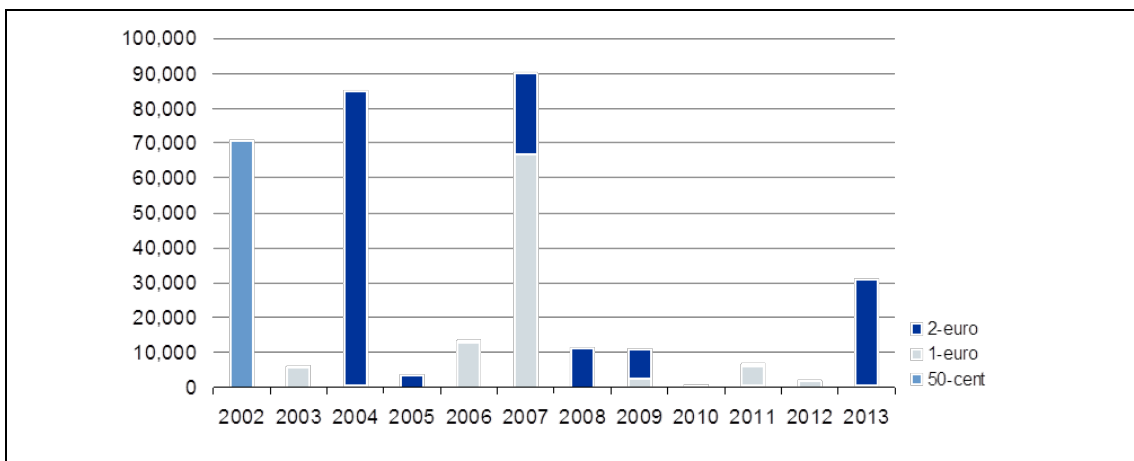
<b>2011</b>	511	5 735	390	6 636	6 770,50
<b>2010</b>	0	14	555	571	1 124

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

The main reason for this increase in 2013 compared to 2012 was that over 26 000 pieces of the finished 2 euro counterfeits were found in November 2013 in Slovakia.

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

**Chart 2: Counterfeit euro coins detected before circulation**



Roughly 300 000 counterfeit euro coins have been seized before circulation since 2002 which corresponds to nearly EUR 400 000.

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

**Table 3: Illegal mints discovered, 2002 – 2013**

Year	Date	Place	Denomination (€)	Total/year
2002	June	Italy	0,50	2
	October	Italy	1 and 2	
2003	May	Portugal	2	3
	August	Italy	1	
	October	Italy	2	
2004	April	Italy	2	3
	April	Spain	2	
	July	Italy	1	
2005	January	Poland	1	3
	October	Hungary	2	
	November	Bulgaria	1	
2006	April	Italy	2	1
2007	March	Italy	1 and 2	2
	March	Spain	2	
2008	March	Austria	0,50	1
2009	/	/	/	0
2010	/	/	/	0
2011	April	Belgium	1	2
	August	Italy	1 and 2	
2012	June	Greece	2	1
2013	January	Italy	1 and 2	1
<b>Total</b>				<b>19</b>

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

#### **3.1. Analysis and classification of counterfeit euro coins**

Counterfeit coins detected in the Member States are analysed by the Coin National Analysis Centres (CNACs). They are classified according to previously identified counterfeit types. Counterfeits that cannot be classified to one of the already identified types are sent to the ETSC in order to create a new class<sup>15</sup> or variant<sup>16</sup>.

A distinction is made between common classes and local classes. Local classes correspond to cast counterfeit coins<sup>17</sup>, usually produced in smaller quantities.

142 pieces of suspected coins were analysed at the ETSC in 2013.

##### **3.1.1. Common classes (stamped counterfeit coins)**

Common classes are counterfeits made with a stamping process<sup>18</sup>, similar to the one used in official minting. With such processes, larger amounts of counterfeits can be produced and this is the reason for which a monitoring on the EU level has been applied. Stamped classes usually bear defects which are characteristic of the tools used to produce them. Stamped counterfeit coins are classified into classes and variants according to these defects, because similar defects may indicate that the counterfeits have been produced by the same tools, probably indicating the same illegal mint. New variants of classes indicate a development in production tools. Variants therefore provide useful indications of the development in counterfeiting activity.

##### **3.1.2. Overall analysis**

###### **Creation of common classes**

The total number of families of counterfeits (common classes) created by the ETSC was more than doubled compared to 2012 but was in the average for the previous years, which may indicate an increase in the activities of the illegal mints producing counterfeit euro coins.

The efficient European framework for the protection of the euro has a deterrent effect on the creation of the new (illegal) mints and counterfeiting tools. The number of common classes created by the ETSC every year since the introduction of euro coins is indicated in the table below.

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<sup>15</sup> Class: group of counterfeits having matching technical characteristics, therefore assumed to have the same origin.

<sup>16</sup> Variant: "subclass" of a counterfeit class, corresponding to modification/improvement of the class.

<sup>17</sup> Cast coinage refers to coins made by pouring melted metal into a mold, i.e. casting.

<sup>18</sup> Stamping is a variety of sheet-metal forming manufacturing processes, such as punching using a machine press or stamping press.

**Table 4: Number of newly identified common classes**

Year	50 cent	1 euro	2 euro	Total
<b>2002-2009</b>	39	33	51	123
<b>2010</b>	6	3	2	11
<b>2011</b>	1	3	2	6
<b>2012</b>	2	2	5	9
<b>2013</b>	2	6	6	14
<b>Total</b>	<b>50</b>	<b>47</b>	<b>66</b>	<b>163</b>

The total number of common classes has now increased to 163. Despite the large number of common classes, the bulk of counterfeit coins is still concentrated in a small number of classes. In particular, in 2013, one family of linked common classes (2 euro class 6, 31 and 37) represented 35% of the total number of registered 2 euro counterfeits (down from 50% in 2007). For the 50 cent denomination, over 60% of the counterfeits found in circulation belongs to 2 classes (common classes 1 and 39). In total, six classes are responsible for nearly 60% of the total number of counterfeits found in circulation. Except for two common classes (50 cent common class 1 and 1 euro common class 33) no other illegal mints have been dismantled (and the minting dies seized) which produced the counterfeits of known classes.

Out of the total number of classes, 21 were proven to be connected to clandestine mints that have been dismantled. For the remaining classes, evidence has been found for eleven classes, following their creation, demonstrating that they are linked to another class. This leads to the conclusion that there are illegal mints producing or having produced up to 119 classes of counterfeit coins and which remain undiscovered to date.

#### **Creation of variants**

In 2013, 15 new variants (sub-types of classes) were created, fewer than in previous years.

This brings the total number of classes and variants to 610. The number of new classes including new variants created by the ETSC every year since the introduction of euro coins is indicated in the table below.

**Table 5: Number of newly identified common classes + variants**

Year	50 cent	1 euro	2 euro	Total
<b>2002-2009</b>	63	87	373	523
<b>2010</b>	6	7	10	23
<b>2011</b>	1	10	11	22
<b>2012</b>	2	3	8	13
<b>2013</b>	2	9	18	29
<b>Total</b>	<b>74</b>	<b>116</b>	<b>420</b>	<b>610</b>

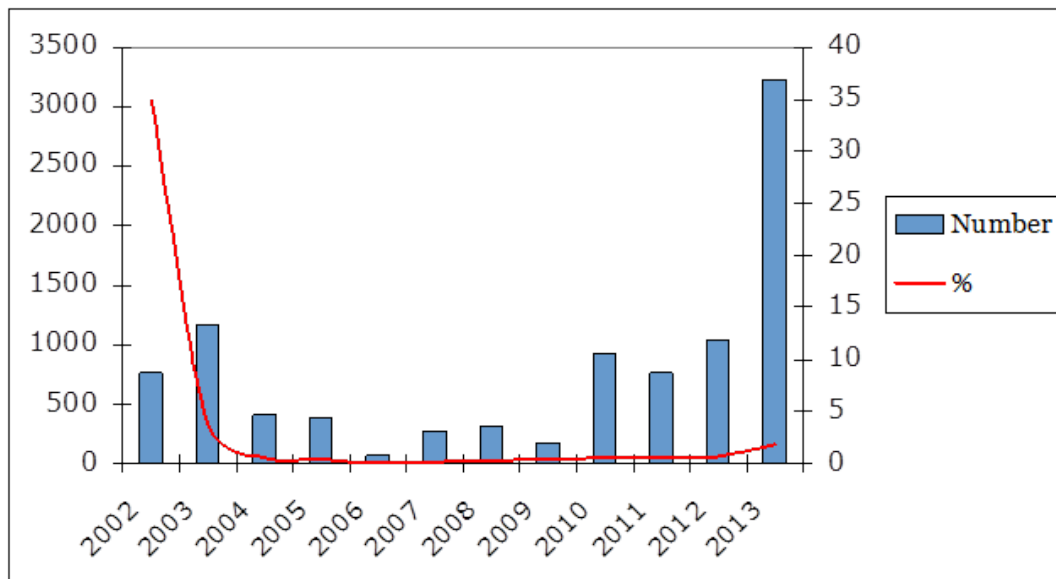
Counterfeits have also been found of commemorative euro coins, i.e. 2 euro coins with specific national sides. Since 2006 counterfeits of the following 2 euro commemorative coins have been detected:

- ▶ the 5<sup>th</sup> decade of the World Food Programme, IT 2004;
- ▶ the Summer Olympic Games in Athens, GR 2004;
- ▶ the Belgium-Luxembourg Economic Union, BE 2005;
- ▶ the 20<sup>th</sup> Winter Olympic Games in Turin, IT 2006;
- ▶ the German federal state of Schleswig Holstein, DE 2006;
- ▶ the 1<sup>st</sup> anniversary of the signing of the European Constitution, IT 2005;
- ▶ the German federal state of Mecklenburg-Vorpommern, DE 2007;
- ▶ 10<sup>th</sup> Anniversary Economic Monetary Union, BE, 2009;
- ▶ 50<sup>th</sup> anniversary of the Treaty of Rome, AT 2007.

### 3.1.3. Local classes (cast<sup>19</sup> counterfeit coins)

The number of cast counterfeit coins detected as well as the percentage of the total number of counterfeits in circulation are shown in the table below.

**Chart 3: Cast counterfeit coins**



Cast counterfeit coins mainly concern the 2 euro denomination. They are generally of a relatively low quality and quantity and should therefore be considered as less dangerous. The share remains insignificant being 1.7% of the total number of counterfeits detected in circulation.

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<sup>19</sup> Cast coins are made with the use of a liquid metal or alloy.

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

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

The coordination of the activities of the competent authorities, in euro coin protection against counterfeiting, was attributed to the Commission. This co-ordination takes place mainly within the Counterfeit Coin Experts Group (CCEG) and also through other coin related groups.

#### **3.2.1. The Counterfeit Coin Experts Group (CCEG)**

The Counterfeit Coin Experts Group (CCEG), chaired by OLAF, is the 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 CCEG meetings bring together the Heads of the Coin National Analysis Centres (CNACs), the ETSC, the ECB and Europol.

The CCEG held two meetings in 2013. These enabled the exchange of information between the CNACs, the ETSC, ECB and Europol.

The 'ETSC Work Team', chaired by OLAF, held three technical meetings in 2013, gathering technical coin experts from several CNACs on the following issues:

- ▶ Implementation of the action plan on Common Class 1E37<sup>20</sup>.
- ▶ Implementation of Regulation (EU) No 1210/2010.
- ▶ Issues related to the new release of the Counterfeit Monitoring System.

#### **3.2.2. Other institutional groups**

During 2013, the ETSC regularly informed the following groups about the situation of coin counterfeiting and discussed possible actions to be undertaken:

- ▶ the Euro Counterfeiting Experts Group (ECEG), functioning in the framework of the Council Regulation (EC) No 1338/2001. This group, chaired by OLAF, brings together counterfeit experts from law enforcement, central banks and ministries. A number of coin protection related issues were discussed in that group. In 2013, ETSC informed the participants on the statistics on coin counterfeiting, legislative issues concerning coin authentication and main outcomes of the action plan against Common Class 1E37;
- ▶ the Euro Coin Sub-Committee (ECSC) of the Economic and Financial Committee, brings together representatives from the coin issuing authorities of the Member States. OLAF initiatives are systematically discussed in that group. In 2013 the issues mainly concerned the appearance of the new dangerous

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<sup>20</sup> See Section 3.2.3.



class 1 euro class 37 and the added value of improving the criminal law protection of the euro by a new EU instrument;

- ▶ the Mint Directors Working Group (MDWG), which brings together the heads of the Mints of the EU Member States. ETSC participated in all the three meetings organised in 2013;
- ▶ the CEG (Counterfeit Experts' Group). Meetings are organised by the ECB and bring together the experts on banknote counterfeiting. They are a platform to exchange and present information on coin counterfeiting. In 2013, four meetings were organised in Frankfurt.

### **3.2.3. Medals and tokens similar to euro coins**

With a view to preventing fraud and avoiding confusion regarding euro coins, the European Union has Council Regulation (EC) 2182/2004<sup>21</sup>, concerning medals and tokens similar to euro coins amended by Council Regulation (EC) No 46/2009<sup>22</sup>, prohibiting the production and sale of medals and tokens similar to euro coins.

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

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<sup>21</sup> OJ L 373, 21.12.2004.

<sup>22</sup> OJ L 17, 22.01.2009.

### **3.3. Assistance to national authorities**

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

The ETSC can provide assistance either to Member States' CNACs and police agencies or to third country authorities based on Cooperation Arrangements with the third countries concerned<sup>23</sup>.

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

In 2013 ETSC experts provided "on-the-spot" technical support in the following cases:

- ▶ the investigation carried out by the Italian police led to the discovery of an illegal mint near Rome. The illicit mint produced a large quantity of good quality counterfeits coins which had the potential to yield substantial profits;
- ▶ a coordination technical meeting was organised with the Slovak CNAC in June 2013: the ETSC assisted the Slovak CNAC providing them with a technical report on Common Class 2E52 and 2E53. In addition a coordination technical meeting was organised in Bratislava involving also Slovak police representatives and Europol.

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<sup>23</sup> Cooperation Arrangements with Montenegro, Turkey and Serbia have been already concluded.

### **3.4. Training**

#### **3.4.1. Pericles actions for the protection of the euro coins**

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

The ETSC participated as trainer in three Pericles actions (Euro North-East Conference, Riga – Latvia, 13-16 May 2013; Sofia - Bulgaria, 8-10 October 2013; Podgorica – Montenegro, 14-17 October 2013) organised on the initiative of OLAF which were addressed to experts from Member States and Third Countries in order to increase the protection of the euro in regions that represent a counterfeiting threat to the euro.

In 2013, the ETSC was one of the main contributors to the successful fulfilment of the Pericles programme priorities.

In addition, in 2013, the ETSC organised two *ad hoc* trainings in order to support Member States authorities. The first one on September 2013, in Zagreb (Croatia) on the CMS2 coins application: ETSC, with the support of Slovenian CNAC, organised the training which took place at the premises of the National Bank of Croatia. In total 10 Croatian experts were trained. The training included information on the different options of the CMS2 and practical exercises allowing testing all necessary functions. As a result of the training the Croatian experts will be autonomously able to create new local and provisional classes for each counterfeit seizure and search for the statistical information.

The second training was organised with the cooperation of the German CNAC in Mainz (Germany), in October 2013 on detection and classification of counterfeit euro: the training was delivered to Latvian competent national authorities in view of the adoption of the Euro in Latvia.

In the framework of TAIEX instrument (Technical Assistance and Information Exchange) managed by the Directorate-General Enlargement of the European Commission, ETSC participated in the workshop on euro counterfeiting held in Skopje (Former Yugoslav Republic of Macedonia) on 16-17 December 2013.

#### **3.4.2. Cooperation with third countries**

As follow-up of the investigation carried out by the Colombian Authorities in August 2011 and of the Pericles Action "Technical-Tactical Training: Strengthening the protection of the euro in investigations" organised in 2012 in Medellin (Colombia) the ETSC continued assisting Colombian Authorities with technical expertise and analysis in 2013.

Moreover, on 2013 an Administrative Cooperation Arrangement (ACA) between the European Anti-Fraud Office (OLAF) and the National Bank of Serbia was signed. The ACA sets out the framework for the working relationship between the OLAF and the National Bank of Serbia and will strengthen exchange of technical and

administrative information concerning counterfeit euro coins, technical assistance and training.

### 3.5. Coin-related legislative instruments and developments

The Regulation (EU) No 1210/2010, adopted in December 2010, and concerning authentication of euro coins and handling of euro coins unfit for circulation, constitutes the legally binding instrument guaranteeing equal standards for the authentication of euro coins throughout the euro area.

It introduces specific obligations with regard to the authentication procedures to be applied by the institutions concerned, and the necessary controls to be conducted by Member State authorities.

Following Article 7 of the Regulation, and in order to assist the Member States in implementing these procedures, the ETSC has defined the technical specifications for the detection test and drafted the "ETSC guidelines" related to controls, checks and auditing by Member States and the rules for the rectification of non-compliance<sup>24</sup>.

The provisions for the authentication of coins entered into force on the 1 January 2012. Within the framework of the CCEG meeting, the ETSC has discussed questions raised on the implementation of the authentication procedure with MS.

According to Article 12 (4), the Commission prepared the first annual report to Economic and Financial Committee on developments and results concerning authentication of euro coins and euro coins unfit for circulation.

Based on the information reported it can be concluded that the authentication procedure in the "institutions" seems to be in place in the majority of euro area Member States and that 12 out of 17 Member States of the euro area carry out controls of the correct implementation of the authentication obligation by the "institutions" referred to in Article 6 of Council Regulation (EC) No 1338/2001.

However, a further fine-tuning of the reporting obligation by Member States is necessary to allow the Commission to draw up a comprehensive picture of the authentication procedures put in place in Member States.

The European Parliament and the Council agreed on a directive based on a European Commission proposal, the latter has presented on 5 February 2013<sup>25</sup> to reinforce the criminal rules to protect the euro against counterfeiting. The measures proposed by the Commission will bring about the following changes:

The directive will set the lower limit for maximum penalties in Member States: maximum sanctions must be at least eight years for production and at least five years for distribution of fake notes and coins.

It will also ensure investigative tools for organised crime or serious cases provided for in national law can be used in cases of counterfeiting, thus improving the quality of cross-border investigation in this field.

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

<sup>25</sup> Proposal for a Directive of the European Parliament and of the Council on the protection of the euro and other currencies against counterfeiting by criminal law, and replacing Council Decision 2000/383/JHA (COM (2013) 42 final).

#### **4. Successful OLAF/ETSC measures and potential threats to euro coins**

Developments in 2013 confirmed the success of the measures applied by the ETSC in conjunction with the administrative and training EU instruments to protect the euro coins in particular against counterfeiting. The annual report shows the following:

- ▶ the number of counterfeit euro coins found in circulation has remained well below 200 000 pieces per year, resulting in equivalent of 1 counterfeit coin for 95 000 genuine ones;
- ▶ the implementation of the authentication procedures under Regulation (EU) No 1210/2010, facilitated by the ETSC, will continue having a positive impact on the deterrence against counterfeiting of the euro;
- ▶ despite the decreasing number of new types of counterfeit coins found in circulation, a significant number of illegal mints is still operating. This means that the criminal production capacity is still present and that continuous vigilance and cooperation is necessary to guarantee the confident use of euro coins.

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

- ▶ vigilance in relation to new technical developments targeting, in particular, high risk counterfeit classes, including in non EU countries, by law enforcement;
- ▶ reinforcement of the cooperation between competent national authorities and with the private sector in order to ensure the identification of counterfeits;
- ▶ full implementation by competent authorities in Member States of the authentication regulation, in order to improve the capacity of detection of the continuously improving counterfeits;
- ▶ promotion of studies on new detection technologies and security features of coins, in order to keep ahead of counterfeiters;
- ▶ implementation of the additional legislative measures to improve the criminal law protection of the euro against counterfeiting as proposed by the Commission in its proposal<sup>26</sup>.

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<sup>26</sup>Proposal for a Directive of the European Parliament and of the Council on the protection of the euro and other currencies against counterfeiting by criminal law, and replacing Council Decision 2000/383/JHA (COM (2013) 42 final).