



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

# The protection of euro coins in 2017

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) of 29 October 2004

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## EXECUTIVE SUMMARY

- On 1<sup>st</sup> January 2015 the protection of euro against counterfeiting became an integral part of the objectives of the Directorate General for Economic and Financial Affairs (DG ECFIN). The objective supports a deepened, efficient and fair Economic and Monetary Union.
- The data withdrawn from Counterfeit Monitoring System (CMS)<sup>1</sup> indicate an increase of 7.09 % in the number of counterfeit coins seized and received by the Coin National Analysis Centres (CNACs) in 2017 compared to 2016. The number of counterfeit coins now exceeds 160 000 pieces per year. The overall value of counterfeit coins seized in 2017 was EUR 262 190.5 which is higher than in 2016.
- The quality of counterfeits continued to improve in 2017. New common classes<sup>2</sup> were created covering "high quality" counterfeits<sup>3</sup>. Several actions were carried out by the Commission in order to define the extent of the problem and to improve detection of these high quality counterfeits by coin-processing machines.
- In 2017 an all-time annual record of new classes created was registered, reflecting the tendency of the improved quality of the counterfeit euro coins.
- In the framework of the Commission activities for the protection of the euro against counterfeiting, the European Technical and Scientific Centre (ETSC) coordinates the activities of the Counterfeit Coin Experts Group (CCEG)<sup>4</sup>, participates in other institutional groups with regard the protection of euro coins against counterfeiting and provides training under the *Pericles 2020* programme.

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<sup>1</sup> The Counterfeit Monitoring System (CMS) is a database managed by the European Central Bank.

<sup>2</sup> Class: group of counterfeits having matching technical characteristics, therefore assumed to have the same origin.

<sup>3</sup> See Section 3.1.4.

<sup>4</sup> Commission Decision of 19.10.2015 setting up the Counterfeit Coin Experts Group on the Commission's policy and Regulations regarding the protection of euro coins against counterfeiting. See Section 3.2.1.

## **1. Introduction**

### **1.1. DG ECFIN's mission and mandate**

The mission of the DG ECFIN is to contribute to raising the economic welfare of the citizens in the European Union and beyond, notably by developing and promoting policies that ensure sustainable economic growth, a high level of employment, stable public finances and financial stability.

In pursuing this mission one of the core objectives is to ensure a smooth functioning of the EU's Economic and Monetary Union (EMU) through a strong economic governance framework. In this context, the protection of the euro against counterfeiting is a specific objective.

### **1.2. DG ECFIN's role in the protection of the euro**

DG ECFIN plays an important role in the area of the protection of the euro banknotes and coins against counterfeiting.

The Commission action regarding 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 EU legislation;
- ▮ training and technical assistance, based mainly on the Pericles programme<sup>5</sup>;
- ▮ the technical analysis of counterfeit euro coins, through the European Technical and Scientific Centre (ETSC). DG ECFIN 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<sup>6</sup>.

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<sup>5</sup> Regulation (EU) No 331/2014 of the European Parliament and of the Council of 11 March 2014 establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the 'Pericles 2020' programme) and repealing Council Decisions 2001/923/EC, 2001/924/EC, 2006/75/EC, 2006/76/EC, 2006/849/EC and 2006/850/EC. OJ L 103, 05.04.2014.

<sup>6</sup> Council Decision of 8 December 2003, concerning analysis and co-operation with regard to counterfeit euro coins. OJ L 325, 12.12.2003; Commission Decision of 29 October 2004 establishing the European Technical and Scientific Centre (ETSC) and providing for coordination of technical actions to protect euro coins against counterfeiting, OJ L 19, 21.1.2005; Commission Decision (EU) 2017/1507 of 28 August 2017 amending Decision 2005/37/EC establishing the European Technical and Scientific Centre (ETSC) and providing for coordination of technical actions to protect euro coins against counterfeiting, OJ L 222, 29.8.2017.

Within this framework, the mission of the ETSC is to analyse and classify every new type of counterfeit euro coin<sup>7</sup>, to contribute to the fulfilment of the objectives of the Pericles programme, to assist the Coin National Analysis Centres (CNAC) and to generally collaborate with law enforcement and other authorities competent in counterfeit euro coins and the strengthening of euro protection.

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

This report is presented in line with Commission Decision of 29 October 2004 based on Council Decision of 8 December 2003<sup>8</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 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 2016. Section 3 presents the activities that the ETSC carried out in 2016 in order to reinforce the protection of euro coins.

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<sup>7</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>8</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.

## 2. Situation regarding counterfeit euro coins<sup>9</sup>

A distinction has to be made between counterfeit euro coins detected in circulation and those seized before circulation. Counterfeits seized before circulation are usually seized by law enforcement authorities before causing financial damage, whereas those detected in circulation are generally detected in coin sorting centres operated by National Central Banks or by credit institutions<sup>10</sup>.

### 2.1 Counterfeit coins detected in circulation

The total number of counterfeit euro coins removed from circulation in 2017 was 160 914, an increase of about 7.09 % compared to 2016.

The breakdown by denomination of counterfeits found in circulation for the last five years is shown in the table below.

**Table 1: Counterfeit euro coins detected in circulation<sup>11</sup>, 2013 – 2017\***

Year	50 cent	1 euro	2 euro	Total	Value (EUR)
<b>2017</b>	27 939	17 723	115 249	160 914	262 190.5
<b>2016</b>	25 357	18 754	106 141	150 258	243 714.5
<b>2015</b>	25 146	20 022	101 709	146 889	236 013
<b>2014</b>	36 004	24 851	131 340	192 195	305 533
<b>2013</b>	30 100	27 100	120 400	177 600	282 950

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

When compared to 2016, 2017 marks an increase in two (2-euro and 50-cent) of the three higher denomination coins. In particular, 2 euro denomination counterfeits increased by 8.58 %, 1 euro decreased by 5.49 % and 50 cent increased by 10.18 % in comparison to 2016.

In particular, in 2017 the 50 cent denomination maintains the second position, from a quantity point of view (17.36 % of the total) continuing the trend of the last three years. The 2 euro remains by far the most counterfeited denomination, constituting 87.9 % in terms of value (up from 87.10 % in 2016).

<sup>9</sup> In producing statistics, the data used by the European Technical and Scientific Centre are withdrawn from the Counterfeit Monitoring System (CMS), which is a database managed by the European Central Bank. The national competent authorities enter quantitative data and the technical details of the counterfeit coins seized in their respective countries. All national data have to be based on a common set of definitions and classifications, in order to ensure that they are sufficiently comparable to produce a significant aggregate (Data withdrawn from CMS on 31.01.2018).

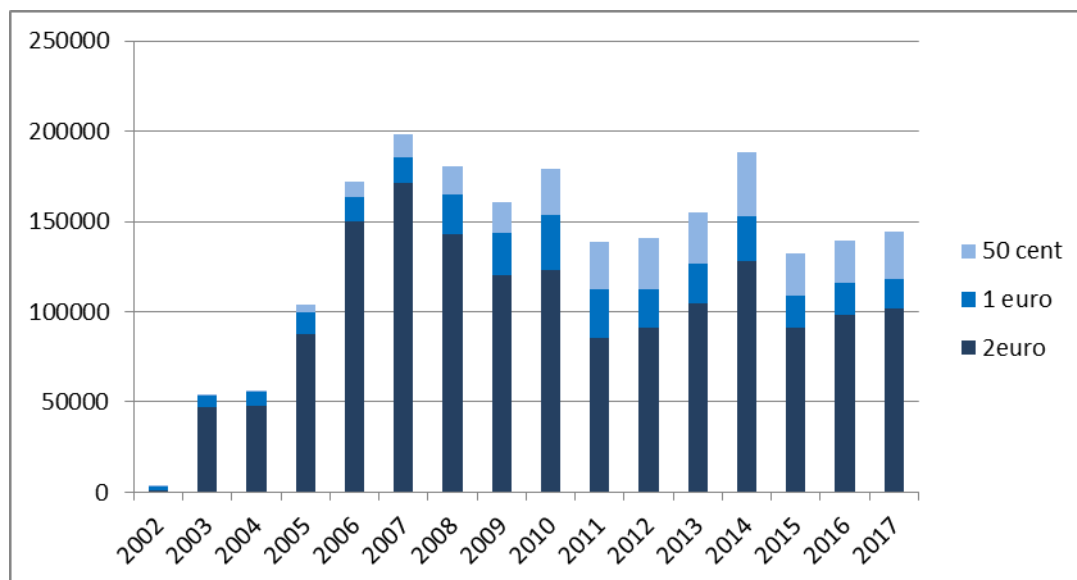
<sup>10</sup> As referred to in the first subparagraph of Article 6(1) of Regulation (EC) No 1338/2001.

<sup>11</sup> Source: CMS (counterfeit euro coins detected in circulation, received at CNACs in the year of reference).

Overall, 2 305 547 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 1: Counterfeit euro coins detected in circulation**



In 2017 Italy, the country with the highest number of detected counterfeit euro coins, registered an increased level (by 18.35 %) compared to 2016. Counterfeit euro coins were found in all Member States of the euro area in 2017. The counterfeit coins detected in Italy has increased over the last two years to 30.07 % of the total number of received counterfeits. The counterfeits seized in Italy, together with those seized in Germany, Spain, France and Austria, accounted for 81.80 % of the total counterfeits seized in 2017.

In addition 4879 counterfeit euro coins were also reported to be detected in Member States which do not belong to the euro area and in third countries.

Overall, the number of counterfeit coins detected in circulation in 2017 remains modest compared to the total of 126 billion genuine euro coins in circulation. Compared to approximately 19.3 billion of the three highest denominations genuine coins, the proportion of counterfeit euro coins is about one for every 120 000 genuine coins.

## 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 law enforcement authorities' operations and investigations.

These activities include not only the dismantling of clandestine mints, but also seizures of significant quantities from individuals possibly 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 registration in the Counterfeit Monitoring System (CMS) indicates a decrease in the number of counterfeit coins seized before circulation in 2017 (31 059 pieces). The breakdown per denomination of counterfeit euro coins found before circulation, as registered in the CMS for the last five years is shown below.

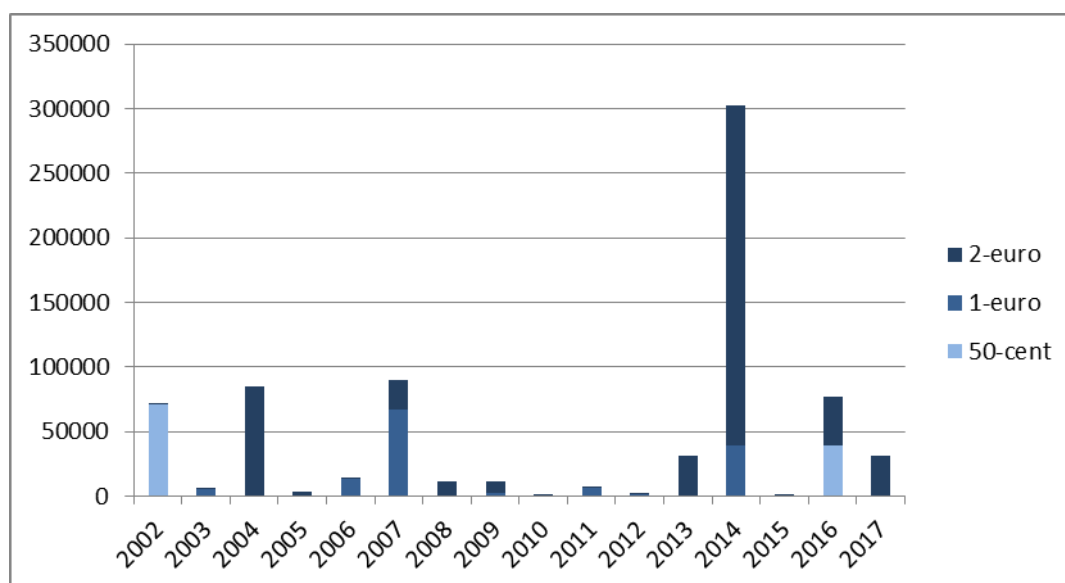
**Table 2: Counterfeit euro coins detected before circulation, 2013 – 2017\***

Year	50 cent	1 euro	2 euro	Total	Value (EUR)
2017	0	1	31 058	31 059	62 117
2016	39 041	0	38 043	77 084	95 606.5
2015	1	4	15	20	34.5
2014	1	38 690	263 279	301 970	565 245.5
2013	160	360	30 501	31 051	61 472

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

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

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



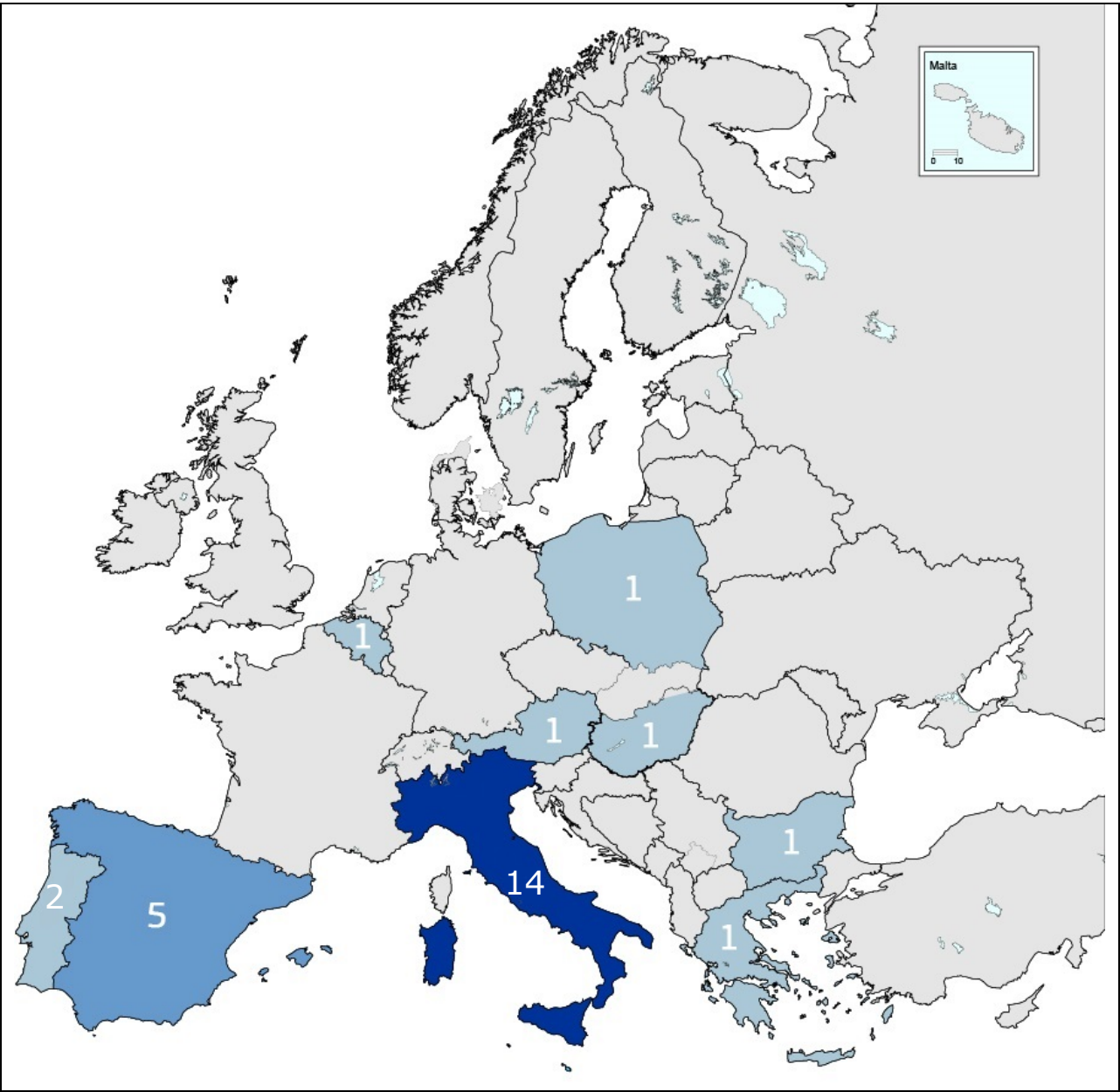
Since 2002 roughly 741 000 counterfeit euro coins have been seized before circulation. This corresponds to a face value of approximately EUR 1 181 628.



**Table 3: Illegal mints discovered, 2002 – 2017**

Year	Date	Place	Denomination (€)	Total
<b>2002</b>	June	Italy	0.50	<b>2</b>
	October	Italy	1 and 2	
<b>2003</b>	May	Portugal	2	<b>3</b>
	August	Italy	1	
	October	Italy	2	
<b>2004</b>	April	Italy	2	<b>3</b>
	April	Spain	2	
	July	Italy	1	
<b>2005</b>	January	Poland	1	<b>3</b>
	October	Hungary	2	
	November	Bulgaria	1	
<b>2006</b>	April	Italy	2	<b>1</b>
<b>2007</b>	March	Italy	1 and 2	<b>2</b>
	March	Spain	2	
<b>2008</b>	March	Austria	0.50	<b>1</b>
<b>2009</b>	/	/	/	<b>0</b>
<b>2010</b>	/	/	/	<b>0</b>
<b>2011</b>	April	Belgium	1	<b>2</b>
	August	Italy	1 and 2	
<b>2012</b>	June	Greece	2	<b>1</b>
<b>2013</b>	January	Italy	1 and 2	<b>1</b>
<b>2014</b>	March	Italy	1	<b>4</b>
	December	Spain	2	
	December	Spain	2	
	December	Spain	2	
<b>2015</b>	October	Italy	2	<b>1</b>
<b>2016</b>	June	Portugal	2	<b>1</b>
	June	Italy	0.50 and 1	<b>1</b>
	June	Italy	0.50	<b>1</b>
<b>2017</b>	/	/	/	<b>0</b>
<b>Total</b>				<b>27</b>

**Chart 3: Number of illegal mints discovered, 2002 – 2017**



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

#### **3.1. Analysis and classification of counterfeit euro coins<sup>12</sup>**

Counterfeit coins detected in the Member States are analysed by the Coin National Analysis Centres (CNACs). They are classified according to counterfeit types which have been previously identified and defined by the ETSC. Counterfeits that cannot be classified into one of the already identified types are sent to the ETSC in order to create a new common class<sup>13</sup> or variant<sup>14</sup>.

A distinction is made between common classes and local classes. Local classes correspond mostly to cast counterfeit coins<sup>15</sup>, usually produced in smaller quantities and circulated in one country.

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

Common classes are counterfeits manufactured through a stamping process<sup>16</sup>, sometimes similar to the one used in official minting. With such a process, larger amounts of counterfeits can be produced; for this reason monitoring at an EU level has been applied. Stamped classes usually bear defects which are characteristics of the tools used to produce them. Stamped counterfeit coins are classified into classes and variants according to their defects. Similar defects may indicate that counterfeits have been produced by the same tools, probably indicating the same illegal mint.

New variants of classes indicate a development in production tools, material used or production methodology applied. Variants therefore provide useful indications of the development in counterfeiting activity. The procedure of classification is an important "tool" for law enforcement investigations as it facilitates the monitoring of counterfeit coins from a quality point of view and can provide important information related to links between dismantled illegal mints and existing classes of counterfeit coins.

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

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

The total number of common classes created by the ETSC increased compared to 2017, but was in line with the average level of previous years.

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<sup>12</sup> Data refer to counterfeit euro coins detected in 2017 in circulation according to CMS registration.

<sup>13</sup> Class: group of counterfeits having matching technical characteristics, therefore assumed to have the same origin.

<sup>14</sup> Variant: "subclass" of a counterfeit class, corresponding to modification of the class, by changing the national side and/or the material used, etc... The variants have distinctive defects, linking them to their "mother class".

<sup>15</sup> Cast coinage refers to coins made by a casting process (casting is a manufacturing method in which a molten metal is injected or poured into a mold - or mould - to form an object of the desired shape).

An effective European framework for the protection of the euro deters 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.

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

Year	50 cent	1 euro	2 euro	Total
<b>2002-2009</b>	47	33	35	115
<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	7	15
<b>2014</b>	1	4	5	10
<b>2015</b>	1	-	-	1
<b>2016</b>	7	-	5	12
<b>2017</b>	2	4	8	14
<b>Total</b>	<b>69</b>	<b>55</b>	<b>69</b>	<b>193</b>

The total number of common classes has now increased to 193. Despite the relatively large number of common classes, the bulk of counterfeit coins is still concentrated in a small number of classes.

In particular, in 2017, one family of linked common classes (class 6, 31, 37 and 72) represented 23.53 % of the total number of 2 euro counterfeits registered as detected in 2017.

In total, five classes (class 1, class 6, class 24, class 65, class 75) cover about 58,3 % of the total number of 2 euro counterfeits seized.

For the 1 euro denomination, 4 classes (class 4, class 33, class 37, class 49) represent almost 56 % of the total number of 1euro counterfeits seized.

For the 50 cent denomination, almost 50 % of the counterfeits found in circulation belong to two classes (common classes 1 and 39) and, in total, five classes (class 1, class 39, class 52, class 53, class 63) are responsible for nearly 70 % of the total number of 50 cent counterfeits found in circulation.

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<sup>16</sup> Stamping is a type of manufacturing process which shapes sheet metal by punching using a machine press or stamping press.

### **Creation of variants**

In 2017, 31 new variants (sub-types of classes) were created, an all-time annual record.

This brings the total number of classes and variants to 710. The number of 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 variants of the common classes**

Year	50 cent	1 euro	2 euro	Total
<b>2002-2009</b>	14	52	326	392
<b>2010</b>	1	4	13	18
<b>2011</b>	0	8	10	18
<b>2012</b>	0	1	3	4
<b>2013</b>	0	3	12	15
<b>2014</b>	0	0	9	9
<b>2015</b>	2	1	13	16
<b>2016</b>	4	3	7	14
<b>2017</b>	0	3	28	31
<b>Total</b>	<b>21</b>	<b>75</b>	<b>421</b>	<b>517</b>

Counterfeits of commemorative euro coins (hereinafter "commemorative counterfeits") have also been found, i.e. 2 euro coins with specific national sides<sup>17</sup>.

The first commemorative coins were issued in 2004, and the first counterfeits imitating commemorative coins were detected in 2006. Since 2006, there have been 32 common classes created and several local classes within the Member States.

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<sup>17</sup> Regulation (EU) No 651/2012 of the European Parliament and of the Council of 4 July 2012 on the issuance of euro coins, OJ L 201, 27.7.2012.

Council Regulation (EU) No 729/2014 of 24 June 2014 on denominations and technical specifications of euro coins intended for circulation. OJ L 194, 02.07.2014.

In addition to the regular coins, there are also commemorative and collector coins. Member States may issue a commemorative 2 euro coin once a year to celebrate a subject of major national or European relevance. Commemorative coins are legal tender throughout the euro area, and have the same features and properties as regular 2 euro coins. Euro-area Member States may decide to issue a commemorative coin jointly to celebrate a subject of the highest European relevance. In that case, all euro area Member States simultaneously issue a coin bearing the same design on the national side. Collector coins are not intended for general circulation and their designs may not be too similar to other euro coins to avoid confusion.

The table below depicts the commemorative coins that have been counterfeited (common classes only).

**Table 6: 2 euro commemorative coins counterfeited (common classes only)**

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 1 <sup>st</sup> anniversary of the signing of the European Constitution, IT 2005	
The 20 <sup>th</sup> Winter Olympic Games in Turin, IT 2006	
The German Federal State of Schleswig-Holstein, DE 2006	
The German Federal State of Mecklenburg-Vorpommern, DE 2007	

The 50<sup>th</sup> anniversary of the Treaty of Rome, AT 2007



The 50<sup>th</sup> anniversary of the Treaty of Rome, IE 2007



The 50<sup>th</sup> anniversary of the Treaty of Rome, DE 2007



The 10<sup>th</sup> anniversary Economic Monetary Union, BE, 2009



The 10<sup>th</sup> anniversary Economic Monetary Union, IE, 2009



The 200<sup>th</sup> anniversary of the birth of Camillo Benso, Count of Cavour, IT 2010



Federal state of North Rhine-Westphalia, DE 2011



30th anniversary of the Day of Music, FR 2011



The 75th anniversary of the Queen Elisabeth Competition, BE 2012



200th Anniversary of the foundation of Arma dei Carabinieri, IT 2014



EXPO Milano 2015, IT 2015

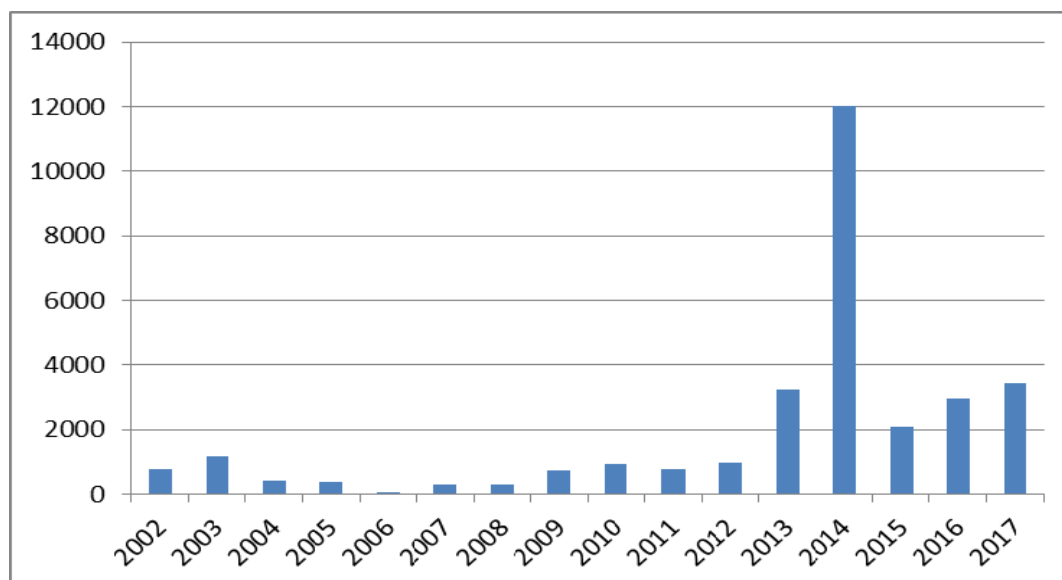




### 3.1.3. Local classes (cast<sup>18</sup> counterfeit coins and other counterfeits)

The number of local classes detected in 2017 are shown in the table below.

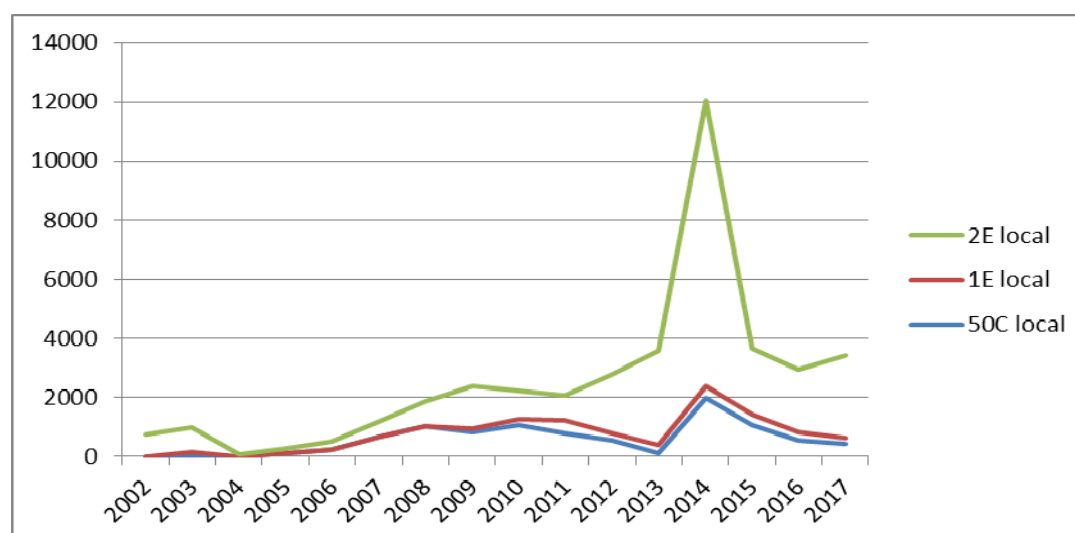
**Chart 4: Local classes (2002 – 2017)**



During 2017 the number of local classes increased compared to 2016 (by about 16,8%). The majority of local class counterfeits are 2 euro denomination counterfeits representing 81 % of the total. Most are of a relatively low quality and are therefore considered less dangerous than common classes.

The share of local classes compared to the total number of counterfeits detected in circulation, in 2017 remains very low, standing at 2.3 % of the total.

**Chart 5: Evolution of local classes**



<sup>18</sup> Cast coinage refers to coins made by a casting process (casting is a manufacturing method in which a molten metal is injected or poured into a mold - or mould - to form an object of the desired shape).

After having reached a peak in 2014, the number of local classes has decreased significantly. This peak of 2014 is attributable to a series of seizures in Spain in which a large number of local counterfeit classes were found.

### **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 in common classes of counterfeit coins.

The Commission coordinates the activities of competent authorities for the protection of euro coins against counterfeiting. This co-ordination takes place mainly within the Counterfeit Coin Experts Group (CCEG), as well as through other coin related groups.

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

In line with its establishing Commission Decision, the (CCEG), chaired by the Commission, is the group serving:

- ▶ to assist the Commission in the preparation of legislative proposals and delegated acts and policy initiatives for the protection of euro coins against counterfeiting;
- ▶ to establish cooperation between the Heads of the Coin National Analysis Centres ('CNACs') established in accordance with Article 5(1) of Regulation (EC) No 1338/20014, the Commission, the European Technical Scientific Centre (ETSC), the European Central Bank ('ECB') and Europol in matters relating to policy initiatives and actions aimed at an efficient anti-counterfeiting strategy;
- ▶ to provide advice and expertise to the Commission for implementing Union legislation, programmes and policies, in particular with regard to Regulation (EU) No 1210/20106;
- ▶ to exchange experience and establish good practices for the protection of euro coins against counterfeiting;
- ▶ to raise awareness among the public authorities involved in the protection of the euro against counterfeiting for upcoming threats and to monitor implementation of effective repressive measures for an anti-counterfeiting policy strategy;
- ▶ to promote training initiatives for the protection of the euro coins against counterfeiting;
- ▶ to promote and develop studies and to ensure technical support in facilitating counterfeiting detection activities;
- ▶ to discuss issues relating to the technical specifications of counterfeit euro coins.

The CCEG held two meetings in 2017.

The 'ETSC Work Team', formally a sub-group of the CCEG<sup>19</sup>, chaired by the ETSC, held 3 meetings of technical coin experts from several CNACs in 2017 to address the following:

- ▶ Practical implementation of the revised ETSC Guidelines;

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<sup>19</sup> In line with Article 5 of the Commission Decision of 19.10.2015 setting up the Counterfeit Coin Experts Group on the Commission's policy and Regulations regarding the protection of euro coins against counterfeiting. See Section 3.2.1.

- ▮ Action plan on Test Packs for assessing their uniformity among the Member States;
- ▮ Implementation of the action plan on Common Class 1E37<sup>20</sup>;
- ▮ Technical issues related to the creation of 2E72 variants;
- ▮ Preparation of the "euro coin authentication workshop/conference".<sup>21</sup>

### 3.2.2. Other institutional groups

During 2017, the ETSC provided updates to the following groups on coin counterfeiting and possible mitigating actions:

- ▮ the Euro Counterfeiting Experts Group (ECEG) in the framework of the Council Regulation (EC) No 1338/2001. This group, chaired by the Commission, brings together counterfeit experts from law enforcement, central banks and ministries. It meets three times per year. A number of coin protection related issues were discussed. In 2017, the ETSC reported the statistics on coin counterfeiting as well as progress made on legislative issues concerning coin authentication with particular reference to the revision of ETSC Guidelines;
- ▮ the Euro Coin Sub-Committee (ECSC) of the Economic and Financial Committee brings together representatives from coin issuing authorities of Member States. Commission initiatives are systematically discussed in the group. In 2017 the main issues addressed concerned the implementation of Regulation (EU) No 1210/2010 and the revision of "ETSC Guidelines". The ETSC also contributed to the work of the task force on contingency planning for euro coins by continuously assessing the status of euro coin counterfeiting and initiating the preparation of the indicators for triggering the plan;
- ▮ the Mint Directors Working Group (MDWG) brings together the heads of the Mints of the EU Member States. The ETSC participated in all the meetings organised in 2017;
- ▮ the CEG (Counterfeit Experts' Group). These meetings are organised by the ECB and bring together experts on banknote counterfeiting. The ETSC is invited to exchange and present information on coin counterfeiting;
- ▮ the Focal Point SOYA meeting. These meetings are organised by Europol and include representatives of Law Enforcement Agencies from Member States and third countries having cooperation agreements with Europol. The ETSC participated in the annual SOYA meeting held in 2017 providing participants with an overview on euro coin counterfeiting statistics and the main threats with respect to euro coin counterfeiting.

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

<sup>21</sup> See Section 3.4.1.

### **3.2.3. The action plan to tackle the diffusion of Common Class *CEUAS01E00037***

The ETSC Work Team defined the technical specification of the new test pack (including the 1E37) in consultation with the CCEG, as referred to in Articles 4 and 5 of the Regulation (EU) No 1210/2010. The new test pack technical specifications were adopted in April 2015 allowing for the distribution of the new test pack to CNACs.

The final stage of the action plan has taken place and almost all Euro Area Member States have received Test Pack B. In the meanwhile, following the conclusions adopted in the framework of the "Euro Coin Authentication Workshop/ Conference"<sup>22</sup>, Test Pack A will be used by Member States to perform on-the-spot controls in line with Article 6 of Regulation (EU) No 1210/2010. Test Pack B will be used by the designated national authorities for the detection test, in line with Article 4 of the Regulation.

### **3.2.4. 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>23</sup> concerning medals and tokens similar to euro coins amended by Council Regulation (EC) No 46/2009<sup>24</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 and token" after having consulted the Counterfeit Coin Experts Group (CCEG).

Following the adoption of the Commission Decision C(2016)1785 final on a sub-delegation of the empowerment relating to the implementation of Council Regulation (EC) No 2182/2004, the competency to decide whether a coin-like object falls under the Regulation, and whether to prohibit or allow such an object now lies with DG ECFIN, after discussion in the CCEG.

In 2017, one case of medals and tokens was submitted to the ETSC, by Italy. The Commission/ETSC assessed the case and the members of CCEG were consulted and finally endorsed the proposed decision, in line with the Regulation. The case fell under the prohibition of Article 2 paragraph 1 (b) & (c) of Regulation (EC) No 2182/2004.

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<sup>22</sup> See Section 3.4.1.

<sup>23</sup> OJ L 373, 21.12.2004.

<sup>24</sup> OJ L 17, 22.01.2009.

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

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

The ETSC may provide assistance to Member States' CNACs and police agencies and to third country authorities based on Cooperation Arrangements with third countries concerned<sup>25</sup>.

Support given by the ETSC is based on an interaction between law enforcement and technicians. The effectiveness of this approach has been proved in recent years, as it has significantly improves the quality of investigations against currency counterfeiting by furnishing additional expertise.

In 2017 no relevant cases were reported to ETSC.

### **3.4. Training**

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

The 'Pericles 2020' 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.

In 2017, the ETSC organised under the Pericles 2020 programme, several Commission actions: In particular:

- The "Hands-on training for LICO<sup>26</sup> users" (Eindhoven (The Netherlands), 27-29 March 2017) was organised at the premises of ID Centre to train future users of LICO;
- The "Euro Coin Authentication Workshop/Conference" (Brussels, 16-18 May 2017) aimed to facilitate the implementation of Regulation (EU) No 1210/2010 and to raise awareness and share the main issues at stake for all stakeholders on the authentication of euro coins;
- The "Counterfeit euro coins detection & classification course" (Brussels, 12-16 June 2017) targeted representatives of the Coin National Analysis Centres (CNAC's) of the Member States and counterfeit experts in order to provide training on counterfeit euro coin detection and classification (analysis, classification, authentication, unfit coins, medals and tokens, CMS, main legislation).

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<sup>25</sup> Administrative Cooperation Arrangements with Montenegro, Turkey and Serbia have been already concluded.

<sup>26</sup> The LICO (List of COin processing machines IT tool) is an IT tool developed by ECFIN/EETSC for managing and monitoring the "consolidated list of coin-processing machines successfully tested or declared to be conform" according to Article 5(2) of Regulation (EU) No 1210/2010.

The ETSC also contributed to the implementation of the "EU-CHINA" platform meeting seminar (Brussels, 7-9 November 2017) which represents an important tool for further developing the cooperation with Chinese authorities with respect to the protection of the euro against counterfeiting.

The ETSC took part in the organisational/technical issues related to the "*Protección del euro contra la falsificación*" held in Lima (Peru) from 14-16 November 2017.

The ETSC co-chaired the Conference "a Community strategy to Protect the Euro in the Mediterranean Area" (Podgorica, 22-24 November 2017) organised by the Italian Ministri of Finance-UCAMP.

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

The ETSC continued supporting Montenegrin authorities with technical expertise in 2017. In particular, the ETSC classified coins sent by its coin analysis centre and, upon request, provided technical information (production methodology and tools) aimed to assist the law enforcement authorities.

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

#### **3.5.1. Administrative provisions**

The European Commission's policy with regard to anti-counterfeiting is based on four pillars: prevention, repression, training and cooperation.

The "authentication" process is vital with respect to prevention. 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>27</sup>.

According to Article 12(4) of this Regulation, the Commission presented to the Economic and Financial Committee its annual report on developments and results concerning authentication of euro coins and euro coins unfit for circulation<sup>28</sup>. The main results and tendencies are shown in Annex.

Furthermore, the Commission/ETSC promoted additional actions for better implementing Regulation (EU) No 1210/2010. In particular, bilateral meetings with several Coin Processing Machines manufacturers were organised in order to assess critical issues in relation to practical implementation of the authentication legislation. Furthermore, the "Euro Coin Authentication Workshop/Conference" was organised in Brussels to facilitate the implementation of Regulation (EU) No 1210/2010. The ETSC also took part (as observer) in two on-the-spot controls performed by Member States (in particular by Spanish and Italian designated national authorities) in line with Article 6 of Regulation (EU) No 1210/2010.

The Commission/ETSC finalised the development of the LICO (List of COin processing machines IT assistant). LICO enables the update of the consolidated list of coin processing machines according to Art. 5(2) of Regulation (EU) No 1210/2010. A practical training course was organised in favour of the Member States under the Pericles Programme and afterwards the LICO was adopted in June 2017.

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<sup>27</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>28</sup> COM(2016) 6465 final.



### **3.5.2. Criminal law provisions**

The protection of the euro notes and coins and other currencies against counterfeiting is also ensured by criminal law. The European Parliament and the Council adopted a Directive which reinforces the criminal law rules to protect the euro and other currencies against counterfeiting.

This Directive, which replaces the Council Framework Decision 2000/383/JHA and was adopted in May 2014, introduces efficient investigative tools and improves prevention by allowing for the analysis of counterfeits by competent authorities, further enhancing the protection of the euro and other currencies from criminal measures.

Criminal offences have been modernised in this Directive. It is a criminal offence to produce and distribute not yet issued notes and coins; which is important in relation to the issuing of new euro notes (denomination 20 euro and higher).<sup>29</sup>

It further includes an introduction of a maximum sanction of at least 5 years imprisonment for distribution offences including not yet issued notes and coins; the maximum sanction of 8 years imprisonment for production offences should now include not yet issued notes and coins<sup>30</sup>.

The directive introduces the use of more effective investigation tools such as those that are used in combatting organised crime or other serious crime cases (like, the interception of communications, covert surveillance including electronic surveillance, the monitoring of bank accounts and other financial investigations)<sup>31</sup>.

Member States have to ensure that during criminal proceedings the examination by the National Analysis Centres and Coin National Analysis Centres of suspected counterfeit euro notes and coins is permitted without any delay<sup>32</sup>.

The deadline for the Member States to transpose the Directive into their national legislation was 23 May 2016. The Commission has sent a letter of formal notice to the Member States, which failed to notify the Commission within the above mentioned deadline and is currently carrying out the compliance assessment of the transposition reports received by the Member States.

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<sup>29</sup> See Article 10 of Directive 2014/62/EU.

<sup>30</sup> See Article 5 of Directive 2014/62/EU.

<sup>31</sup> See Article 9 of Directive 2014/62/EU.

<sup>32</sup> See Article 10 of Directive 2014/62/EU.

#### **4. SUCCESSFUL ETSC MEASURES AND POTENTIAL THREATS TO EURO COINS**

Developments in 2017 confirm 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, representing an equivalent of one counterfeit coin for 120 000 genuine coins;
- ▮ despite the decreasing number of new types of counterfeit coins found in circulation, a significant number of illegal mints still operate inside and outside Europe. This means that the criminal production capacity is still present and that continued vigilance and cooperation is necessary to safeguard confidence when using euro coins;
- ▮ the implementation of the authentication procedures under Regulation (EU) No 1210/2010, facilitated by the ETSC, will continue having a positive impact on preventing the circulation of counterfeited euro coins and withdrawing unfit euro coins.

With a view to maintaining a high level of protection for euro coins, future actions should continue to aim in particular the following:

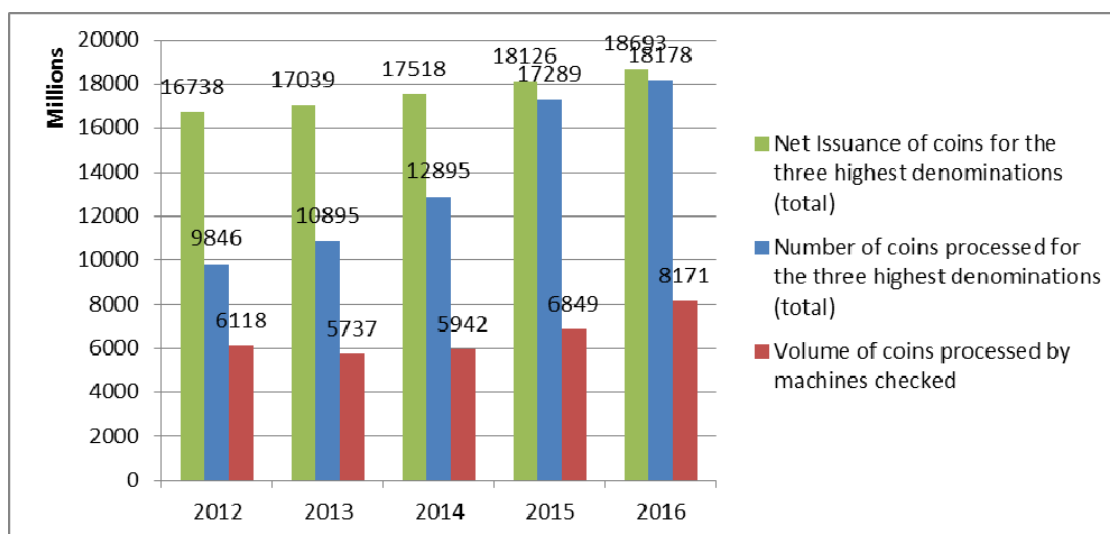
- ▮ streamline the implementation of Regulation (EU) No 1210/2010 by updating the "ETSC guidelines" while involving all main stakeholders;
- ▮ promote studies, in the framework of Pericles 2020 Programme, on new detection technologies and security features of coins in order to keep ahead of counterfeiters;
- ▮ further awareness-raising of Member States authorities in relation to implementation of Council Regulation (EC) 2182/2004 concerning medals and tokens similar to euro coins amended by Council Regulation (EC) No 46/2009;
- ▮ support law enforcement by sharing technical information on new developments (high quality counterfeit classes) and on local phenomena, including in third countries;
- ▮ continue cooperation and awareness-raising actions together with Chinese authorities on supporting Member States in their investigations on the production of reassembled and altered coins re-imported to the EU.

## Annex

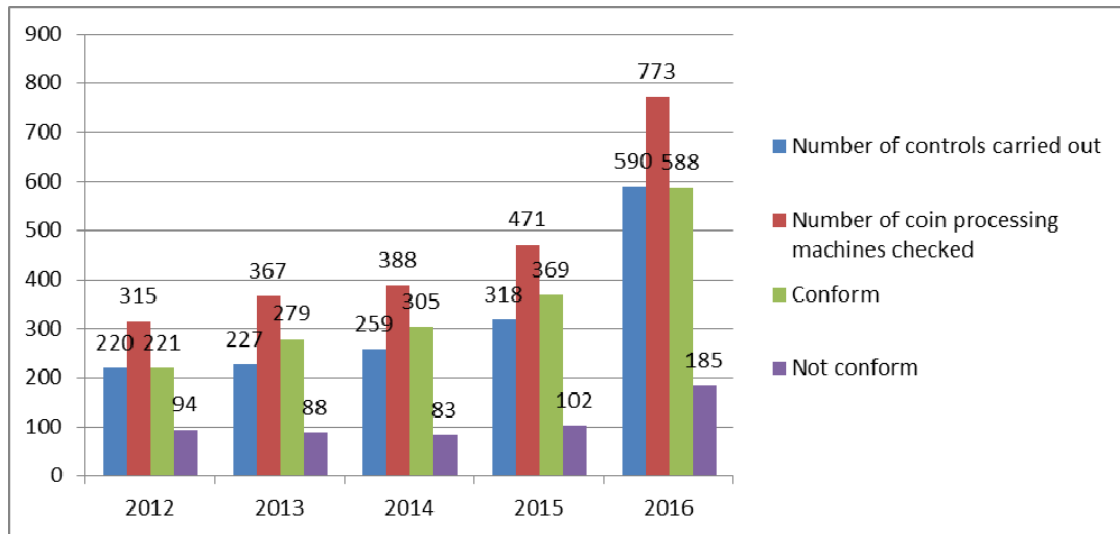
The Commission's report to EFC for the year 2016 presented according to Article 12 (4) of Regulation (EU) No 1210/2010, shows the following tendencies in comparison with the previous one:

- ▶ An increasing number of coins is being authenticated (in 2016 over 18 billion coins were authenticated);
- ▶ The number of coins processed for the three highest denominations increased by 5.14 % in 2016;
- ▶ The number of controls carried out by the Member States increased as well as the number of coin-processing machines checked;
- ▶ The number of machines deemed to be compliant (successfully passing the detection test as stipulated in Article 4(1)) has increased;
- ▶ In comparison with the previous year the number of Member States complying with the obligation to check the coin-processing machines which have processed at least 25 % of the total cumulated net volume of the three highest denominations of the issued euro coins from the introduction of the euro, as stipulated in Article 6(3), has increased;
- ▶ The number of analysed suspect counterfeits has increased as well as the number of unfit coins reimbursed;
- ▶ 18 out of 19 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 the Council Regulation (EC) No 1338/2001;
- ▶ Italy has carried out controls in 2016 and Luxembourg is currently taking the necessary measures to fulfil its obligation to carry out controls. The following charts offer an overview on the main figures described above.

**Chart 6: Volume of euro coins authenticated in 2012 – 2016**



**Chart 7: Controls carried out in 2012 – 2016**



**Chart 8: Counterfeit coins and unfit coins in 2012 – 2016**

