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DIRECTORATE GENERAL
ECONOMIC AND FINANCIAL AFFAIRS
Resources and communication
Euro Protection and Pericles

The protection of euro coins in 2014

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

- ▶ On 10 September 2014, President-elect Juncker unveiled his team and the new shape of the European Commission, the mandate of which already started on 1st of November 2014 for a period of five years. The newly European Commission is to be streamlined to focus on tackling the big political challenges that Europe is facing: getting people back to work in decent jobs, triggering more investment, making sure banks lend to the real economy again, creating a connected digital market, a credible foreign policy and ensuring Europe stands on its own feet when it comes to energy security¹. Part of the structural changes of the new European Commission was the transfer of the unit dealing with Pericles programme and the Euro Protection from OLAF (European Anti-Fraud Office) to the Directorate General for Economic and Financial Affairs (DG ECFIN). The protection of euro against counterfeiting is an integral part of the objectives of DG ECFIN for a deepened, efficient and fair Economic and Monetary Union.

- ▶ The number of counterfeit euro coins found in circulation increased compared to 2013 but has remained around 200 000 pieces per year, resulting in equivalent of 1 counterfeit coin for every 98 000 genuine coins. For the first time, the number of counterfeit coins seized before circulation was higher than those detected in circulation. The overall value of counterfeit coins removed from circulation in 2014 was EUR 870 789 which is remarkably higher than the overall value in 2013 (EUR 283 000).

- ▶ The quality of counterfeits continued to improve in 2014 as demonstrated by an increasing number of counterfeits having electromagnetic properties close to the specification. A number of actions was carried out in order to define the extent of the problem and to improve detection by 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 adopted a directive on the basis of a proposal made by the European Commission,² which reinforces the criminal rules to protect the euro against counterfeiting and is especially targeted towards improving the level of criminal law sanctions to boost deterrence and to improve cross border cooperation. The Directive, adopted in May 2014, introduces

¹ Press Release IP/14/984.

² Directive 2014/62/EU of the European Parliament and of the Council of 15 May 2014 on the protection of the euro and other currencies against counterfeiting by criminal law, and replacing Council Framework Decision 2000/383/JHA. OJ L151, 21.05.2014.

efficient investigative tools and improves prevention by allowing for the analysis of counterfeits by the competent authorities, to further enhance the protection of the euro and other currencies from criminal measures.

- ▶ Regulation (EU) No 1210/2010 on the authentication of euro coins³ sets out the rules for financial institutions to ensure that all euro coins put back into circulation are genuine. This Regulation has proved to be a powerful instrument in protecting the euro against counterfeiting. In accordance with Article 12 (4) of this Regulation, the Commission presented to the Economic and Financial Committee (EFC) its second annual report on developments and results concerning authentication of euro coins and euro coins unfit for circulation⁴. Based on the information reported, referring to the year 2013, the report shows the following tendencies in comparison with the Commission's report to EFC for the year 2012⁵:
 - An increasing number of coins is being authenticated (in 2013 over 10 billion coins were authenticated);
 - The number of coins processed for the three highest denominations increased by 6% in 2013;
 - The number of controls carried out by the Member States increased along with the number of coin-processing machines checked;
 - The number of the machines deemed to be compliant (successfully passing the detection test as stipulated in Article 4(1)) increased; hence, the number of the non-compliant machines has decreased;
 - The number of suspect counterfeits analysed increased whereas the number of unfit coins reimbursed decreased in 2013;
 - 13 out of 17 Member States of the euro area are carrying out controls of the correct implementation of the authentication obligation by the institutions referred to in Article 6 of Regulation (EC) 1338/2001.

³ 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. OJ L 339, 22.12.2010.

⁴ C(2014) 6536 final, referring to the year 2013.

⁵ COM(2014) 277 final, referring to the year 2012.

1. Introduction

1.1. DG ECFIN's mission and mandate

The mission of the Directorate-General for Economic and Financial Affairs 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 action of the Commission 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 EU legislation;
- ▶ training and technical assistance, based mainly on the Pericles programme⁶;
- ▶ 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, attached to the European Anti-Fraud Office (OLAF)⁷.

Within this framework, the mission of the ETSC is to analyse and classify every new type of counterfeit euro coin⁸, to contribute to the fulfilment of the objectives of the

⁶ 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.

⁷ 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.

Pericles programme, to assist the Coin National Analysis Centres (CNAC)⁹ 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 ETSC coordinates the necessary actions to protect euro coins against counterfeiting through periodic meetings of the Counterfeit Coin Experts Group (CCEG)¹⁰.

This report is presented in line with Commission Decision of 29 October 2004 based on Council Decision of 8 December 2003¹¹. 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 2014. Section 3 presents the activities that the ETSC carried out in 2014 in order to reinforce the protection of euro coins.

⁸ 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).

⁹ 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.

¹⁰ See Section 3.2.1.

¹¹ 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 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 detected in circulation

The total number of counterfeit euro coins removed from circulation in 2014 reached nearly 192 200, an increase of about 7.5 % compared to 2013.

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, 2011 – 2014*

Year	50 cent	1 euro	2 euro	Total	Value (EUR)
2014	36 004	24 851	131 340	192 195	305 533
2013	30 100	27 100	120 400	177 600	282 950
2012	32 700	29 500	121 000	183 200	287 850
2011	28 400	32 800	96 300	157 500	239 600

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

When compared to 2013, among the 3 highest coin denominations, the number of 2 euro counterfeits increased (8.33 %). 2014 was also marked by a decrease in the number of counterfeit coins of 1 euro (-9.05 %) and an increase in 50 cent counterfeits (16.40 %).

In particular, the proportion of 50 cent counterfeits increased (18.73 %) in 2014 and it confirms the trend of the last three years. The 2 euro remains by far the most counterfeited euro coin, constituting 85.97 % in value terms (up from 85.10 % in 2013).

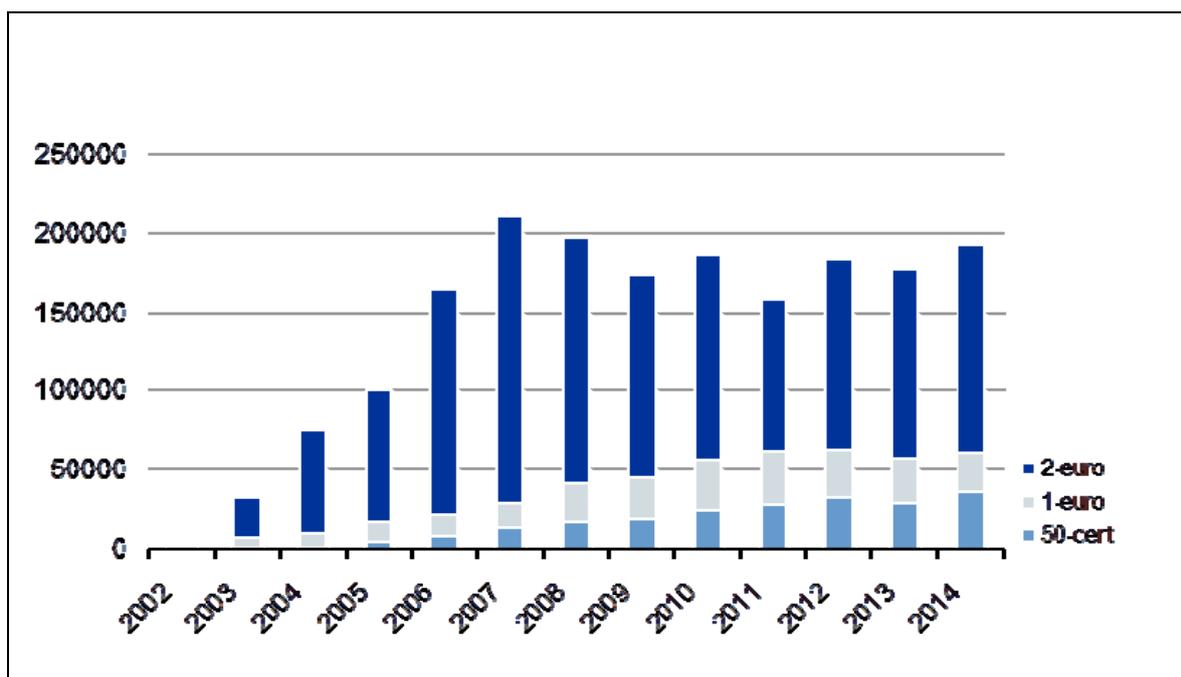
Overall, 1 847 486 counterfeit euro coins have been removed from circulation since the introduction of the euro coins in 2002.

Local classes also increased considerably in 2014 (70 %), especially the ones belonging to 2 euro and 50 cent denomination¹².

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

¹² See Section 3.1.3.

Chart 1: Counterfeit euro coins detected in circulation



In 2014 Italy, the country with the highest number of detected counterfeit euro coins, registered a significant increased level compared to 2014 (57.32 %).

Counterfeit euro coins were found in all Member States of the euro area in 2014. The part of detected counterfeit coins in Italy has increased over the last years to 26.63 % of the total number of the received counterfeits. About 400 pieces of counterfeit euro coins were also 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 2014 remains modest 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 98 000 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 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 increased remarkably in 2014 (301 970 pcs). The breakdown per denomination of counterfeit euro coins found before

circulation and registered in the CMS (Counterfeit Monitoring System)¹³ for the last four years is shown below.

Table 2: Counterfeit euro coins detected before circulation, 2011 – 2014*

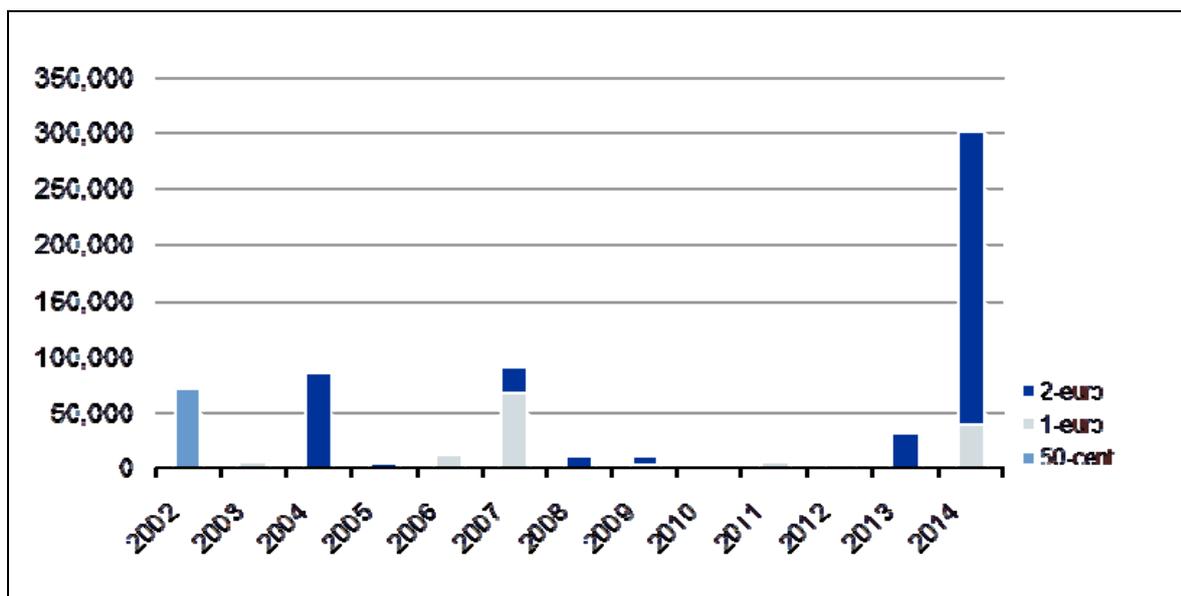
Year	50 cent	1 euro	2 euro	Total	Value (EUR)
2014	1	38 690	263 279	301 970	565 245,5
2013	160	360	30 501	31 051	61 472
2012	4	1 800	72	1 872	1 946
2011	511	5 735	390	6 636	6 770,50

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

The main reason for this increase in 2014 compared to 2013 was that more than 300 000 pieces of 2 euro and 1 counterfeits were seized in September 2014 in Italy.

The development 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



Roughly 630 000 counterfeit euro coins have been seized before circulation since 2002 which corresponds to a face value of nearly EUR 1 023 878.5.

In 2014, four illegal mints were discovered.

¹³ Decision of the European Central Bank of 8 November 2001 on certain conditions regarding access to the Counterfeit Monitoring System (CMS).

- ▶ In March 2014, a fully-equipped illegal mint was dismantled nearby Casalnuovo (Naples) by Italian Guardia di Finanza. The investigators seized a large number of devices and material used for production of counterfeit 1 euro coins such as dies and blanks, as well as finished counterfeit coins;
- ▶ In December 2014, three mints were dismantled nearby Madrid. Tools, raw materials and about 7 500 counterfeit 2 euro coins were seized. The "coins" were produced assembling 10 cent genuine euro coins (as core) with non-magnetic metal rings.

In addition, on 23 September 2014 in Poggiomarino (nearby Naples), the Italian Carabinieri performed the biggest seizure of imported counterfeit euro coins ever in Europe. In particular, 263 083 counterfeit 2-euro coins and 38 421 counterfeit 1-euro coins were seized yielding a total of about 302 000 counterfeit coins¹⁴.

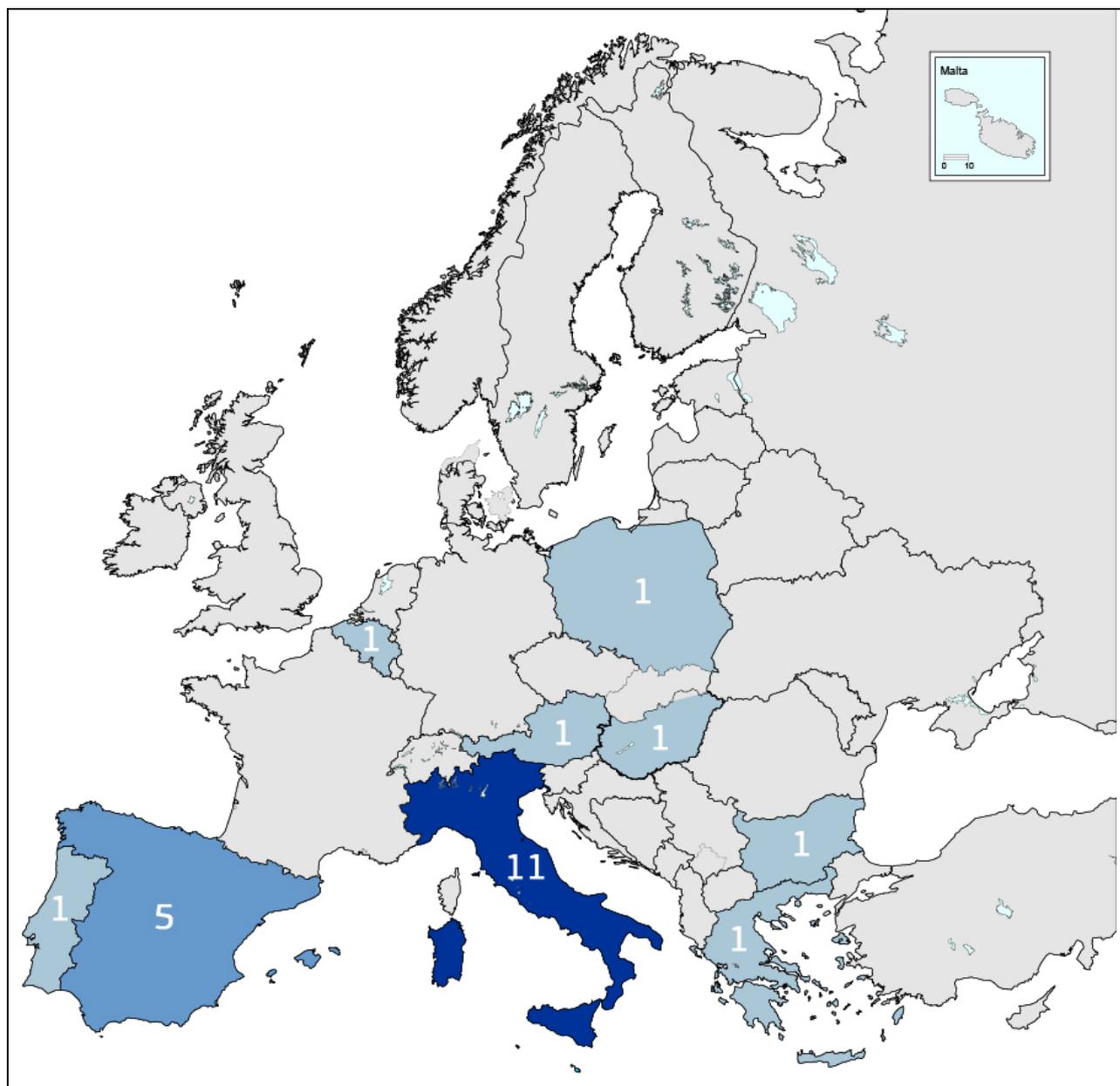
¹⁴ See Section 3.3.

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

Table 3: Illegal mints discovered, 2002 – 2014

Year	Date	Place	Denomination (€)	Total/year
2002	June	Italy	50 cent	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	50 cent	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
2014	March	Italy	1	4
	December	Spain	2	
	December	Spain	2	
	December	Spain	2	
Total				23

Chart 3: Illegal mints discovered, 2002 – 2014



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 class¹⁵ or variant¹⁶.

A distinction is made between common classes and local classes. Local classes correspond mostly to cast counterfeit coins¹⁷, usually produced in smaller quantities.

3.1.1. Common classes (stamped counterfeit coins)

Common classes are counterfeits made with a stamping process¹⁸, 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 characteristics 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 decreased compared to 2013 but was in line with the average level for the previous years.

The effective European framework for the protection of the euro has a deterrent impact 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.

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

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

¹⁷ 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).

¹⁸ 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
2002-2009	39	33	51	123
2010	6	3	2	11
2011	1	3	2	6
2012	2	2	5	9
2013	2	6	6	14
2014	1	3	9	13
Total	51	50	75	176

The total number of common classes has now increased to 176. Despite the large number of common classes, the bulk of counterfeit coins is still concentrated in a small number of classes.

In particular, in 2014, one family of linked common classes (2 euro class 6, 31 and 37) represented 24 % of the total number of registered 2 euro counterfeits. In total, 6 classes (class 6, class 24, class 1, class 35, class 65, class 29) cover 60% of the total number of 2 euro counterfeits found in circulation.

For the 1 euro denomination, 7 classes (class 33, class 4, class 26, class 49, class 37, class 8, class 22) resulted to be dominant covering 66 % of the total.

For the 50 cent denomination, over 54 % of the counterfeits found in circulation belong to 2 classes (common classes 1 and 39) and, in total, five classes (class 1, class 39, class 52, class 53, class 3) are responsible for nearly 70 % of the total number of counterfeits found in circulation.

Creation of variants

In 2014, 5 new variants (sub-types of classes) were created, fewer than in previous years.

This brings the total number of classes and variants to 628. 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
2002-2009	63	87	373	523
2010	6	7	10	23
2011	1	10	11	22
2012	2	3	8	13
2013	2	9	18	29
2014	1	3	14	18
Total	75	119	434	628

Counterfeits have also been found of commemorative euro coins, i.e. 2 euro coins with specific national sides¹⁹. Since 2006 counterfeits of the following 2 euro commemorative coins have been detected:

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

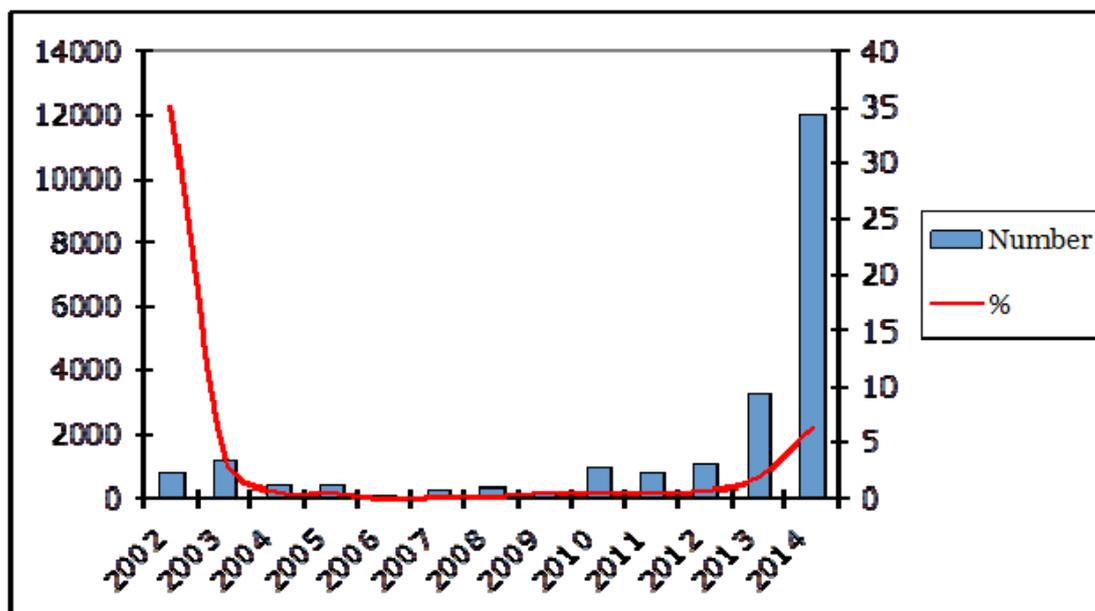
¹⁹ Council Regulation (EU) No 729/2014 of 24 June 2014 on denominations and technical specifications of euro coins intended for circulation. OJ L 194, 02.07.2014.

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.

3.1.3. Local classes (cast counterfeit coins and other counterfeits²⁰)

The number of local counterfeit coins detected and the percentage of the total number of counterfeits in circulation are shown in the table below.

Chart 4: Local classes



In 2014 the local classes counterfeit coins increased in comparison with 2013 (about 70 %) and this affected partially also the increase of the overall volume of counterfeit coins detected in circulation.

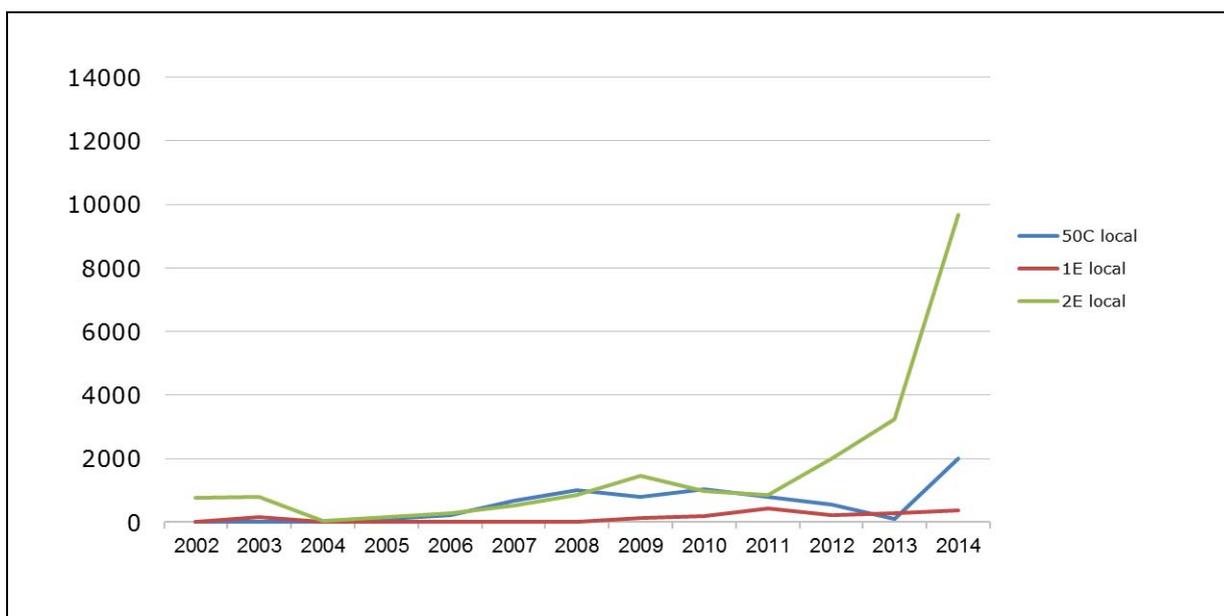
The local classes mainly concern the 2 euro denomination which represents the 80.3% of the total. They are generally of a relatively low quality and should therefore be considered as less dangerous.

In particular, in 2014 this increase is due to the dismantling of three illegal mints in Spain (Madrid) where about 7 500 counterfeit 2 euro coins were seized and to the withdrawal (during the authentication process) of about 1 300 counterfeit 50 cent in Italy.

In general the share remains low being 6.4 % of the total number of counterfeits detected in circulation.

²⁰ 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).

Chart 5: Evolution of local classes



Local classes have been increasing recently, especially 2 euro denomination since 2011. The phenomenon affected mostly cast coins but, since 2013, the share of other counterfeits increased (53 % of the total local 50 cent counterfeits belong to "others" counterfeit, 66 % for 1 euro and 25 % for 2 euro).

In 2014, as explained previously in this section, the share increase remarkably: 22 % of the total 50 cent counterfeits belong to "others", 75 % for 1 euro and 82 % for 2 euro.

This phenomenon could reveal another trend with respect to euro coin counterfeiting, which consists of the production of low quality counterfeits produced by using scrap materials and/or altered coins, on an occasional basis, with the purpose to commit other offences like frauds.

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 the Commission, 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 2014. These enabled the exchange of information between the CNACs, the ETSC, ECB and Europol.

The 'ETSC Work Team', chaired by ETSC, held three technical meetings in 2014, gathering technical coin experts from several CNACs on the following issues:

- ▶ Implementation of the action plan on Common Class 1E37²¹.
- ▶ 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 2014, the ETSC regularly informed the following groups about the situation of coin counterfeiting and discussed possible actions to be undertaken:

- ▶ The functioning of 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. A number of coin protection related issues were discussed in that group. In 2014, 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;

²¹ See Section 3.2.3.

- ▶ the Euro Coin Sub-Committee (ECSC) of the Economic and Financial Committee brings together representatives from the coin issuing authorities of the Member States. Commission initiatives are systematically discussed in that group. In 2014 the main issues concerned the implementation of Regulation (EU) No 1210/2010, the appearance of the new dangerous class 1 euro class 37 and the added value of the adopted Directive 2014/62/EU improving the criminal law protection of the euro;
- ▶ the Mint Directors Working Group (MDWG), which brings together the heads of the Mints of the EU Member States. ETSC participated in all the meetings organised in 2014;
- ▶ 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 2014, four meetings were organised in Frankfurt;
- ▶ the Working Group on Internet-based Trade of Raw Materials for Currency. The meeting was organised by Europol and was focused on the recent threat of raw materials (mostly good quality holograms) which are available on internet. ETSC participated raising the issue of the metal alloys (with technical features similar to the ones used for euro coins) which could be found on internet as well.

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) 2182/2004²², concerning medals and tokens similar to euro coins amended by Council Regulation (EC) No 46/2009²³, 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.

²² OJ L 373, 21.12.2004.

²³ 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 third countries concerned²⁴.

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 2014 ETSC experts provided “on-the-spot” technical support in the following cases:

- ▶ the investigation carried out by the Italian Guardia di Finanza led to the discovery of an illegal mint in Casalnuovo (on 20 March 2014). The investigators seized a large number of devices and material used for the production of counterfeit 1 euro coins such as dies and blanks, as well as finished counterfeit coins. The illicit mint had the capacity to produce a large quantity of good quality counterfeits coins which had the potential to yield substantial profits;
- ▶ the investigation (still on-going) carried out by Italian Carabinieri which permitted the seizure of the biggest amount of counterfeit euro coins ever in Europe by law enforcement agencies since the introduction of the euro.

Following a request by the Carabinieri, the ETSC organised a technical coordination meeting on 19 September 2014. The ETSC provided technical support on-the-spot during the police raid on 23 September 2014 in Poggiomarino (Naples). During the action 263 083 2 euro counterfeit coins and 38 421 1 euro counterfeit coins were seized shipped from China.

In order to analyse and classify this large amount of counterfeit coins, the ETSC established and coordinated a MS Team of Experts for supporting the Italian CNAC. The action took place at the Italian CNAC premises in Rome from 27 October 2014 to 3 November 2014. Thanks to this effort, all data resulted to be available in a very short period of time in CMS.

²⁴ Administrative 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/speaker in two Pericles actions: the XI Euro South-East Conference, Budva (Montenegro), 19-23 May 2014; the Technical Tactical training "Protection of the euro against counterfeiting", Pereira (Colombia), 19 – 21 March 2014) organised on the initiative of the Commission. The actions were addressed to experts from Member States and third countries in order to improve the protection of the euro in regions that represent a counterfeiting threat to the euro.

In 2014, the ETSC was one of the main contributors to the successful fulfilment of the Pericles programme priorities.

In addition, in 2014, the ETSC organised one *ad hoc* "advanced training for CNAC experts on analysis and classification of counterfeit euro coins". The training took place in Athens from 27 January to 28 February 2014 and was addressed to Members States which recently joined the euro zone in order to improve analysis skills of CNAC experts and, consequently, increase the efficiency of the classification process.

The action was based on the "learning by doing" principle and five teams consisting of 2 participants each (one well experienced expert from "old" euro Member States and one expert from "new" euro-area Member States) spent 1 week on-the-spot. The action allowed also Greek authorities to analyse and classify a backlog of over 20 000 coins.

"Training on detection and classification of counterfeit euro coins for the Lithuanian competent national authorities" was also organised in 2014. The training (which was hosted by the German CNAC in Mainz) was organised in preparation of the adoption of the euro on 1 January 2015 by Lithuania, the main objective of which was to increase Lithuanian authorities' expertise in detection and classification of counterfeit euro coins as well as the implementation of Regulation (EU) No 1210/2010.

3.4.2. Cooperation with third countries

As follow-up of the "Technical-Tactical Training" organised in the framework of the Pericles program in Colombia, the ETSC continued assisting Colombian Authorities with technical expertise and analysis in 2014.

3.5. Coin-related legislative instruments and developments

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-compliance²⁵.

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. Based on the information reported, referring to the year 2013, the report shows the following tendencies in comparison with the Commission's report to EFC for the year 2012:

- ▶ An increasing number of coins is being authenticated (in 2013 over 10 billion coins were authenticated);
- ▶ The number of coins processed for the three highest denominations increased in 2013 by 6 %;
- ▶ The number of controls carried out by the Member States increased as well as the number of coin-processing machines checked;
- ▶ The number of the machines deemed to be compliant (successfully passing the detection test as stipulated in Article 4(1)) has increased; hence, the number of the non-compliant machines has decreased;
- ▶ The number of analysed suspect counterfeits has increased whereas the number of unfit coins reimbursed has decreased in 2013;
- ▶ 13 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 Regulation (EC) 1338/2001.

Furthermore, according to Article 12(5) of Regulation (EU) No 1210/2010 the Commission presented a report to the European Parliament and to the Council by 30

²⁵ 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).

June 2014²⁶. The report contained an overview of the assessment of the implementation of the provisions of the Regulation based on the questionnaires filled in and on annual reports submitted by the Member States in order to evaluate the “operation and effects” of the Regulation. With reference to the evaluation of a possible modification of the Regulation, the Commission indicated to further monitor and to facilitate its implementation.

Concerning repression, 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 have adopted, hence, a directive based on a European Commission proposal²⁷, to reinforce the criminal rules to protect the euro against counterfeiting²⁸.

The criminal offences have been modernised, for instance: 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 and higher).²⁹

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 coins³⁰.

Introduction of 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)³¹.

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 delay³².

²⁶ COM(2014) 551 final

²⁷ COM(2013)42.

²⁸ Directive 2014/62/EU of the European Parliament and of the Council of 15 May 2014 on the protection of the euro and other currencies against counterfeiting by criminal law, and replacing Council Framework Decision 2000/383/JHA.

²⁹ See Article 10 of Directive 2014/62/EU.

³⁰ See Article 5 of Directive 2014/62/EU.

³¹ See Article 9 of Directive 2014/62/EU.

³² See Article 10 of Directive 2014/62/EU.

4. Successful ETSC measures and potential threats to euro coins

Developments in 2014 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, representing an equivalent of 1 counterfeit coin for 98 000 genuine coins;
- ▶ despite the decreasing number of new types of counterfeit coins found in circulation, a significant number of illegal mints is still operating inside and outside Europe. This means that the criminal production capacity is still present and that continuous 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 the deterrence against counterfeiting of the euro;

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

- ▶ vigilance in relation to new technical developments (high risk counterfeit classes) and to local phenomena, including in third countries, by law enforcement;
- ▶ cooperation and awareness-raising actions together with Chinese authorities. The involvement of Chinese criminality in producing counterfeit money is increasing: they are not only providing raw materials for producing counterfeit euros such as holograms but they have also become directly involved in the production phase;
- ▶ reinforcement of the cooperation between competent national authorities and the private sector in order to better implement the authentication procedure and to ensure the identification of new 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;
- ▶ monitoring the implementation of the Directive 2014/62/EU of the European Parliament and of the Council of 15 May 2014 (in particular Article 10) on the protection of the euro and other currencies against counterfeiting by criminal law;
- ▶ promotion of studies on new detection technologies and security features of coins, in order to keep ahead of counterfeiters.