

# The protection of euro coins in 2012

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 significantly increased compared to 2011 but has remained well below 200 000 pieces per year, resulting in equivalent of 1 counterfeit coin for every 90 000 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 2012 was EUR 288 000.
- ▶ The quality of counterfeits continued to improve in 2012. In particular, new variants of the known sophisticated 1 euro counterfeits were detected. These counterfeits imitate the structure and electromagnetic features of genuine 1 euro coins, increasing the risk that significant numbers of counterfeit euro coins may remain undetected. A number of actions was started 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 Commission has presented a legislative proposal<sup>1</sup> to reinforce the criminal rules to protect the euro against counterfeiting especially targeted to improve the level of criminal law sanctions and to boost deterrence.  
This legislative proposal also proposes to introduce efficient investigative tools and improve 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.

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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.

## 1. Introduction

### 1.1. OLAF's mission and mandate

The European Anti-Fraud Office (OLAF<sup>3</sup>) is a part of European Commission with a threefold mission:

- ▶ it protects the financial interests of the European Union by combating fraud, corruption and any other illegal activities;
- ▶ it protects the reputation of the European Institutions by investigating serious misconduct by their Members and staff that could result in disciplinary or criminal proceedings;
- ▶ it supports the European Commission in the development and implementation of fraud prevention and detection policies.

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

OLAF investigates cases of fraud, assists Union bodies and national authorities in their fight against fraud and contributes to the design of anti-fraud legislation and policies in the EU. OLAF is part of the European Commission but is independent in its investigative functions.

OLAF derives its mandate principally from Regulation (EC) No 1073/99. The legal basis for Union action against fraud is Article 325 of the Lisbon Treaty.

OLAF's mandate covers, in principle, all expenditure of the Union and a part of the revenue side of the budget where OLAF focuses particularly on "traditional own resources", including customs duties. It comprises the general budget, budgets administered by the Union or on its behalf and certain funds not covered by the budget but administered by Union agencies. This mandate also extends to all measures affecting or liable to affect the Union's assets.

### 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 interests. 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.

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>4</sup>;

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

- ▶ 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>5</sup>.

Within this framework, the mission of the ETSC is to analyse and classify every new type of counterfeit euro coin<sup>6</sup>, to contribute to the fulfilment of the objectives of the Pericles programme<sup>7</sup>, to assist the Coin National Analysis Centres (CNAC)<sup>8</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>9</sup>.

This report is presented in line with Commission Decision of 29 October 2004 based on Council Decision of 8 December 2003<sup>10</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 2012. Section 3 presents the activities that the ETSC carried out in 2012 in order to reinforce the protection of euro coins.

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<sup>4</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>5</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>6</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>7</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>8</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>9</sup> See Section 3.2.1.

<sup>10</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 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 2012 reached nearly 184 000, a significant increase of about 17% from 2011.

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, 2009 – 2012\***

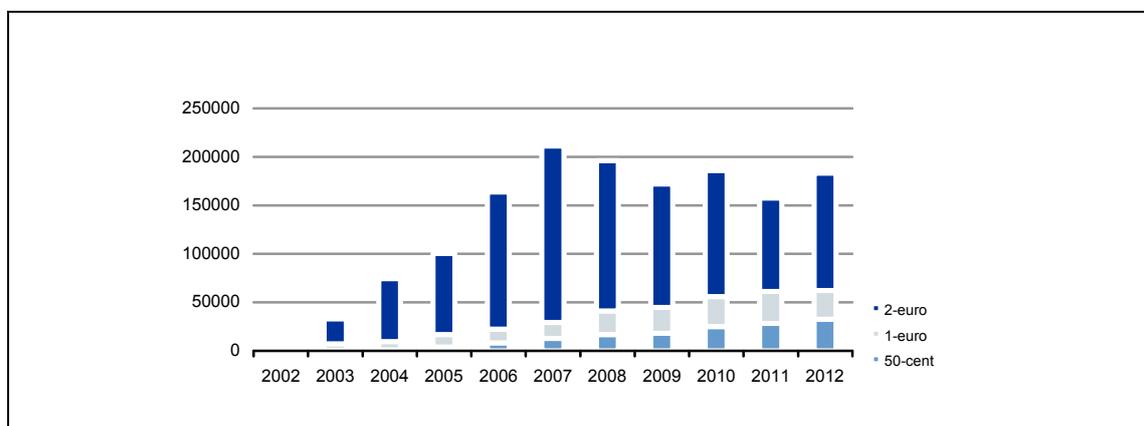
Year	50 cent	1 euro	2 euro	Total	Value (EUR)
<b>2012</b>	32 700	29 500	121 000	183 200	288 000
<b>2011</b>	28 400	32 800	96 300	157 500	239 600
<b>2010</b>	25 100	31 000	129 700	185 800	302 950
<b>2009</b>	18 100	26 500	127 500	172 100	290 550

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

When compared to 2011, among the 3 highest coin denominations, the number of 2 euro counterfeits increased significantly by over 25%. In 2012 was marked also by an increase in the number of counterfeit coins of 50-cent (15%) and a drop in 1 euro counterfeits (-10%). The 2 euro remains by far the most counterfeited euro coin, constituting 84% in value terms (up from 80% in 2011). Overall, nearly 1 500 000 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 2012 Germany, the country with the highest number of detected counterfeit euro coins, registered a similar level compared to 2011. A sharp increase took place in Greece, Spain and Italy where the authentication procedures stated in Regulation (EU) 1210/2010<sup>11</sup> started being applied. In France, Netherlands, Austria and Portugal the detection levels of counterfeits dropped.

Overall, the number of counterfeit coins detected in circulation in 2012 remains very small in comparison to the total of 102 billion genuine euro coins in circulation including 16,6 billion of the three highest denominations. Compared to the latter, the proportion of counterfeit euro coins is one for every 90 000 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.

The year 2012 was the first year of application of the authentication procedures foreseen in the regulation.

## 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, that might, in one way or another, 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 in 2012 was below 2 000 pcs. The breakdown per denomination of counterfeit euro coins found before circulation and registered in the CMS (Counterfeit Monitoring System)<sup>12</sup> for the last four years is shown below.

**Table 2: Counterfeit euro coins detected before circulation, 2009 – 2012\***

Year	50 cent	1 euro	2 euro	Total	Value (EUR)
<b>2012</b>	4	1 800	72	1 872	1 946
<b>2011</b>	511	5 735	390	6 636	6 770,50
<b>2010</b>	0	14	555	571	1 124
<b>2009</b>	5	2 579	8 477	11 061	19 535,50

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

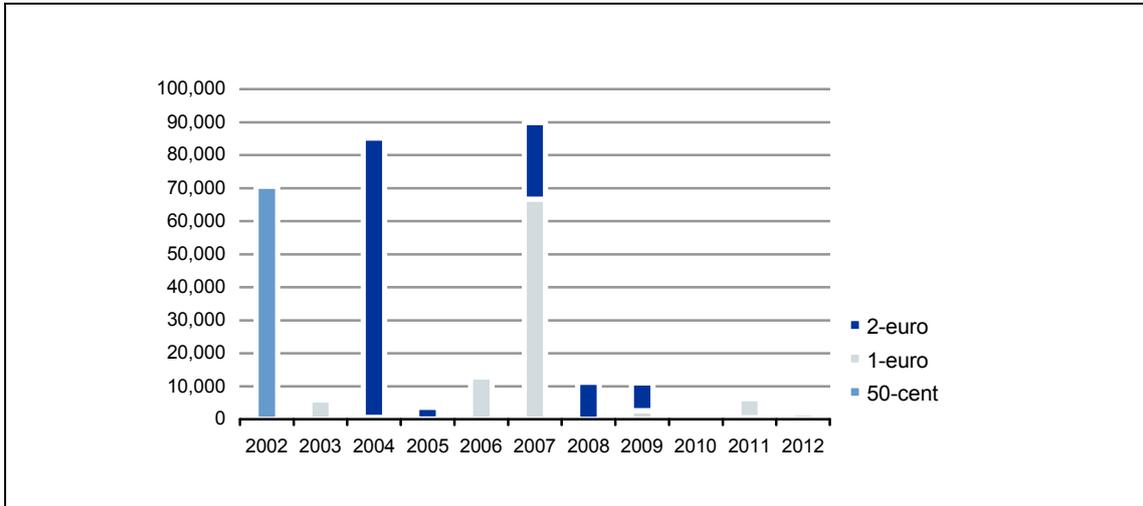
<sup>11</sup> Regulation (EU) No 1210/2010 of the European Parliament and of the Council of 15 December 2010 concerning authentication of euro coins and handling of euro coins unfit for circulation.

<sup>12</sup> Decision of the European Central Bank of 8 November 2001 on certain conditions regarding access to the Counterfeit Monitoring System (CMS).

A significant decrease in the number of the counterfeits detected before circulation in 2012 compared to 2011 has been observed. The main reason for this was that small quantities of the finished counterfeits were found when an illegal mint was dismantled in June 2012 in Greece.

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**



Overall, 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 – 2012**

<b>Year</b>	<b>Date</b>	<b>Place</b>	<b>Denomination (€)</b>	<b>Total/year</b>
<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>Total</b>				<b>18</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>13</sup> or variant<sup>14</sup>.

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

128 pieces of suspects coins were analysed at the ETSC in 2012.

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

Common classes are counterfeits made with a stamping process<sup>16</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 has risen compared to 2011 but was below the average for the previous years, which may indicate a decrease 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>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/improvement of the class.

<sup>15</sup> Cast coinage refers to coins made by pouring melted metal into a mold, i.e. casting.

<sup>16</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
2002	1	5	5	11
2003	6	4	5	15
2004	11	3	8	22
2005	9	3	6	18
2006	6	5	3	14
2007	7	6	2	15
2008	6	2	4	12
2009	3	5	8	16
2010	6	3	2	11
2011	1	3	2	6
2012	2	2	5	9
<b>Total</b>	<b>58</b>	<b>41</b>	<b>50</b>	<b>149</b>

The total number of common classes has now increased to 149. Despite the large number of common classes, the bulk of counterfeit coins is still concentrated in a small number of classes. In particular, in 2012, one family of linked common classes represented 37% 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. In total, six classes are responsible for around 60% of the total number of counterfeits found in circulation. Except for two common classes, no other illegal mints have been dismantled which produced the counterfeits of known classes.

Of the total number of classes, 19 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 2012, 4 new variants (sub-types of classes) were created, fewer than in previous years.

This brings the total number of classes and variants to 581. 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</b>	1	14	19	34
<b>2003</b>	6	7	50	63
<b>2004</b>	12	12	72	96
<b>2005</b>	12	7	81	100
<b>2006</b>	10	9	51	70
<b>2007</b>	10	18	44	72
<b>2008</b>	8	6	26	40
<b>2009</b>	4	14	30	48
<b>2010</b>	6	7	10	23
<b>2011</b>	1	10	11	22
<b>2012</b>	2	3	8	13
<b>Total</b>	<b>72</b>	<b>107</b>	<b>402</b>	<b>581</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 20th 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;
- ▶ 50th anniversary of the Treaty of Rome, AT 2007.

### 3.1.3. Local classes (cast<sup>17</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.

**Table 6: Cast counterfeit coins**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Total</b>	<b>756</b>	<b>1 172</b>	<b>405</b>	<b>384</b>	<b>64</b>	<b>275</b>	<b>310</b>	<b>717</b>	<b>925</b>	<b>761</b>	<b>1 037</b>
<b>%</b>	34,9%	3,6%	0,5%	0,4%	0,0%	0,1%	0,2%	0,4%	0,5%	0,5%	0.6%

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.

### 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 coordination 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/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 2012. These enabled the exchange of information between the CNACs, the ETSC, ECB and Europol.

The 'ETSC Work Team', chaired by OLAF, held one technical meeting in 2012, gathering technical coin experts from several CNACs on the following issues:

- ▶ 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 2012, the ETSC regularly informed the following groups about the situation of coin counterfeiting and discussed possible actions to be undertaken:

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<sup>17</sup> Cast coins are made with the use of a liquid metal or alloy.

- ▶ 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 2012, ETSC informed the participants on the statistics on coin counterfeiting and legislative issues concerning coin authentication;
- ▶ 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/OLAF initiatives are systematically discussed in that group. In 2012 the issues mainly concerned the appearance of the new dangerous 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. In 2012 members have continued a project launched by OLAF/ETSC and aimed at harmonising the measurement of the conductivity of euro coins. In addition, a study on demonetisation of euro coins was completed. The study contained the recommendations on the best practice on the subject of demonetisation;
- ▶ the Euro Cash User Group (ECUG). Meetings are organised by the Commission and the ECB in order to inform the main users of euro cash in the private sector about developments concerning euro banknotes and coins, including counterfeits. In 2012, one meeting was organised in Frankfurt;
- ▶ the CEG (Counterfeit Experts Group). Meetings are organised by the ECB and bring together the expert on banknote counterfeiting. They are a platform to exchange and present information on coin counterfeiting. In 2012, two 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>18</sup>, concerning medals and tokens similar to euro coins amended by Council Regulation (EC) No 46/2009<sup>19</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.

In total, 2 cases of medals and tokens similar to euro coins were discussed in the CCEG meetings in 2012. All cases were evaluated as having no characteristics similar to euro coins and did not fall under the prohibition of Article 2 paragraph 1 (c) of Regulation (EC) No 2182/2004 (the production, sale and distribution is forbidden).

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<sup>18</sup> OJ L 373, 21.12.2004.

<sup>19</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>20</sup>.

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

In 2012 ETSC experts provided "on-the-spot" technical support in the following cases:

- ▶ Follow-up of the investigation carried out by the Colombian police in Medellin: ETSC assisted the Colombian Authorities in the analysis of equipment seized in the illegal mint dismantled in Medellin on August 2011;
- ▶ The illegal mint discovered in Thessaloniki (Greece) on 29 June 2012: ETSC assisted Greek CNAC after police raid;
- ▶ Coordination technical meeting with the Greek CNAC on September 2012: the ETSC assisted the Greek CNAC with the classification of counterfeit coins seized in Thessaloniki in order to evaluate possible technical links among Greek cases and other European ones;
- ▶ The follow-up of the Greek investigation carried out in Thessaloniki: the ETSC facilitated the exchange of technical information with Turkish authorities in order to investigate on possible supplier based in Turkey of the machines used by Greek counterfeiters;
- ▶ the investigation carried out by Italian police which 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.

### **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. In the year 2012, the Pericles Programme financed the following initiatives specifically, or partially, dedicated to the protection of euro coins.

- ▶ Conductivity study. A second step to the technical study on calibration methods for measuring the electrical conductivity of coins, run under the Pericles

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<sup>20</sup> Cooperation Arrangements with Croatia, Montenegro and Turkey have been already concluded.

Programme, has been in progress. The purpose of the study is to allow the Mints to be able to measure the conductivity with an error rate below 1%. Coins produced with a narrower distribution of conductivity, will be more easily recognised by vending machines and better able to be distinguished from counterfeits. Another possible consequence may be the use by blank suppliers of the new standards. This would lead to a better quality of the supplied materials and the result will ensure a better quality of the produced coins. The ETSC's goal, is to ensure that the electrical conductivity of coins can be measured in a precise and consistent way, throughout the EU and internationally. In order to assess the results, all the mints agreed to carry out measurements according to the new conductivity standards. By the end of 2012 the process was still ongoing. The results will be known in 2013.

- ▮ Training activities. In October 2012, the ETSC organised a training in Cetinje (Montenegro) for the banking sector and law enforcement representatives from Montenegro and Serbia. In total, about 30 experts were trained.

In addition, the ETSC participated as trainer in three Pericles actions (Skopje – FYROM, 11-13 September 2012; Tirana - Albania, 18-20 September 2012; Odessa – Ukraine, 2-4 October 2012) organised on the initiative of OLAF which were addressed to experts from Candidate and Third Countries in order to increase the protection of the euro in regions that represent a counterfeiting threat to the euro.

The trainings involved about 200 participants mainly from the Former Yugoslav Republic of Macedonia, Albania, Ukraine. Trainees were mainly police, banks, judicial and custom staff from hosting countries. Assistance was provided also by experts from Member States.

In 2012, the ETSC was one of the main contributors to the successful fulfilment of the Pericles program priorities.

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

As follow-up of the investigation carried out by the Colombian Authorities in August 2011, the ETSC continued assisting Colombian Authorities with an in depth analysis on the machines and methodologies used by the counterfeiters in that case.

Based on the cooperation arrangements signed with the Turkish Undersecretary of the Treasury, the ETSC facilitated the exchange of technical information with the Turkish authorities in order to investigate a possible supplier of the machines used by Greek counterfeiters in the illegal mint discovered in Thessaloniki on June 2012.

In addition, based on ACAs with Croatia and Montenegro nearly 1000 pieces of counterfeit euro coins have been withdrawn from circulation in these countries<sup>21</sup>.

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<sup>21</sup> The negotiation procedure to sign an Administrative Cooperation Arrangement (ACA) with Serbia is ongoing.

### **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>22</sup>.

The provisions for the authentication of coins entered into force on the 1<sup>st</sup> of January 2012. Within the framework of the CCEG meeting, the ETSC has discussed with the Member States questions raised on the implementation of the authentication procedure.

The European Commission has presented on 5 February 2013 a legislative proposal<sup>23</sup> to reinforce the criminal rules to protect the euro against counterfeiting especially targeted to improve the level of criminal law sanctions to boost deterrence. This legislative proposal also proposes to introduce efficient investigative tools and improve 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.

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<sup>22</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>23</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 2012 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 90 000 genuine ones;
- ▶ the implementation of the authentication procedures under Regulation 1210/2010, facilitated by the ETSC, will have a positive impact on the deterrence against counterfeiting of the euro;
- ▶ the appearance of highly sophisticated counterfeits (but having poor visual quality), which may remain undetected for the coin processing machines has led to the preparation of an on-going action plan which continues in 2013 by the ETSC;
- ▶ 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;
- ▶ cooperation between competent national authorities and with the private sector players 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;
- ▶ promote studies on the 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>24</sup>.

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<sup>24</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).