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REPORT FROM THE COMMISSION

TO THE ECONOMIC AND FINANCIAL COMMITTEE

under Article 12(4) of 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

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under Article 12(4) of 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 circulation¹

1. OBJECTIVE OF REGULATION (EU) No 1210/2010

In order to improve the protection of the euro against counterfeiting Council Regulation (EC) No 1338/2001² requires credit institutions and, within the limits of their payment activity, other payment service providers and any other institutions engaged in the processing and distribution to the public of notes and coins (hereinafter "institutions") to ensure that euro notes and coins, which they have received and which they intend to put back into circulation, are checked for authenticity and that counterfeits are detected.

For coins that obligation is further detailed in 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 (hereinafter "the Regulation"). The objective of the Regulation is to ensure effective and uniform authentication of euro coins throughout the euro area by providing binding rules for the implementation of common procedures for the authentication of euro coins in circulation as well as for implementation of control mechanisms of the authentication procedures by the national authorities. An authentication procedure is designed to verify that euro coins are authentic and fit for circulation.

The Regulation provides that the authentication obligation shall be implemented by means of coin-processing machines or by trained personnel. Following the authentication procedure all suspected counterfeit coins and coins unfit for circulation are to be sent to the Coin National Analysis Centre or another authority designated by the Member State concerned. The Regulation sets out the testing requirements for the coin-processing machines, rules for handling coins unfit for circulation, as well as control mechanisms to be put in place by Member States to make sure the institutions are fulfilling their authentication obligation.

The European Technical and Scientific Centre (ETSC), established by Council Decision 2003/861/EC³ and Commission Decision 2005/37/EC⁴, defines the Guidelines on implementation of Regulation (EU) No 1210/2010 (hereafter the "ETSC Guidelines") in accordance with Article 7 of the Regulation.

2. PURPOSE OF THE REPORT

The Commission, after having analysed the annual reports received from the Member States, must present an annual report to the Economic and Financial Committee (EFC) on developments and results concerning authentication of euro coins and euro coins unfit for circulation according to Article 12(4) of the Regulation.

¹ OJ L339, 22.12.2010, p. 1.

² Council Regulation (EC) No 1338/2001 laying down measures for the protection of the euro against counterfeiting (OJ L181, 4.7.2001, p. 6).

³ Council Decision 2003/861/EC of 8 December 2003 concerning analysis and cooperation with regard to counterfeit euro coins (OJ L 325, 12.12.2003, p. 44).

⁴ Commission Decision 2005/37/EC 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, p. 73).

The Commission has presented three reports to the EFC covering the years 2012⁵, 2013⁶ and 2014⁷. This report is the fourth report that the Commission has presented to the EFC and it refers to the year 2015. Its main purpose is to monitor the correct implementation of the common authentication procedures, to assess whether the control mechanisms of the authentication procedures by the national authorities are effective and, finally, to furnish a statistical overview based on the reports received from Member States.

3. REPORTS OF MEMBER STATES ON THEIR ACTIVITIES AS REGARDS AUTHENTICATION OF EURO COINS

Member States are required to submit annually reports to the Commission on their activities as regards authentication of euro coins in line with Article 12(1) of the Regulation. The information provided should include the number of controls carried out, and of coin-processing machines checked, the test results, the volume of coins processed by those machines, the number of suspected counterfeit coins analysed and the number of euro coins unfit for circulation reimbursed. The deadline for transmission of the annual reports by Member States is set in the ETSC Guidelines as 15 February of the year following the reporting year.

4. ASSESSMENT OF THE REPORTS OF MEMBER STATES FOR THE YEAR 2014

4.1. Assessment criteria

The main reporting criteria concerning authentication of euro coins and euro coins unfit for circulation are set out in Article 12(1) of the Regulation. In order to coordinate the implementation of the authentication procedures, Article 7 of the Regulation authorises the ETSC to define guidelines, including practical implementation provisions, related to controls, checks and auditing by Member States, after having consulted the counterfeit coin experts' group (CCEG)⁸. On the basis of the ETSC Guidelines the Member States are required to report on the following indicators⁹:

1. Total number of coins processed in 2015 for the three highest denominations;
2. Total number of on-the-spot controls carried out;
3. Total number of coin-processing machines checked;
4. Total volume of coins processed by coin-processing machines checked;
5. Total number of suspect counterfeit coins analysed; and
6. Total number of unfit coins reimbursed.

⁵ COM(2014) 277 final.

⁶ C(2014) 6536 final.

⁷ C(2015) 6960 final.

⁸ Established by Commission Decision C(2015) 6968 final of 19.10.2015.

⁹ See Annex I.

4.2. Assessment of the Reports

All 19¹⁰ euro-area Member States were able to comply with the obligation to submit their annual report for the year 2015. A complete overview of all figures is provided in Annex II.

4.2.1. Total number of coins processed in 2015 for the three highest denominations

On the basis of Article 3 the institutions¹¹ implement the authentication obligation by using coin-processing machines included on the consolidated list prepared by the ETSC¹² designed to verify that euro coins are authentic and fit for circulation. A total of **17 289 466 446** coins were processed by coin-processing machines in 2015 for the three highest denominations (2 euro, 1 euro and 50 eurocent)¹³. That amount represents **95.38%** of the amount of coins issued in 2015¹⁴.

4.2.2. Total number of on-the-spot controls carried out

Member States are required to perform annual on-the-spot controls in institutions with a view to verifying, through detection tests, the proper functioning of a representative number of coin-processing machines used in accordance with Article 6 of the Regulation.

A total of **318**¹⁵ on-the-spot controls were carried out by Member States in 2015. The number of controls reported varied considerably between **1** and **72** controls per Member State. That variation may be explained by the size of the market and the way the market in a particular Member State is organised with respect to cash-processing. In some Member States the entire amount of coins is processed by a single cash-in-transit company and in others, for instance, by individual commercial banks. Two Member States (Italy and Luxembourg) reported that they had carried no out controls. Reminders were sent to the competent national authorities of both Member States¹⁶ to fully implement the on-the-spot controls.

4.2.3. Total number of coin-processing machines checked

A total of **471**¹⁷ coin-processing machines were checked and **78.34%**¹⁸ of them demonstrated conformity with specifications. For the machines deemed non-compliant, Article 6(7) of the Regulation provides for corrective measures to be carried out.

4.2.4. Total volume of coins processed by coin-processing machines checked

Member States, according to Article 6(3), shall check the coin-processing machines which have processed at least 25% of the total cumulated net volume of the three highest denominations of euro coins issued by that Member State between the introduction of euro coins and the end of 2014.

On the basis of the data extracted from the ECB database on the net issuance per Member State from the introduction of the euro until the end of 2014, the following Member States complied with the criteria of 25% referred to in Article 6(3): Belgium, Germany, Estonia,

¹⁰ Lithuania reported for the first time to the Commission since it adopted the euro on 1 January 2015.

¹¹ Institutions are defined in Article 2(d) of Regulation (EU) No 1210/2010 in conjunction with Article 6(1) of Council Regulation (EC) No 1338/2001.

¹² The list is published on the Commission's website according to Article 5(2) of Regulation (EU) No 1210/2010.

¹³ See Annex I.

¹⁴ Calculated on the basis of net issuance of 18 126 066 000 coins (Source: ECB Currency information system report of December 2015). It should be noted however that some coins may have been checked several times.

¹⁵ See Annex I.

¹⁶ Ares(2015)2405559 and Ares(2015)2405809 of 9 June 2015 for Italy and Luxembourg respectively.

¹⁷ See Annex I.

¹⁸ See Annex II.

Ireland, Greece, Spain, France, Cyprus, Latvia, Malta, the Netherlands, Portugal, Slovenia and Slovakia¹⁹ (see Annex III).

A total of **6 848 630 012** of the coins processed by coin-processing machines were checked by the designated national authorities²⁰. That amount represents **39.60%** of the volume of coins processed in 2015²¹.

4.2.5. *Total number of suspect counterfeit coins analysed*

The total number of suspect counterfeit coins analysed refers to all suspect coins sent to the Coin National Analysis Centres in individual Member States for analysis. 1 431 017 suspect counterfeit coins were analysed²². A total of **146 889** counterfeit coins in circulation were detected²³.

4.2.6. *Total number of unfit coins reimbursed*

Member States shall²⁴ reimburse or replace euro coins that have become unfit due to long circulation or accident or that have been rejected during the authentication procedure for any other reason. Member States may refuse reimbursement of euro coins unfit for circulation which have been altered either deliberately or by a process that could be reasonably expected to have the effect of altering them, notwithstanding reimbursement of coins collected for charitable purposes, such as "fountain coins". **7 834 881** unfit coins were reimbursed²⁵.

5. CONCLUSIONS

The current report for the year 2015 shows the following tendencies in comparison with the Commission's report to the EFC for the year 2014.

- An increasing number of coins is being authenticated (in 2015 over 17 billion coins were authenticated²⁶);
- The number of coins processed for the three highest denominations increased in 2015 by 34.08%²⁷;
- The number of analysed suspect counterfeits has increased whereas the number of reimbursed unfit coins has decreased²⁸;
- The number of controls carried out by the Member States increased as well as the number of coin-processing machines checked²⁹;
- The number of machines deemed to be compliant (successfully passing the detection test laid down in Article 4(1)) has remained the same³⁰;
- In comparison with 2014 more Member States comply with the obligation to check the coin-processing machines which have processed at least 25% of the total cumulated

¹⁹ Austria, Italy and Luxembourg did not comply.

²⁰ See Annex I.

²¹ Based on the figure under point 4.2.1.

²² See Annex I.

²³ Source: ETSC annual report "The protection of the euro coins in 2015" (available on DG ECFIN website).

²⁴ Article 8(2) of Regulation (EU) No 1210/2010.

²⁵ See Annex I.

²⁶ See Annex IV – Chart 1.

²⁷ Variations on the yearly basis can be observed which could be explained because the Member States apply the rotation principle when deciding which coin processing machines should be checked in conformity with Article 6(3).

²⁸ See Annex IV – Chart 3.

²⁹ See Annex IV – Chart 2.

³⁰ See Annex IV – Chart 2.

net volume of the three highest denominations of the issued euro coins from the introduction of the euro, as laid down in Article 6(3);

- 17 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 Council Regulation (EC) No 1338/2001;
- Italy and Luxemburg reported that they had carried out no controls. The Commission sent reminders to both Member States inviting them to take the necessary steps in order to comply with that obligation. The Commission will take the necessary measures under the Treaty, in case of a continued non-compliance.

It can be concluded that the authentication procedure in the institutions continues to work in the majority of euro area Member States. The objectives of the Regulation to achieve an effective and uniform authentication of euro coins throughout the euro area are progressively achieved.

Based on the experience of the Commission's reports for 2012, 2013 and 2014, the process of implementation of the Regulation has been visibly improved at the level of both the credit institutions and the Member States. The timeliness and the accuracy of the Member States' reports have been improved but some progress can still be made.

As indicated in the Commission report on 2014³¹, there is a need to facilitate the implementation of the Regulation rather than to modify it. The Commission, therefore, is in the process of updating the ETSC Guidelines to facilitate the implementation of the Regulation. For that purpose, a CCEG sub-group with Member States' representatives was set up to bring together experts, who will provide outputs to update the ETSC Guidelines.

³¹ C(2015) 6960 final.