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

In order to improve the protection of the euro against counterfeiting Council Regulation (EC) No 1338/2001[2] 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 this 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 stipulates 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.

[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, 04.07.2001, p. 6.

The European Technical and Scientific Centre (ETSC), established by Council Decision 2003/861/EC[3] and Commission Decision (EU) 2017/1507[4], 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, shall 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.

The Commission has presented six reports to the EFC covering the years 2012[5], 2013[6], 2014[7], 2015[8], 2016[9], 2017[10]. This report is the seventh report that the Commission is presenting to the EFC and it refers to the year 2018. 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 the 15th of February of the year following the reporting year.

[3] Council Decision of 8 December 2003 concerning analysis and cooperation with regard to counterfeit euro coins (2003/861/EC) OJ L 325, 12.12.2003, p. 44.
[4] Commission Decision (EU) 2017/1507 of 28 august 2017 amending Decision 2005/37/EC establishing the European Technical and Scientific Centre (ETSC) and providing for coordination of technical actions to protect euro coins against counterfeiting. OJ L 222, 29.8.2017, p. 25.
[5] COM(2014) 277 final.
[6] C(2014) 6536 final.
[7] C(2015) 6960 final.
[8] C(2016) 6465 final.
[9] C(2017) 6734 final.
[10] C(2019) 218 final.

4. ASSESSMENT OF THE REPORTS OF MEMBER STATES FOR THE YEAR 2018

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)[11]. On the basis of the ETSC Guidelines the Member States are required to report on the following indicators[12]:

1. Total number of coins processed in 2018 for the three highest denomination;
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.

4.2. Assessment of the Reports

All 19 euro-area Member States were able to comply with the obligation to submit their annual report for the year 2018. A complete overview of all figures is provided in Annex II.

4.2.1. Total number of coins processed in 2018 for the three highest denominations

On the basis of Article 3 the institutions[13] implement the authentication obligation by using coin-processing machines included on the list of ETSC designed to verify that euro coins are authentic and fit for circulation. The total number of coins processed by coin-processing machines in 2018 for the three highest denominations (2 euro, 1 euro and 50 eurocent) amounts to **17 463 200 937**[14]. This amount represents **87.23%** of the amount of coins issued in 2018[15].

[11] Established by Commission Decision C(2015) 6968 final of 19.10.2015.
[12] See Annex I.
[13] Institutions are defined in Article 2(d) of Regulation (EU) No 1210/2010 in conjunction with Article 6(1) of the Council Regulation (EC) No 1338/2001.
[14] See Annex I.
[15] Calculated on the basis of net issuance of 20 019 121 000 coins (Source: ECB Currency information system report of December 2018). It should be noted however that some coins might have been checked several times.

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 **567**[16] on-the-spot controls were carried out by Member States in 2018. The number of controls reported varied considerably between **1** and **338** controls per Member State. This 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. One Member State (Luxembourg) did not report that it had carried out any controls.

4.2.3. Total number of coin-processing machines checked

A total of **808**[17] coin-processing machines has been checked and **83.41%**[18] of them demonstrated the capability to detect the known types of counterfeit euro coins, euro coins unfit for circulation and all other coin-like objects that do not comply with the specifications of genuine euro coins. There was a slight increase of the number of machines, which demonstrated a non-conformity in comparison to the previous year[19]. For the machines deemed non-compliant, Article 6(7) of the Regulation provides for corrective measures to be carried out[20].

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

Member States have the obligation according to Article 6(3) to 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 2017.

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 2017, the following Member States complied with the criteria of 25% referred to in Article 6(3): Belgium, Germany, Estonia, Ireland, Italy, Greece, Spain, France, Cyprus, Latvia, Lithuania, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland (see Annex III).

[16] See Annex I.
[17] See Annex I.
[18] See Annex II.
[19] See Annex IV.
[20] The ETSC Guidelines provide instructions for the Member States on how to deal with these cases.

The total volume of coins processed by coin-processing machines, which were checked by the designated national authorities, amounts to **10 590 699 896**[21]. This represents **60.64%** of the volume of coins processed in 2018[22].

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 (CNACs) in individual Member States for analysis. The total number of suspect counterfeit coins analysed amounts to **1 001 306**[23] coins. The total number of counterfeit coins detected in circulation amounts to **188 983** coins[24].

4.2.6. Total number of unfit coins reimbursed

Member States are required to 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"[25].

The total number of unfit coins reimbursed amounts to **16 069 020**[26] coins.

5. CONCLUSIONS

The current report for the year 2018 shows the following tendencies in comparison with the Commission's report to the EFC for the year 2017.

- The number of coins which are being authenticated is stable, in 2018 over 17 billion coins were authenticated[27];
- An increase of the number of the suspect counterfeits, which have been analysed following the authentication procedure;
- An increase of the number of unfit coins reimbursed[28];
- The numbers of controls carried out is almost stable compared to the previous year whereas the number of coin-processing machines checked slightly increased[29];

[21] See Annex I.
[22] Based on the figure under point 4.2.1.
[23] See Annex I.
[24] Source: ETSC.
[25] See Article 8 of the Regulation.
[26] See Annex I.
[27] See Annex IV – Chart 1.
[28] See Annex IV – Chart 3.
[29] See Annex IV – Chart 2.

- The number of machines properly functioning has slightly decreased in comparison with 2017[30];
- 18 out of 19 Member States of the euro area carry out controls of the correct implementation of the authentication obligation by the institutions referred to in Article 6 of the Council Regulation (EC) No 1338/2001;
- Luxembourg still does not carry out controls, but the necessary legislation to comply with the obligation to carry out these controls is expected to be adopted in 2019.

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 the years of 2012, 2013, 2014, 2015 2016 and 2017 the process of implementation of the Regulation visibly improves 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. The Commission has continued in 2018, together with the Member States, to facilitate the implementation of the Regulation including also in this process representatives of the coin-processing machines manufacturers[31].

The Commission is currently in the process of updating the ETSC guidelines, in line with Article 7 of the Regulation. The ETSC guidelines will facilitate the implementation of the Regulation by providing enhanced guidance to the Member States also in relation to the handling of coins unfit for circulation.

[30] See Annex IV – Chart 2.
[31] '2nd meeting of the Platform 1210' was organised in Rome, 14-17 May 2019, under the Pericles 2020 programme.