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REPORT FROM THE COMMISSION

TO THE ECONOMIC AND FINANCIAL COMMITTEE

under Article 12 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 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 (hereafter "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 (hereafter "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 mechanism 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. 5.
[2] OJ L 181, 4.7.2001, p. 6.

In accordance with Article 7 of the Regulation, the European Technical and Scientific Centre (ETSC), established by Commission Decision 2005/37/EC[3], defined the Guidelines on implementation of Regulation (EU) No 1210/2010 (hereafter the "ETSC Guidelines").

2. PURPOSE OF THE REPORT

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

This is the first time the Commission has prepared such an annual report. The Regulation has been applicable since 1 January 2012, as far as the authentication procedure is concerned. The report covers the year 2012 and the main purpose of it is to assess whether the common authentication procedures have been properly implemented, whether the control mechanisms of the authentication procedures by the national authorities are effective and, finally, furnish an overall statistical overview based on the reports received from Member States.

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

In accordance with Article 12(1) Member States shall submit annually reports to the Commission on their activities as regards authentication of euro coins. The information provided shall 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, as well as details of any derogations provided for in the Regulation.

The deadline for transmission of the annual reports by Member States is set out in the ETSC Guidelines for the 15th of February of the year following the one on which is reported.[4]

[3] Commission Decision of 29 October 2004 establishing the European Technical and Scientific Centre (ETSC) and providing for coordination of technical actions to protect euro coins against counterfeiting. OJ L 19 21.1.2005, p. 73.

[4] Only 7 euro area Member States submitted their reports within the deadline of 15.02.2013.

4. ASSESSMENT OF THE REPORTS OF MEMBER STATES FOR THE YEAR 2012

4.1. Assessment criteria

The main criteria concerning authentication of euro coins and euro coins unfit for circulation to be reported are set out in Article 12 of the Regulation. In order to coordinate the implementation of the authentication procedures, Article 7 of the Regulation designated the European Technical and Scientific Centre (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). On the basis of the ETSC Guidelines the Member States had to report on the following indicators[5]:

1. Total number of coins processed in 2012 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;
6. Total number of unfit coins reimbursed.

4.2. Assessment of the Reports

16 euro area Member States were able to comply with the obligation to submit their "Annual Report", namely: Belgium, Germany, Estonia, Greece, Spain, France, Ireland, Italy, Cyprus, Luxembourg, Malta, Netherlands, Austria, Portugal, Slovenia and Slovakia.

Among the Member States that have been reminded to send their reports only Finland has not yet complied.

Where this report refers to total numbers it should be noted that they reflect only the situation in Member States of the euro area that have thus far provided data.

A complete overview of all figures is provided in Annex II.

[5] See Annex I.

4.2.1. Total number of coins processed in 2012 for the three highest denomination

On the basis of Article 3 the institutions[6] implement the authentication obligation by use of 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 2012 for the three highest denominations (2 euro, 1 euro and 50 eurocent) amounts to **9 845 834 296**.[7] This amount represents **58,82%** of the amount of coins in circulation.[8]

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

According to Article 6 of the Regulation Member States shall 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.

A total of **220**[9] on-the-spot controls were carried out by Member States in 2012. The number of controls reported varied considerably between **1** and **76** controls per Member State. This could 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. Four Member States (Greece, Italy, Luxembourg and Malta) have reported no controls. They will be invited to improve their reporting or to introduce the control mechanisms if not yet done so.

4.2.3. Total number of coin-processing machines checked

A total of **315**[10] coin-processing machines has been checked and **70,15 %**[11] of them demonstrated conformity with specifications. For the machines deemed non-compliant, corrective measures referred to in Article 6(7) of the Regulation should have been carried out.

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

Unless a notification for a derogation was received by the Commission as stipulated in Article 6(5) of the Regulation the 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

[6] Article 2(d) of Regulation 1210/2010 in conjunction with Article 6(1) of Regulation 1338/2001.
[7] See Annex I.
[8] Calculated on the basis of net issuance of 16 737 875 000 coins (Source: ECB Currency information system report of December 2012). It should be noted however that some coins might have been checked several times.
[9] See Annex I.
[10] See Annex I.
[11] See Annex II.

cumulated net volume of the three highest denominations of euro coins issued by that Member State from the introduction of euro coins until the end of 2011.

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 2011 the following Member States complied with the criteria of 25% referred to in Article 6(3): Belgium, Estonia, Spain, France, Ireland, The Netherlands, Portugal and Slovenia[12] (see Annex III).

Germany and Slovakia applied the derogation referred to in Article 6(5) and complied with the lower threshold of 10%.[13]

The total volume of coins processed by coin-processing machines which were checked by the designated national authorities amounts to **6 117 955 983**.[14] This represents **62,13%** of the volume of coins processed in 2012.[15]

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 **567 054**[16] coins. The total number of counterfeit coins detected in circulation amounts to **180 139** coins[17].

4.2.6. Total number of unfit coins reimbursed

Member States shall 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".

The total number of unfit coins reimbursed amounts to **14 002 311**[18] coins.

[12] Italy, Luxembourg, Cyprus, Malta and Austria did not comply.
[13] Greece asked for a derogation but did not comply with the lower threshold since it did not report any controls.
[14] See Annex I.
[15] Based on the figure under point 4.2.1.
[16] See Annex I.
[17] Source: ETSC annual report "The protection of the euro coins in 2012".
[18] See Annex I.

5. CONCLUSIONS

The present report is the first report under Article 12(4) of the Regulation. Since the Regulation has been applicable from 1 January 2012, with the exception of Chapter III, the calendar year 2012 was the first year of implementation of the Regulation.

Since not all the reports have been received[19], the Commission will take the necessary steps to remind the Member States of the Euro-zone area of the obligation to timely comply with the requirements under Regulation 1210/2010.

Based on the information reported it can be concluded that the authentication procedure in the "institutions" seems to be in place in the majority of euro area Member States and that 12 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 1338/2001.

However, a further fine-tuning of the reporting obligation by Member States is necessary to allow the Commission to draw up a comprehensive picture of the authentication procedures put in place in Member States. The reports from Member States do not reach the desired level of completeness and homogeneity necessary for a detailed assessment by the Commission. Further harmonisation and improvement of the reporting will be discussed in the framework of the existing experts group (Counterfeit Coins Experts Group) and will be detailed in the ETSC Guidelines in view of future reports.

[19] As indicated in section 4.2, 16 Member States were able to comply with the obligation to submit a report and only Finland was not able to comply.