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**COMMISSION STAFF WORKING PAPER**

**IMPACT ASSESSMENT**

*Accompanying the document*

**Proposal for a  
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL  
establishing an exchange, assistance and training programme for the protection of the  
euro against counterfeiting (the 'Pericles 2020' programme)**

{COM(2011) 913 final}  
{SEC(2011) 1614 final}

## 1. INTRODUCTION (LEGAL BASIS AND MANAGEMENT)

### 1.1. The Pericles programme

The Pericles Programme is an exchange, assistance and training programme for the protection of the euro against counterfeiting. The programme was established by Council Decision 2001/923/EC of 17 December 2001 and its effects were extended to all EU Member States, also including the ones which have not adopted the euro as the single currency, by Council Decision 2001/924/EC of 17 December 2001. Subsequent amendments to these basic acts by Council Decisions 2006/75/EC, 2006/76/EC, 2006/849/EC and 2006/850/EC have prolonged the duration of the programme until 13 December 2013.

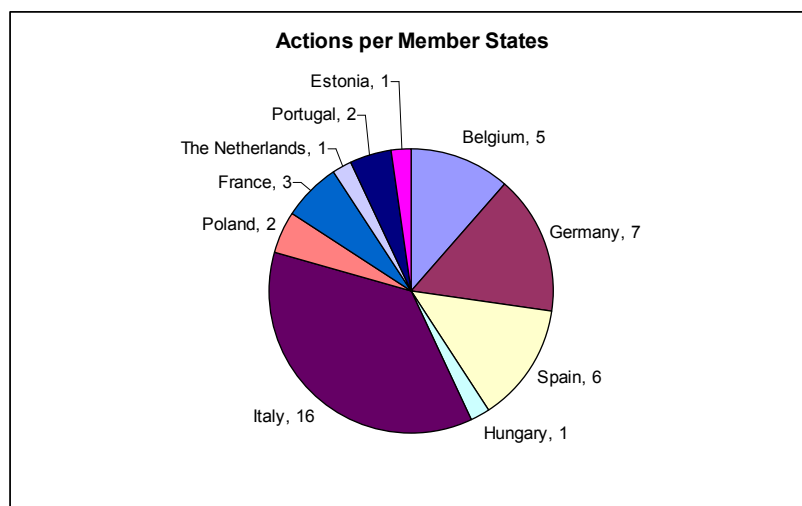
#### 1.1. Management of the programme

OLAF is the leading service for the programme. Continuous contacts with TAIEX/HOME and CEPOL are necessary in order to assure coherence with possible actions potentially linked to the area of the protection of the euro. In particular, it could happen that events funded by CEPOL and TAIEX include, among others, the protection of the euro issue. In such a case, specific coordination takes place and OLAF provides its support<sup>1</sup>. The same happens if HOME or TAXUD are involved. Pericles being the specific EC training tool for the protection of the euro, its actions are 100% focused on this matter and their target are staff working in this particular field.

#### 1.2. Implementation of the programme (2006-2010)

From 2006 until 2010, 44<sup>2</sup> actions were committed: 38 of these actions were implemented in the period 2006-2010 and the remaining 6 are scheduled to be implemented in 2011.

The organisers of these actions, co-funded under the Pericles Programme, have consisted of 16 National Competent Authorities from 10 Member States.

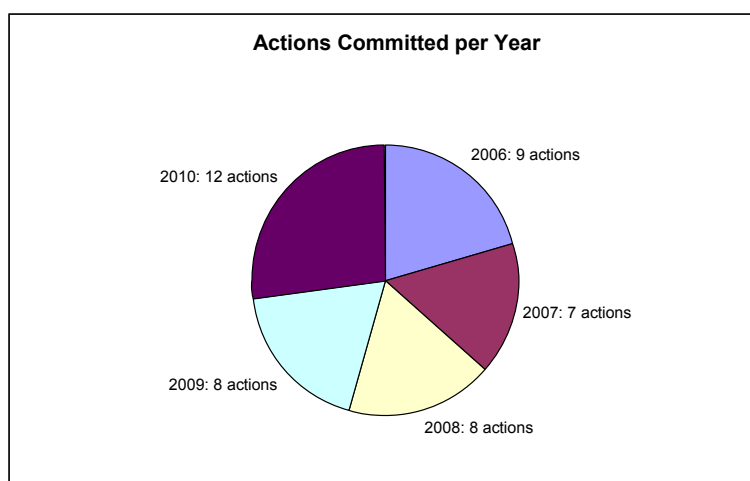


Italy implemented the highest number of actions: 36% of the total actions.

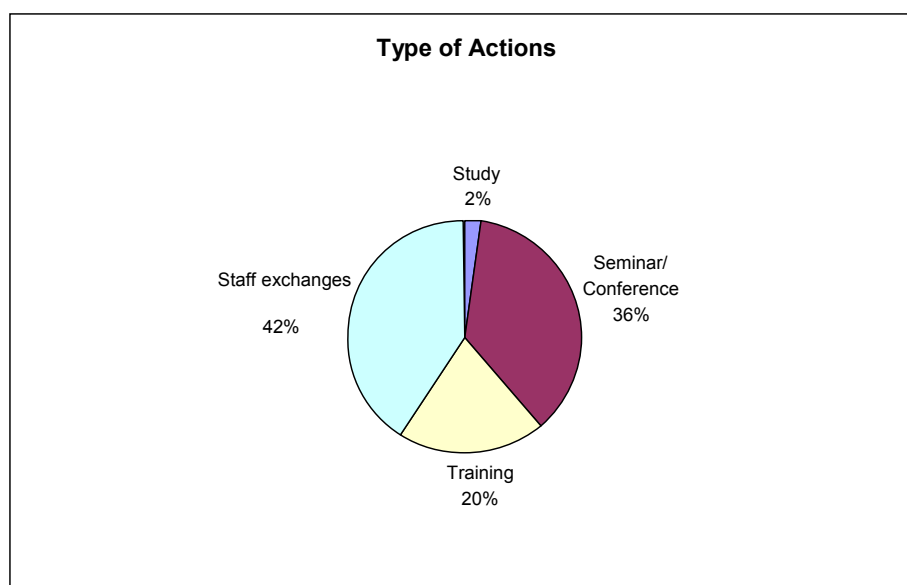
<sup>1</sup> E.g.: shaping of the agenda and select speakers.

<sup>2</sup> During the same period of time, The Commission/ OLAF organised 25 Pericles actions on its initiative. These actions are not included in this document.

The following chart shows a breakdown of the number of actions committed per year.



The following chart depicts the types of actions carried out, the most popular being staff exchanges and Seminar/Conferences (together almost 80% of the actions)



### 1.3. Value added of the programme

While the most recent biannual figures for the number of counterfeit euro banknotes seized in 2010 show reductions of 13% and 6% respectively (compared to the previous six months), the long-term trend shows an overall increase of 31% in the last two years (compared to 2007-8). The number of counterfeit euro coins removed from circulation in 2010 increased by 8% compared to the year before and its trend has been increasing from 2002<sup>3</sup>.

The euro continues to appear an interesting target for organised crime groups active in the forgery of money, not only in Europe but also in other regions of the world. The international dimension of the threat with respect to euro counterfeiting results in the need for a

<sup>3</sup> See details in par. 3.2.

supranational coordination in facing it. Through the Pericles programme, OLAF implements such a coordination in the specific field of training activities. In particular, by implementing a specific training strategy<sup>4</sup> agreed with Member States, the programme complements the national training by adding a multidisciplinary and international dimension, provides the beneficiaries with the ability to carry on international trainings and increase the level of protection of the euro and the quality of cooperation outside the European Union by directly involving the most sensitive third countries in specific training actions (see below "regional cooperation").

## **2. CONSULTATION OF INTERESTED PARTIES**

The Pericles programme includes a multi-disciplinary set of actions involving stakeholders who are all important in the fight against euro counterfeiting but whose contribution takes different forms – technical, legal, financial and law-enforcement.

The Commission has collected the opinions of the stakeholders of the Pericles programme through (i) a mid-term evaluation conducted among the programme beneficiaries in early 2011; (ii) the evaluation forms that Pericles action participants fill in following each of the events; and (iii) the views expressed by the experts in the Euro Counterfeiting Experts' Group (ECEG)<sup>5</sup>, where implementation of the Pericles programme is one of the standard discussion items.

### **Mid-term evaluation<sup>6</sup>**

By initiative of the programme manager, a mid-term evaluation was conducted among the programme beneficiaries. This mid-term evaluation supplements the continuous feedback received from Member States (included in the reports of the Euro Counterfeiting Experts Group, Euro Counterfeiting Experts Group<sup>7</sup>, meetings). Participants views are obtained by means of the evaluation forms filled in after each event.

The result of the mid-term evaluation shows broad satisfaction with the Programme. Participants, at a percentage of 98%, were satisfied with the programme, whereas all the beneficiaries (100%) expressed their satisfaction and asked for prolongation of the programme beyond 2013.

Based on beneficiaries' opinion and on the experts views:

- Pericles increases the number of people trained at national level and the quality of trainings by adding an international and multidisciplinary dimension;
- Pericles trainings are complementary and additional to the national trainings;

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<sup>4</sup> See annex.

<sup>5</sup> The Commission/OLAF's Euro Counterfeiting Experts Group meets three times a year and brings together experts from all MS and relevant disciplines, as well as Europol, Interpol and the European Central Bank. The implementation of the Pericles programme is one of the standard items at the meetings of the Group.

<sup>6</sup> Report is in annex.

<sup>7</sup> The ECEG is chaired by Commission/OLAF and meets three times per year in Brussels; it is a multidisciplinary group including experts from Member States (police, judicial and financial staff), European Commission, Europol, Interpol and European Central Bank.

- Pericles trainings have a direct link with operational results (training of staff directly involved in the protection of the euro, such as police, judicial and financial staff<sup>8</sup>);
- Pericles is the instrument for providing the beneficiaries with the ability to carry on their own trainings.

In addition, all beneficiaries participating on a regular basis in Euro Counterfeiting Experts' Group (ECEG)<sup>9</sup> meetings considered that their level of involvement was significant or very significant both at the multilateral and the bilateral level. The importance of the coordination by OLAF and the positive contribution of the Programme in increasing the protection of the euro were highlighted.

The beneficiaries showed high appreciation for the Programme and its management by OLAF. The support to the protection of the euro is a continuous process that cannot be interrupted without prejudice to the entire system.

Pericles is instrumental in providing the beneficiaries with the ability to carry on the proper trainings and has become a natural complement to the national training plans of Member States.

Some beneficiaries made specific suggestions for the continuation and management of the programme, here below a short list of them<sup>10</sup>;

- Simplification: greater flexibility/ discretion in using the granted amount

The beneficiaries refer to the fact that the Pericles Decision provides for a rigid split between costs to be covered by Commission and costs to be covered by the Member States. This split complicates the preparation of the budget when the actions are not implemented on the beneficiaries' premises<sup>11</sup>.

This request has been taken under serious consideration in the Commission proposal for the renewal of the programme.

- Evaluation Committee:

- To limit the evaluation to cost/effectiveness criteria
- Need for more meetings of the Committee
- More flexibility to increase the amount of the advanced payments

With respect to these comments, we notice that:

- The criteria of evaluation are listed in the Financial Decision and in the Call for Proposals;
- The number of the evaluation sessions is strictly linked to the deadlines for submission of the applications; this number (3) cannot be further increased;
- In the second half of 2010, OLAF increased transparency and flexibility in providing "increased" advanced payments when needed (the list of cases is within the Call for Proposals)

<sup>8</sup> E.g.: investigations against euro counterfeiting started in Colombia after the first Pericles training hold in Bogota in 2002. Pericles-trained Colombian staff carried out the highest number of successful euro-anticounterfeiting operations during the last 9 years outside EU.

<sup>9</sup> OLAF's Euro Counterfeiting Experts Group brings together experts from all MS and relevant disciplines, as well as Europol, Interpol and the European Central Bank.

<sup>10</sup> The entire document is in attachment.

<sup>11</sup> This is the case of the large majority of the actions.

- Need for clarification regarding the type of documents and final procedures in order to avoid long delays in closing the actions

Based on this, a specific Pericles Workshop took place in Brussels in June 2011.

- Continuous monitoring and coordination to avoid possible overlapping with other actions of European institutions occurs in the field of protecting the euro.

This refers to the importance of coordination among European institutions in training: this is one of the main tasks for the Euro Counterfeiting Experts Group. In the past some overlapping took place due to the fact that Europol did not inform about its plans in advance; in consideration of this, OLAF already asked Europol to discuss all training activities in advance at the ECEG meetings.

- Need for more specialised training on the different types of the printing machines used by counterfeiters (under discussion at the meetings of the Euro Counterfeiting Experts Group).

The totality of beneficiaries (100%) requested a prolongation of Pericles beyond 2013.

All the above mentioned feedback has been taken into account in this impact assessment.

### **3. PROBLEM DEFINITION AND INTERVENTION LOGIC**

#### **Size of the problem**

The status of euro counterfeiting can be described as follows: according to Europol Organised Crime Threat Assessment<sup>12</sup>, the euro continues to be a target for organised crime groups active in the forgery of money, not only in Europe but also in other regions of the world such as South America and Eastern Asia, which plays an increasing role in the supply of raw material and equipment. While the most recent biannual figures for the number of counterfeit euro banknotes seized in 2010 show a declining course through the year, an overall increase of 31% in the last two years (compared to 2007-8) was recorded.

According to the European Central Bank, more than 97% of counterfeits removed from circulation in the second half of 2010 were found in euro area countries where there is a greater possibility for their local distribution; just 1.5% was seized in EU MS outside the euro area, and another 1.5% in other parts of the world.

Organised crime groups involved in euro counterfeiting are characterised by their rigid organisation, with a strict distribution of tasks to cells operating independently in order to minimise risk. Organisers fund the activities but do not take part in the production process; printers have very high levels of technical skills (offset printing or digital printing); high level distributors purchase the counterfeits at low prices, while low level distributors are usually unskilled young people who operate in small but flexible temporary networks.

Italy, Bulgaria and Colombia are among the foremost countries for counterfeit currency production sites. The production of counterfeits is not limited to illegal laboratories: perhaps as a consequence of the global economic crisis, owners and employees of legitimate printing firms have become increasingly involved in this illicit activity.

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<sup>12</sup> Source: OCTA 2011 <https://www.Europol.Europa.eu/content/publication/octa-2011-eu-organised-crime-threat-assessment-655> .

There is also a dynamic relationship between criminal groups. Counterfeit euro produced in Italy are circulated by a wide range of groups active all over Europe, but particularly in Italy, France and Spain. Itinerant communities have also been identified among the main distributors. Criminal Groups in South Eastern Europe are also prominent in the production of counterfeit euro. Bulgarian producers cooperate mainly with Bulgarian, Lithuanian, Turkish, Romanian and Albanian criminal groups to circulate counterfeit banknotes. Meanwhile distributors of counterfeit euro use the same channels for other illicit commodities, as in the case of Estonian and Lithuanian organised crime groups also engaged in the trafficking of drugs. These groups are also involved in outsourcing counterfeit euro distribution to local street-level drug dealers, which may emerge as an effective long-term modus operandi for other groups as well. Moroccan groups involved in trafficking cannabis resin towards Spain and France also cooperate with Italian suppliers of counterfeit euro. (Extract from Europol EU Organised Crime Threat Assessment 2011).

### **Consequences of the problem**

The above scenario, together with the appearance of new types of counterfeits also in 2011 and the continuous seizures of counterfeits by police, shows that the level of threat for the euro continues to be high.

The description of criminal groups made by Europol<sup>13</sup> provide a precise qualitative evaluation of the threat as well; in particular describing the organised crime groups involved in euro counterfeiting as "characterized by their rigid organisation, with a strict distribution of tasks to cells operating independently in order to minimize risk". In particular, the "organisers fund the activities but do not take part in the production process; printers have very high levels of technical skills (offset printing or digital printing); high level distributors purchase the counterfeits at low prices, while low level distributors are usually unskilled young people who operate in small but flexible temporary networks."

As a result of the coherent measures taken at EU and Member States level, the number of counterfeit euro banknotes and coins is small and remains under control. In addition, there is a continuous discovery of illegal print shops and mints and a large number of counterfeits (both coins and banknotes) were seized before entering into circulation.

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<sup>13</sup> Source: OCTA 2011.

Status of counterfeit euro banknotes (in pieces)

	<b>Total Counterfeits</b>	<b>Total genuine circulating</b>
<b>2010</b>	751 000	13.6 billion
<b>2009</b>	860 000	12.8 billion
<b>2008</b>	666 000	11.5 billion
<b>2007</b>	561 000	11.4 billion
<b>2006</b>	565 000	10.6 billion
<b>2005</b>	579 000	10.4 billion
<b>2004</b>	594 000	9 billion
<b>2003</b>	551,287	8.7 billion
<b>2002</b>	167 118	8.2 billion

According to the European Central Bank, during the first half of 2011 "the €20 and €50 denominations continue to be the most counterfeited. During the past six months, the share of counterfeit €20 banknotes increased and the share of €50 banknotes decreased. The two most counterfeited denominations together accounted for 79.0% of the total during the first half of 2011. The €100 banknote is the third most counterfeited denomination, accounting for 16.0% of the total. The share of the other denominations (€5, €10, €200 and €500) is very low.

The table below provides a percentage breakdown, by denomination, of the total number of counterfeits withdrawn from circulation in the first half of 2011.

Denomination	€5	€10	€20	€50	€100	€200	€500
Percentage breakdown	0.5%	1.5%	43.0%	36.0%	16.0%	2.5%	0.5%

The majority (98%) of counterfeits recovered in the first half of 2011 were found in euro area countries, with only around 1.5% being found in EU Member States outside the euro area and 0.5% being found in other parts of the world. <sup>14</sup>

The continuous discovery of new dangerous types of counterfeit euro banknotes is a strong indicator of the high interest that criminality has in counterfeiting.

<sup>14</sup> Source : ECB: <http://www.ecb.int/press/pr/date/2011/html/pr110117.en.html> .



### **Status of euro coins (in pieces)**

	<b>50-cent</b>	<b>1-euro</b>	<b>2-euro</b>	<b>Total Counterfeits</b>	<b>Total genuine in circulation (3 denom.)</b>
<b>2010</b>	24 900	30 800	130 300	186 000	16.1 billion
<b>2009</b>	18 100	26 500	127 500	172 100	15.4 billion
<b>2008</b>	16 600	24 500	154 800	195 900	14.8 billion
<b>2007</b>	13 000	16 200	181 900	211 100	14.1 billion
<b>2006</b>	8 286	14 099	141 437	163 822	13.2 billion
<b>2005</b>	3 989	12 771	83 731	100 491	12.4 billion
<b>2004</b>	950	8 482	65 046	74 478	11.5 billion
<b>2003</b>	556	6 561	25 642	32 759	10.7 billion
<b>2002</b>	29	1 105	1 035	2 169	9.7 billion

The number of counterfeit euro coins removed from circulation in 2010 increased by 8% compared to the year before and its trend has been increasing from 2002. Over the last four years the total number of counterfeit euro coins removed from circulation has been at the same level. In 2010 about 186 000 counterfeit coins were detected. Since the introduction of the euro 16 illegal mint shops have been dismantled.

Nevertheless the number of new classes of counterfeits remains significant and so is the number of still operating illegal mints. This shows that the criminal potential remains and that continuous vigilance and cooperation is necessary to guarantee the confidence in using euro coins. The impact of future action will have to be directed towards the increased vigilance by law enforcement bodies, including non EU countries, the cooperation with mints and private industry players in order to ensure the identification of counterfeits and the implementation by the competent authorities in Member States of the authentication procedure, which become mandatory at the beginning of 2012.

The 2-euro denomination remains by far the most counterfeited euro coin, representing almost 3 out of every 4 counterfeit euro coins.

Council Regulation (EC) No 1338/2001 as amended by Regulation 44/2009 lays down measures necessary for the protection of euro against counterfeiting. Art. 6 of that Regulation requires credit institutions and any other related institutions to authenticate euro coins and banknotes before re-circulating them. For harmonizing authentication procedures related to euro coins the European Parliament and the Council adopted Regulation 1210/2010 which sets the rules for the financial institutions for implementing art.6 of Regulation 1338/2001.

Council Regulation (EC) No 2182/2004 as amended by Regulation 46/2009 concerning medals and tokens similar to euro coins aims to avoid confusion between euro coins and medals/tokens similar to euro coins. The regulation is designed to protect the public from the risk of confusion or fraud caused by metallic objects, such as medals and tokens, with similarities to euro coins.

The Regulation contributes to better differentiating between euro coins and medals or tokens.

The above indicates that the protection of the euro is successful. It also demonstrates that criminality is still a potential threat that needs to be checked so as to remain at the present levels. Pericles plays an important role in this and is indispensable for maintaining this performance.

### **Continuous support**

Protection of the euro against counterfeiting is a continuous process based on close cooperation between European Institutions and Member States. In order to be effective, the support must be continuously adapted to the priorities identified by threat analysis made at national and European level. Priorities and strategies of implementation are regularly discussed at the meetings of the euro Counterfeiting Experts Group. The ECEG assures the effective coordination and complementary implementation of Pericles actions.

The programme meets the need for continuing vigilance, training and technical assistance necessary to sustain the protection of the euro against counterfeiting, by providing a stable framework for the planning of Member States programmes. This approach has yielded substantial results in terms of number of people trained, quality of training, complementarity, and operational results for the protection of the euro.

### **Drivers**

A number of key drivers have been identified which have a negative effect on the joint efforts of the Commission and the Member States to work together to protect the euro against counterfeiting.

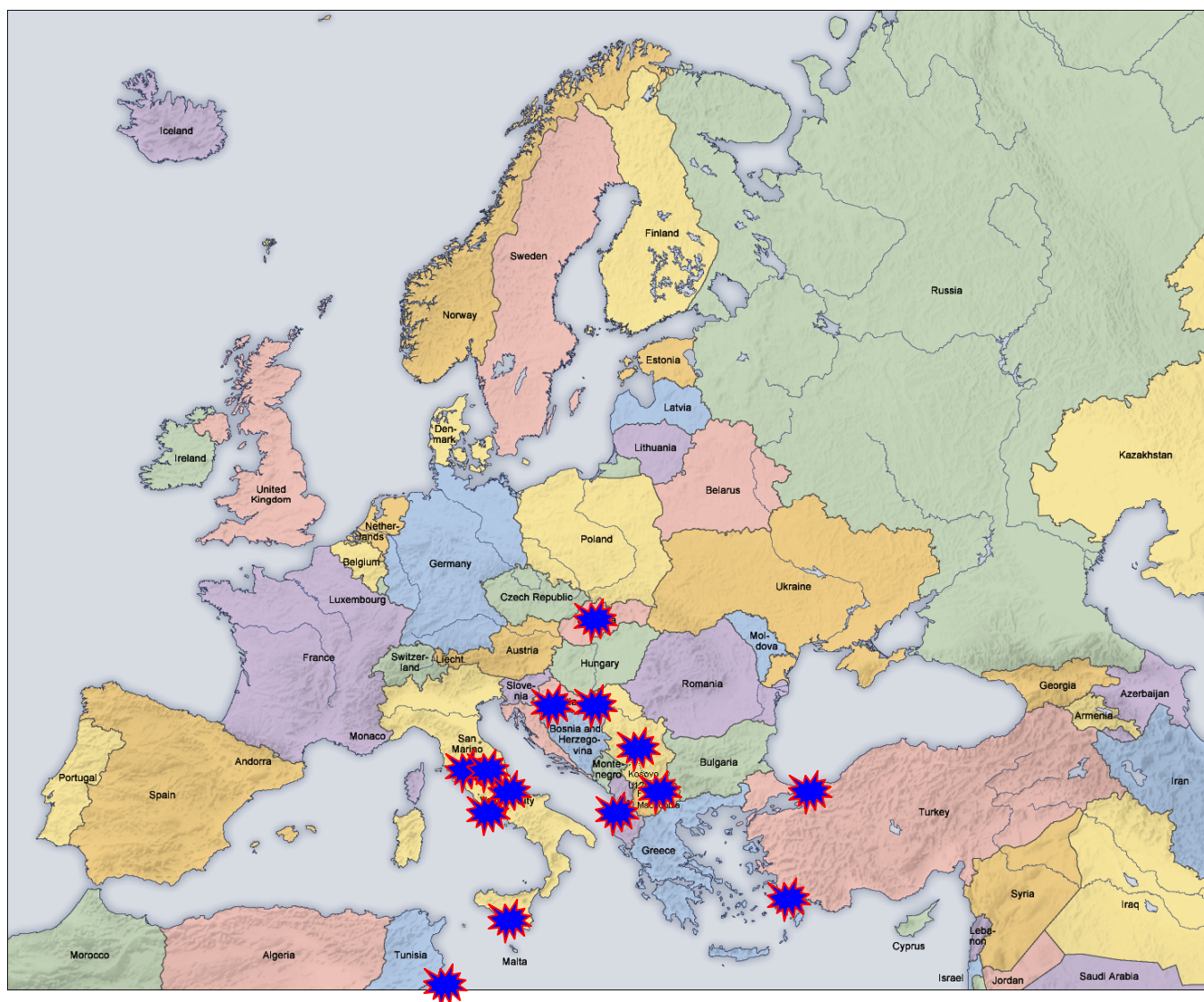
In particular:

- the euro continues to be a target for organised crime groups active in the forgery of money, not only in Europe but also in other regions of the world such as South America and Eastern Asia (driver 1);
- differences in incentives and capacities between countries impede equivalence in the protection of euro against counterfeiting (driver 2).

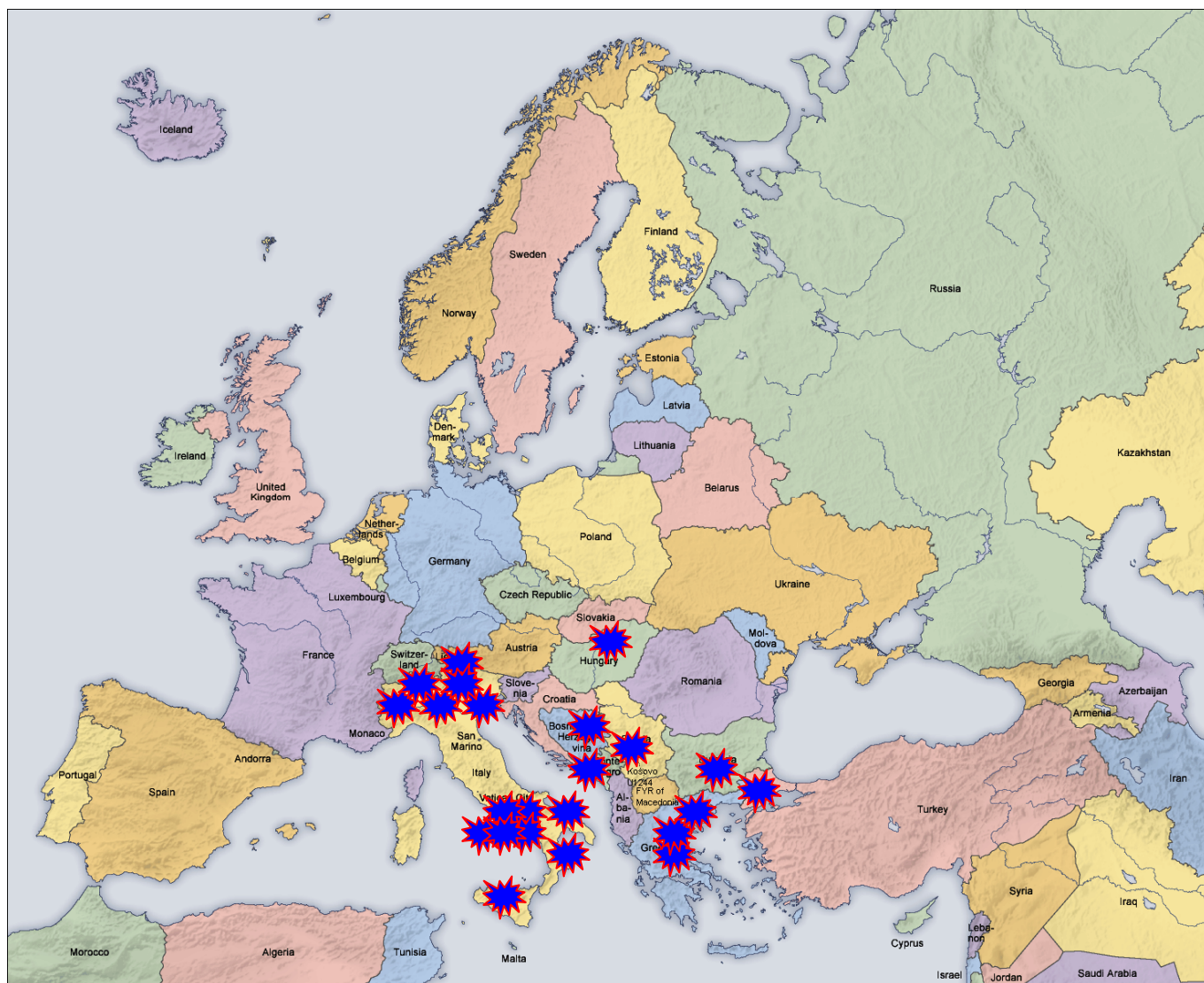
**Driver 1: the euro continues to be a target for organised crime groups active in the forgery of money, not only in Europe but also in other regions of the world such as South America and Eastern Asia**

The following maps show the geographical correspondence between Pericles trainings and police operations in the South East of Europe.

## Latest Pericles actions in the South East Region (2010-2011)



## Main police operations in the South East region (2002-2011)



### Strategy

The close correlation between Pericles and concrete protection of the euro in the field (both prevention and repression of this crime) relies on the fact that the strategy for implementing the Pericles programme is largely based on the deliberations of the ECEG. Discussions focus on defining the specific needs for training and technical assistance, as well as the geographical areas where action needs to be taken; this ensures the efficient implementation of the Pericles programme in the EU Member States most affected by euro counterfeiting and the active support and involvement of other Member States.

With respect to areas outside the EU, priorities are also set on the basis of discussions in the euro Counterfeiting Experts Group, with references to risk assessments carried out by Interpol/Europol, as well as on the initiative of a Member States or OLAF. Additionally, OLAF makes bilateral contacts with competent authorities in the areas/countries determined, with a view to specifying the type (conference/seminar, staff exchange, study) or domain (law enforcement, judicial, financial, and technical) of training and technical assistance. In all cases, the general lines and each of the individual projects proposed are described in detail and discussed at OLAF's Euro Counterfeiting Experts Group.

With respect to driver 1, the following points describe the main problems and the envisaged strategy for facing them:

*Problem 1: Maintaining emphasis on EU Member States*

Within the European Union, Italy and Bulgaria are the two most high risk countries with respect to the protection of the euro. In particular:

- About 60% of all offset counterfeit euro notes circulating in Europe are suspected to be produced by organised crime groups in the south of Italy. In order to respond to the high level of counterfeiting, the Pericles programme has been intensively used by the Italian law enforcement Authorities: Carabinieri, Interpol Rome and Ministry of Economy organise regular trainings and staff exchanges.
- In Bulgaria, there is a high quality production of counterfeit euro banknotes. Among other events, the Bulgarian authorities participate in the annual Pericles Euro South East conference organised by the Bavarian Police (BLKA) and aiming at improving the cooperation among the countries of the region. Additional emphasis needs to be placed on that area.

*Problem 2: Reinforcing the protection of the euro in South East Europe*

The Balkan area and Turkey have been identified by Europol/Interpol as one of the most 'at risk' areas in the EU neighbourhood. OLAF has taken a number of initiatives in Turkey, Former Yugoslav Republic of Macedonia, Serbia, Albania, Croatia and Montenegro. There is room for further strengthening OLAF and Member State cooperation with these countries with a view to raising awareness for the protection of the euro and reinforcing the general framework for the protection of currency against counterfeiting. All these countries have a strategic geographical position and considered both transit and production areas for counterfeit euro.

*Problem 3: Expanding coverage in South America*

Thanks to the Pericles trainings and staff exchanges organised by the Spanish central office, the Brigada Investigación del Banco de España, the protection of the euro in Ibero-America has been continuous and strong since 2002.

The closest relations have been built with Colombia, where the highest quality and largest quantity of counterfeit euros are produced. In particular, following the first Pericles action, a Central Office has been established in Colombia within the CTI (Technical Investigative Corp of the Ministry of Justice). This office carried out many successful operations against euro and USD counterfeiting. The Pericles programme directly contributed to the operational success of the Colombian police forces by delivering training, raising awareness and creating the basis for police cooperation as acknowledged by the Spanish National Central Office (e.g. official note distributed by the Brigada de Investigación del Banco de España following the dismantling of an illegal print shop in Bogota on 7 January 2010.)

During the last years, euro counterfeiting activities increased in Peru and in Argentina.

To be noticed that 28 big police operations took place in South America from 2002 to 2010. Most of these operations brought to dismantle illegal euro print shops and all were carried out by staff trained by Pericles.



Both Colombia and Peru participate, on a regular basis, in the Pericles actions organised by the Brigada Investigación del Banco de España. In addition, a specific training was held in 2010 in Buenos Aires and a second training will be provided in 2011 in Lima.

Finally, specific attention shall be given to Brazil, based on the fact that Portuguese experts highlighted on several occasions that Brazil is a threat for possible transit or smuggling of counterfeits. This is mainly due to its big size in terms of territory and population and the relevant amount of tourism from and to the euro area. The Portuguese Police is actively involving the Brazilian authorities in the training activities financed by Pericles.

## **Driver 2: differences in incentives and capacities between countries impede equivalence in the protection of euro against counterfeiting**

With respect to driver 2, the following points describe the main problems and the envisaged strategy for facing them:

### *Problem 1: How to reinforce weaker links*

Considering that the euro is a global currency and its protection has an international dimension, there is a need to expand the geographical coverage of the Pericles Programme. Experts from EU countries and European/international institutions suggested a number of areas to be considered in view of their size, population, tourism flow and level of the economy (e.g. Mediterranean area). Italy and France mainly take care of this area by organising specific trainings.

### *Problem 2: How to face emerging risks*

The increasing involvement of other countries in counterfeiting the euro brings to the need for further extending the implementation of the Pericles programme outside the EU.

In particular, the economic and demographic parameters of some third countries, the growing number of tourists and immigrants together with the strong presence of organised crime in the region (including importantly all forms of counterfeiting) are parameters to be taken into consideration in order to assess the potential threat for the euro. In 2010 it was increased the involvement of Eastern Countries in the protection of the euro by organising the Pericles Euro North East conference, a specific training aimed at reinforcing cooperation between Member States and North Eastern countries.

## **Subsidiarity and EU added value**

The protection of money against counterfeiting is a continuous process including prevention and repression aspects together with organisational, structural and legislative frameworks. In compliance with the Geneva Convention (1929) and the relevant European legislation, the Member States established the structures for combating counterfeiting and the procedures of cooperation at national and European level. In order to maintain efficiency and effectiveness of the system, each competent authority within Member States implements its own national training plan. These plans are usually limited to the national territory with a limited involvement other competent authorities than the one organising; in case of Member States outside the euro-area, these activities are always mainly focused on national currency. Considering the wide super-national circulation of the euro, the deep involvement of international organised crime in its counterfeiting and the importance of its defence, the

described framework needs to be complemented in order to assure homogeneous national and international cooperation and face possible emerging risks coming from outside Europe. In this scenario, the EU is best placed to complement the national trainings by adding European and international elements to them. In particular, Member States profitably use the European tool for organising international events involving various countries in a view of exchanging know-how (mainly with other Member States), raising awareness and teaching methodologies of work (with third countries) and consequently strengthening cooperation for a more coordinated protection of the euro against counterfeiting. The fact that beneficiaries openly declare that they would not be able to organise international events without the support provided by Pericles (see annexed evaluation report) proof the need for a direct intervention of EU in this area.

In the case of third countries, since the space for the euro protection is usually residual, the Pericles programme becomes the only tool for enhancing the level of protection of the euro and raise awareness. This becomes extremely important for protecting the euro in sensitive third countries such as Turkey, Colombia and the Balkans.

### **Areas of possible improvement**

The following areas of possible improvement were identified.

The number of Pericles actions implemented in third countries increased during the year and passed from 15% in 2002 to 58% in 2010. In fact, while at the beginning priority was given to the training of European experts, during the following years the need to protect the euro outside the European borders became prominent. The wording of the financial provisions in the Pericles Decisions didn't change during the years and still reflects the situation in 2002 when the big majority of actions were taking place in the own country of the beneficiaries that were hosting the events in their own premises and using their own facilities. In particular at that time the discrimination between Community (e.g. travels) and non Community costs (e.g. conference-rooms rentals and interpreters facilities, etc.) did not create any problem to the beneficiaries hosting events in their premises. The situation changed when the beneficiaries started to organise events outside their countries and this discrimination of costs complicated the administrative management.

Following the increasing involvement of third countries it became more and more evident that the Pericles Decision presents a shortcoming in that it does not provide for the possibility to finance the purchase of equipments to be used by competent national (third country) anti-counterfeiting agencies for protecting the euro against counterfeiting. This financing is very useful in the case of specialised agencies operating in sensitive third countries having different priorities then fighting against euro counterfeiting. A clear example is Colombia: the Colombian organised crime is very well known for drug trafficking and terrorism and the Authorities are very much engaged in contrasting these crimes. At the same time few people know that Colombia is the country where for many years the highest number of counterfeit US Dollars were being produced and where the highest number of euro print shops (outside Europe) were dismantled. Since the Colombian specialised anti-counterfeiting agencies receive much less resources compared to the ones specialised in drugs and terrorisms, they often rely on support from other countries (such as US of America supporting them for the fight against counterfeiting of US Dollar). In this respect, the possibility to provide a direct support by Pericles to these specialised agencies would avoid the risk to see a decreasing attention with respect to the counterfeiting of the euro and would contribute to keep the threat under control.

Finally, the continuous close collaboration between OLAF and Member States in implementing the programme highlighted the fact that currency and card counterfeiting are frequently linked to each other and in many Member States handled in the same national

services, as is also the case in Europol. Consequently, OLAF faced various request to also include references to the protection against counterfeiting of other means of payments in the funded events.

A need for more clarity in rules and procedures for submitting the final financial report was also perceived; consequently, OLAF organised an ad hoc Pericles seminar in 2011<sup>15</sup>. The final report on this event is annexed.

In addition, there is a need to address the problems caused by the exclusion of VAT from eligible costs for the purpose of calculation of the co-financing percentage where national administrations are beneficiaries.

#### **4. OBJECTIVES, IMPACT AND INDICATORS**

##### **4.1. General objective**

The general objective of the Programme shall be to prevent and combat counterfeiting and fraud thus enhancing the competitiveness of the European economy and securing the sustainability of public finances.

##### **4.2. Specific objective**

The specific objective of the Programme shall be to protect the euro banknotes and coins against counterfeiting and related fraud, by supporting and supplement the measures undertaken by the Member States and assisting the competent national and European authorities in their efforts to develop between themselves and with the European Commission a close and regular cooperation, also including third countries and international organisations. This objective shall be measured, inter alia, through the effectiveness of action by financial, technical, law-enforcement and judicial authorities, as measured through the number of counterfeits detected, illegal workshops dismantled, individuals arrested and sanctions imposed.

##### **4.3. Short-term objectives**

The short-term objectives of the Programme shall encompass:

- raising awareness of the Union and international dimension of the euro; expanding general knowledge related to the protection of the euro;
- supporting the prevention and contributing to repression of euro counterfeiting and related fraud through specialised training and assistance in these areas;
- promoting convergence of high-level training activities for trainers, taking into consideration national operational strategies;
- encouraging closer cooperation between the structures and staff concerned, developing mutual trust and exchanging information, inter alia of methods of action, experience and work practices;
- supporting the development of specific legal and judicial protection of the euro;

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<sup>15</sup> Following this request, OLAF organised one specific workshop "How to apply and report under Pericles" that took place on 8 June 2011 in Brussels.



- increasing the level of protection of the euro in those countries that have been evaluated as being at risk by supporting the purchase of specific equipments.

#### **4.4. Expected result(s) and impact**

The beneficiaries targeted by the proposal are exclusively the competent authorities of Member States for the protection of the euro. Target groups for the action of the Programme are all staff in public and private sector related to the protection of the euro.

Effects shall comprise:

- positive impact on national and cross-border actions for prevention and repression of euro related counterfeiting and fraud;
- possibility for the competent authorities of Member States to obtain support in their efforts to achieve and maintain a high and equivalent level of protection of the euro banknotes and coins;
- benefit for relevant staff from an appropriate dissemination of general and specific knowledge and the development of cooperation and dedicated networks for the protection of the euro banknotes and coins;
- assistance to Member States and third countries in improving their institutional and legal framework to a harmonised high standard for the protection against currency counterfeiting and related fraud.

#### **4.5. Indicators of results and impact**

Main indicators for monitoring the implementation of the specific objective:

- level of counterfeit euro banknotes and coins;
- number of counterfeit workshops dismantled,
- individuals arrested and
- sanctions imposed

The work programmes will specify specific targets and key milestones for the implementation of the programme.

### **5. DESCRIPTION OF POLICY OPTIONS**

This section lists and briefly describes the options.

#### **5.1. Option 1: Baseline scenario.**

The baseline option is to continue the programme and maintain the overall spending at the current level.

## **5.2. Option 2: To renew the Pericles programme with improved objectives and methodology**

Based on the requests from the national experts and in consideration of the evolution of the threat and the above identified areas of improvement the following changes would be profitable:

### *- adding flexibility*

by including more flexibility in the use of the granted amount. In particular, the only discrimination applied by the new Pericles will be the one between eligible and not eligible costs. This will be achieved by omitting those financial provisions in the Pericles Decision obliging the Member States to bear some specific costs and OLAF others<sup>16</sup>.

### *- widening the range of eligible actions*

by including the possibility to finance, by Commission initiative, the purchase of equipments to be used by specialised anti-counterfeiting agencies of third countries for protecting the euro against counterfeiting.

### *- increasing the share of co-financing*

by adding the possibility to increase the rate of co-financing up to a maximum of 90% of eligible costs, exceptionally, in duly justified cases. This should be a response to a development which has become evident in the recent years, namely that Member States are less able to co-finance projects due to the general lack of funds of public administrations. The higher rate of co-financing will particularly facilitate a more precise geographical location of activities by providing ampler possibility for Member States to apply. In addition, to increase co-financing up to 90%, in exceptional cases, will maintain coherence and homogeneity with the other programme managed by OLAF (Hercule), for which a similar proposal was submitted.

## **5.3. Option 3: To merge Pericles with other Commission programmes**

Prevention and fight against crime (ISEC) is a large programme with a budget of 600 million for the period 2007-2013. It contributes to citizens' security by preventing and combating crime in general; the main focus of this programme is on terrorism, trafficking in persons, child abuse, cybercrime, illicit drug and arms trafficking, corruption and fraud.

The Technical Assistance and Information Exchange instrument (TAIEX) supports partner countries with regard to the approximation, application and enforcement of EU legislation. The TAIEX mandate to provide assistance only covers the following groups of beneficiary countries: Croatia, Iceland, Turkey, former Yugoslav Republic of Macedonia, Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo (as defined in UN Security Council Resolution 1244 of 10 June 1999), Turkish Cypriot community in the northern part of Cyprus, Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Syria, Tunisia, Ukraine and Russia.

It could be considered to insert a specific section on the protection of the euro in both programmes, with an overall increment in budget of 1 million euro per year. Considering the

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<sup>16</sup> See articles 8-9-10-11 Council Decision [2001/923/EC](#) of 17 December 2001.

specificity of this crime and the limited list of possible beneficiaries (competent authorities), this section would require separate strategic and administrative management. A close coordination with OLAF and its group of experts (Euro Counterfeiting Experts Group) shall be envisaged.

#### **5.4. Option 4: To discontinue the Pericles programme**

To discontinue the programme would bring back to the situation in place before the circulation of the euro, when each Member State was organising trainings at national level for protecting its own currency without a harmonised approach and systematic cooperation at European level. The perspective of the introduction of the euro illustrated the need to strengthen international cooperation also in training, as it was (and still it is) the case for another global currency: the US Dollar. In the case of the latter, one federal agency organises training all over the world in order to raise awareness and establish the basis for an effective international cooperation in protecting this currency against counterfeiting.

##### Discarded options:

Another option, which could in theory be combined with any other option except total discontinuation, could be to combine the Pericles and Hercule programmes (Hercule is the programme managed by OLAF to promote activities in the field of the protection of the European Union's financial interests). There would in principle be advantages of management and synergy for the Commission and Member States in combining Pericles with Hercule. However, this is not possible because of the different legal bases in the Treaty for the euro and for the protection of the Budget (Art. 133 TFEU) and because of the problems which would arise from the need for separate legislative instruments for euro and non-euro Member States. This option is therefore not further considered.

Finally, another option could be to increase the level of spending on Pericles 2020. Over the years since the introduction of the euro, there is a clear tendency for an increase of the number of applications received under the programme, actions committed and countries involved. This is a consequence of the success of the programme as well as of the larger number of possible beneficiaries due to the enlargement of the EU that took place in the last years. As discussed at the 57<sup>th</sup> ECEG meeting on June 2011 (see annexed document), it happens more and more often that some Competent Authorities cannot present applications in due time because of lack of available funds. However, this would be inconsistent with decisions already taken on the Medium Term Financial Framework in the communication 'A Budget for Europe 2020' (COM (2011)500), and is therefore not further considered.

## **6. ANALYSIS OF IMPACTS**

### **6.1. Option 1**

This is the baseline option; continue with the same level of funding and the same approach to projects as at present under the current Pericles. The impact of the baseline option is best assessed by reference to the existing programme.

### **6.2. Option 2**

Advantages: The existing methodology will be improved. With respect to the budget, the relevance of the use of the granted amounts will be increased (at the moment, the programme limits the type of eligible costs that Commission/OLAF can bear). The possibility to fund the purchase of equipments specifically used for the protection of the euro (e.g.: investigative

tools, GPS, IT devices, software, etc.) will provide Commission/OLAF with an effective tool to enhance the protection of the euro in those third countries where the lack of resources limits the work of the competent national authorities. The consequence of an increase in the EU share of financing would be that OLAF will have more flexibility in supporting the actions and Member States will be facilitated in presenting projects. This would require prioritisation and tougher choices at the selection stage; at present most projects which meet the eligibility criteria are accepted.

The specificity will be maintained. The progress in the protection of the euro will be continued. Disadvantage: relatively big administrative overhead for a small programme. Budget wise, it is possible to maintain the current level of funding and consequently increase the effort of coordination and identification of the priorities.

### **6.3. Option 3**

This merger would result in loss of specificity and expertise in managing the programme. Money counterfeiting is such a specific kind of crime that Member States established highly specialised offices to fight it. The actual management of the Programme guarantees effective coordination and implementation of the actions by profiting from continuous discussions taking place at the meetings of national experts chaired by OLAF (Euro Counterfeiting Experts Group). The merge with Programmes in other DGs would definitely result in efficiency losses: with respect to coordination and evaluation capacity, flexibility of the tool and prompt reactivity to upcoming new threats, coordination of the measures at global level (in the case of TAIEX, the measures would be limited in terms of beneficiaries).

### **6.4. Option 4**

To discontinue the programme would reduce expenditure at EU level, without however creating real economies and offsetting resources at national level or in the framework of another EU programme and therefore put at risk the effective and equivalent protection of the euro across the Member States and in third countries.

In particular, there is a continuing threat for the euro at national and international level that requires an adequate and homogeneous reaction. A harmonised approach can only be achieved at EU level and not by each Member State individually. The lack of support to multinational trainings will push Member States to limit their trainings to the national level and these will not be sufficient to protect a global currency against international organised crime.

Finally, there is a risk for the Commission to receive certain criticism by the stakeholders given the positive impact they gave and the fact that the totality of beneficiaries (100%) requested a prolongation of Pericles beyond 2013.

## **7. COMPARING THE OPTIONS**

### **7.1. The situation**

The Pericles programme is the only specialised programme for the protection of the euro. The financial reference amount for the implementation of the Community programme of action for the period from 1 January 2007 to 31 December 2013 was defined to be EUR 7 000 000. (art. 1 Council Decision 2006/850/EC).

Other Commission programmes potentially relevant to this domain include the general programmes against criminality, as well as the programmes for support to candidate and third countries.

The **specificity** of the envisaged actions does not allow the consideration of entrusting this activity to other services or organisations or to leave it to National Authorities. In particular, by creating this instrument and entrusting it to the EU Anti-fraud Office together with other activities in the same domain, the Commission has put emphasis on the protection of the euro. This could no longer be ensured if the programme were merged in a broader programme.

Considering the protection of currency against counterfeiting as a very specific field it is necessary to take into consideration the experience from Member States. All Member States have specialised offices dealing with this specific issue: National Central Offices and often special operational units within the police, National Analysis Centres for coins and banknotes in the Mints and Central Banks. In some cases there are also specialized prosecutors dealing with the crime of money counterfeiting (e.g. Spain). The situation is similar at European and international level: both Interpol and Europol have specific units responsible for this crime with specific supporting tools<sup>17</sup>. The particularities of this activity reduce the number of players at international level to a restricted circle of specialized staff that has its main strength factors in the continuous exchange of know how and in maintaining an effective network.

Consequently, the effectiveness of the protection of the euro can be assured only by maintaining its specificity also with respect to the supporting tools, such as the Pericles Programme. The possible merging of Pericles in a broader programme would definitely risk to compromise the flexibility required by the evolution of the threat and to significantly decrease the capacity to effectively meet the specific needs of the beneficiaries. These two elements proved to be the key of success of this programme.

## **7.2. Expected positive effects of continuing the programme and risks in case of discontinuing**

The **expected effects (value added)** of continuing the programme can be listed as follows:

- increased number of people trained at national level;
- increased quality of trainings by adding an international and multidisciplinary dimension;
- increased awareness;
- reinforced framework for the protection of the euro;
- establishment of a training framework complementary and additional to the national trainings;
- direct link with operational results, e.g. in the case of police activities, staff trained by Pericles gave its direct contribution to the most successful operations against euro counterfeiting;

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<sup>17</sup> E.g.: Europol has a specific budget line for financial support to police operations in the area of money counterfeiting

- continuous and flexible support to Member States activities;
- essential instrument to provide the beneficiaries with the ability to carry on the proper trainings.

In case of discontinuing, these are the expected effects:

- decreasing in number and quality of training actions organised by Member States (mainly the international aspect will disappear- see evaluation report);
- limitation of trainings to the national level and loose of international coordination and consequent homogeneous level of protection;
- insufficient protection of the euro against international organised crime;
- risk of criticism by the stakeholders.

In addition, to merge Pericles with other Commission programmes (Option 3) has the advantage of reducing the overall number of such programmes, but this is the only clear value added of this option. Further effects of this option would result in loss of specificity and expertise in managing the programme and consequently in loss of efficiency and coherence with respect to coordination and evaluation capacity, flexibility of the tool and prompt reactivity to upcoming new threats, coordination of the measures at global level. This would not be the case of options 1 and 2, both considering the specific management of the programme by OLAF in close contact with the experts of Member States.

### **7.3. Envisaged improvements of the new Pericles**

It is envisaged to further improve the programme by

- simplifying it and reducing the administrative burden (see above areas of possible improvement). Based on results of the mid-term evaluation, the programme will improve simplicity in the preparation of applications by the Competent National Authorities. The calculation of the amounts to be granted will become clearer and the programme will become more users friendly. In order to achieve this goal, OLAF intends to simplify the legislation and include more flexibility in the use of the granted amount; this objective will be achieved by omitting those financial provisions in the Pericles Decision obliging the Member States to bear some specific costs and OLAF others<sup>18</sup>. All applicants will benefit from these simplified procedures as well as the OLAF staff involved in the administrative management of the programme.
- including the possibility to purchase equipments specifically used for the protection of the euro against counterfeiting for competent authorities in third countries. Based on continuous contacts with experts from third countries, it is clear that the limited resources at disposal of some competent national authorities result in a loss of effectiveness of their work. This becomes quite dangerous when it happens in areas where there is a big risk for the euro, but the Authorities give priority to fight “more social alarming” kind of crime such as terrorism or drug trafficking. This could be,

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<sup>18</sup> See articles 8-9-10-11 Council Decision [2001/923/EC](#) of 17 December 2001

for instance, the case of South America in general and Colombia or Peru in particular. In order to avoid the risk of a lower attention of the national authorities with respect to the crime of money counterfeiting, the US Secret Service<sup>19</sup> traditionally funds the purchase of equipments for protecting the US Dollar and this policy proved to be very successful. In order to achieve this goal, Commission/OLAF intends to include the possibility to fund, under Commission initiative, the purchase of equipments used by competent national authorities in sensitive third countries for protecting the euro against counterfeiting. These additional eligible actions will directly benefit the specialised agencies in third countries and indirectly the competent national authorities closely cooperating with them; finally the highest advantage will be the concrete increase in the level of the protection of the euro outside the EU.

- introducing the possibility to increase the rate of co-financing up to a maximum of 90% of eligible costs, exceptionally, in duly justified cases.

Budget wise, maintaining the current level of funding would result in a need for increasing the effort of coordination and identification of the priorities. This in consideration of the fact that option 2 enlarges the possible means of support to the protection of the euro. In particular, the only additional budget spending item under option 2 is the “purchase of equipments”. The inclusion of equipments entails the risk of not having enough resources to face all needs, but in the meantime provides a very effective tool to enhance the protection of the euro in sensitive third countries. Considering the importance of this tool, it can be taken in consideration to slightly modify the type of support to some third countries by substituting some training with the purchase of equipments.

#### 7.4. Comparative table on the different options.

Options/effects	Level of euro protection	Effectiveness of Management	Flexibility of the programme	Capability to meet the needs of stakeholders
1	stable	stable	stable	stable
2	increasing	stable	increasing	increasing
3	decreasing	decreasing	decreasing	decreasing
4	decreasing	decreasing	decreasing	decreasing

Option 2 presents the highest number of advantages.

#### 7.5. Preferred option

In view of the past experience, which is closely linked to the activities of both the Member States and the Commission to protect the euro currency, as well as the expected impact, including through developing actions, option 2 (to renew the programme with improved objectives and methodology) is the preferred option with a budgetary envelope in real prices which remains similar to the current envelope (approximately one million euro per year). This

<sup>19</sup> Agency in charge of the protection of the US Dollar against counterfeiting.

option adds flexibility in the determination of the amount of the grant by simplifying the determination of costs to be borne by Member States<sup>20</sup>; it broadens the range of eligible actions by including the possibility to finance the purchase of equipments to be used by specialised anti-counterfeiting agencies of third countries for protecting the euro against counterfeiting; and includes the possibility to increase the rate of co-financing up to a maximum of 90% of eligible costs, exceptionally, in duly justified cases. This should be a response to a development which has become evident in the recent years, namely that Member States are less able to co-finance projects due to the general lack of funds of public administrations. The higher rate of co-financing will particularly facilitate a more precise geographical location of activities by providing ampler possibility for Member States to apply.

## **8. MONITORING AND EVALUATION**

### **8.1. Reports**

Annual information on results, including consistency and complementarity with other EU programmes will be provided to the European Parliament and to the Council; in addition, an independent assessment of the implementation of the objectives of the programme – mid term evaluation - is foreseen (no later than 31 December 2017). Also a final report to the budgetary authority will be made on the achievement of the objectives of the Programme by the end of 2021.

Overall, the implementation of the Pericles programme should be assessed on the basis of the following criteria:

- compliance with the geographical perspectives, as described in the Pericles strategy paper<sup>21</sup>;
- compliance with the Work Programme;
- diversification of type of action;
- maintenance of the level of participation at least at the current levels of about 500 participants a year, in a steady-state situation; and
- maintenance of the current high level of credit consumption – at least 80%.

The internal reorganisation of OLAF at the beginning of 2012 will concentrate the management of Hercule (and Pericles) in a single unit in order to reinforce programme management skills, including capacity to evaluate.

### **8.2. Feedback**

Feedbacks from participants and beneficiaries will be continuously discussed at the ECEG meetings.

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<sup>20</sup> See articles 8-9-10-11 Council Decision [2001/923/EC](#) of 17 December 2001.

<sup>21</sup> Based on the discussion taking place with the experts at the ECEG meetings, OLAF prepares a yearly strategy paper containing a risk analysis for the euro and the priorities of the programme.



## **9. ANNEXES**

- (1) Pericles Decisions
- (2) Pericles Mid-term Strategy
- (3) Pericles Mid-term evaluation
- (4) Pericles tables of implementation (2002-2010)
- (5) Reports of the Euro Counterfeiting Experts Group meetings (2006-2010)
- (6) Annual report of the European Technical & Scientific Centre on euro coins (2010)
- (7) Report of the Pericles Workshop on financial issues

## ANNEX I

**COUNCIL DECISION of 17 December 2001 establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the 'Pericles' programme)**  
(2001/923/EC)

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2001:339:0050:0054:EN:PDF>

**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**

(2001/924/EC)

[http://ec.europa.eu/anti\\_fraud/programmes/pericles/decision\\_en.pdf](http://ec.europa.eu/anti_fraud/programmes/pericles/decision_en.pdf)

COUNCIL

**COUNCIL DECISION of 30 January 2006 amending and extending Decision 2001/923/EC establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the 'Pericles' programme)**

(2006/75/EC)

[http://ec.europa.eu/anti\\_fraud/programmes/pericles/2006/36-40.pdf](http://ec.europa.eu/anti_fraud/programmes/pericles/2006/36-40.pdf)

**COUNCIL DECISION of 30 January 2006 extending to the non-participating Member States the application of Decision 2006/75/EC amending and extending Decision 2001/923/EC establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the 'Pericles' programme)**

(2006/76/EC)

[http://ec.europa.eu/anti\\_fraud/programmes/pericles/2006/36-42.pdf](http://ec.europa.eu/anti_fraud/programmes/pericles/2006/36-42.pdf)

**COUNCIL DECISION of 20 November 2006 amending and extending Decision 2001/923/EC establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the Pericles programme)**

(2006/849/EC)

[http://ec.europa.eu/anti\\_fraud/programmes/pericles/decision1.pdf](http://ec.europa.eu/anti_fraud/programmes/pericles/decision1.pdf)

**COUNCIL DECISION of 20 November 2006 extending to the non-participating Member States the application of Decision 2006/849/EC amending and extending Decision 2001/923/EC establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the Pericles programme)**

(2006/850/EC)

[http://ec.europa.eu/anti\\_fraud/programmes/pericles/decision2.pdf](http://ec.europa.eu/anti_fraud/programmes/pericles/decision2.pdf)



EUROPEAN COMMISSION  
EUROPEAN ANTI-FRAUD OFFICE (OLAF)

Operational & Policy Support  
Protection of the EURO; Hercule & Pericles Programmes

Brussels,  
OLAF/YX/LUP I(2010) 2074

### NOTE FOR THE FILE

#### **Subject: Update on the Medium-term strategy for the Pericles programme**

This note updates the Pericles strategy note of 12 May 2009 (I 5534/2009).

The strategy for implementing the Pericles programme is largely based on the deliberations of OLAF's Euro Counterfeiting Experts' Group (ECEG), bringing together experts from all MS and relevant disciplines, as well as Europol, Interpol and the ECB. The discussions are generally based on notes prepared by OLAF and bilateral preparations with potential Pericles beneficiaries. Discussions focus on defining the specific needs for training and technical assistance, as well as the geographical areas where action needs to be taken. This ensures the efficient implementation of the Pericles programme in the EU MS most affected by euro counterfeiting and the active support and involvement of other MS.

With respect to areas outside the EU, priorities are also set on the basis of discussions in the ECEG, with references to risk assessments carried out by Interpol/Europol, as well as on the initiative of a MS or OLAF. Additionally, OLAF makes bilateral contacts with competent authorities in the areas/countries determined, with a view to specifying the type (conference/seminar, staff exchange, study) or domain (law enforcement, judicial, financial, technical) of training and technical assistance. In all cases, the general lines and each of the individual projects proposed are described in detail and approved by OLAF's ECEG.

The present note describes the general lines of the Pericles strategy defined in that way, mainly focusing on the geographical orientation. **These ideas have generally been discussed and approved at the ECEG; we expect they will be globally re-confirmed at the next meeting, on 18 March 2010.**

#### **1. Maintaining emphasis on most sensitive EU Member States**

Within the European Union, Italy and Bulgaria are the two most sensitive countries with respect to the protection of the euro. In particular:

- Italy is a big producer of counterfeit euro and law enforcement is also very active. In order to better understand the strategic importance of Italy in the fight against counterfeiting it is important to point out that about 60% of all offset counterfeit euro notes circulating in Europe are part of the so called "Napoli Group" (from the suspected place of production). Pericles is systematically used by the Italian Authorities: Carabinieri, Interpol Rome and Ministry of Economy organise regular trainings and staff exchanges. In addition, national

training plans are in place. The high level of participation in Pericles by Italy will be maintained by strengthening cooperation between national and international level with specific attention to multidisciplinary aspects (e.g. a joint Franco-Italian police seminar will be organised in Sicily in 2010; financial intermediaries from Italy and Mediterranean countries will gather in Libya for an awareness-raising action; two police staff exchanges organised by the Italian authorities started in 2009 and will continue in 2010). The judicial and financial sectors were also actively involved thanks to the initiative of the Italian Ministry of Finance that organised the Conference “A Community strategy for the protection of the euro” in Rome in December 2009.

- Concerning Bulgaria, the situation is rather different: this country is much suspected to be producing high quality counterfeit euro banknotes, but, for the moment, it is very difficult, because of the turnover of staff, to find a reliable contact for developing a specific training approach in view of supporting police investigations. Particularly during the last months, further personnel changes took place within the Ministry of Interior. In 2009 Bulgarians participated in a staff exchange organised by the Italian Ministry of Interior, the 'Pericles' judicial seminar on the status of counterfeits in criminal proceedings, and – as usual – to the annual Pericles Euro South East conference organised by the German BLKA. Considering that Germany seems to be in the best position for co-organising events in this country, Unit C5 is in contact with the BKA for organising a training in Sofia during 2010. In parallel further effort is made in order to involve more strongly the Bulgarian authorities in the protection of the euro events prepared under Pericles (Bulgarian staff will be invited to participate in Pericles actions in Skopje and Antalya).

## **2. Consolidating the protection of the euro in the Balkan area and Turkey**

The Balkan area and Turkey have been identified by Europol/Interpol as one of the most 'at risk' areas in the EU neighbourhood. OLAF has taken a number of initiatives in Turkey, Croatia and Montenegro, as well as numerous other contacts. There is room for further strengthening OLAF and MS cooperation with these countries with a view to raising awareness for the protection of the euro and reinforcing the general framework for the protection of money against counterfeiting. All these countries have a strategic geographical position and are considered both transit and production areas for counterfeit euro.

### **2.1 Turkey**

Turkey has a status of EU candidate country and is making effort to establish a legal framework for the protection of the currency similar to the European one. At the moment, the Interpol/Europol - Sirene Department has been appointed as National Central Office (by reference to the Geneva Convention of 1929) but does not have the legal status and required prerogatives for being in line with Regulation 1338/2001. As a result, it can not effectively centralise all information related to seizures carried out by police forces in Turkey, because Turkish law enforcement has no formal obligation to immediately inform the Department about seized counterfeit money. Concerning the financial system, work is in progress at Ministry level to create legislation obliging banks to withdraw suspect money from circulation.

One of the main areas where action in Turkey is necessary is improving cooperation, both among Turkish law enforcement agencies and with the rest of the world (in particular Europe and neighbouring countries). Thanks to the Pericles actions addressed to Turkey, the relevant competent authorities are aware of the urgent need to improve cooperation at national and European/international level.

The Pericles Programme will continue promoting the development of the Turkish Central Office and the other mechanisms for cooperation by providing support to the Turkish Authorities in preparing the necessary legislation and by strengthening contacts with EU

Member States and European institutions. A Pericles conference initiated by the Bavarian Landeskriminalamt was carried out in November 2009 in Istanbul and a study visit of relevant Turkish staff to the BKA, OLAF, ECB and Europol took place in September 2009 organised as a Commission initiative in the framework of the Pericles programme.

In 2010, Unit C5 started a medium-term collaboration with the Turkish authorities with a view to complementing their national training programmes by organising regional seminars covering specific regions of Turkey and neighbouring countries. The aim of this collaboration is to support the centralisation of operational information from Turkey and neighbouring countries within the Turkish Central Office. A first seminar will take place in Antalya in April 2010 and will see the participation of police and judicial staff from the South West of Turkey as well as from neighbouring countries as Georgia, Iran, Azerbaijan, Armenia, etc.

In addition Turkish officials will continue to take part in staff exchanges and seminars organised by MS in the framework of Pericles (e.g. as in 2008, also in 2009 Turkish staff is participating in staff exchanges organised by the Italian police authorities).

Finally, in view of further strengthening cooperation, OLAF invited representatives of the relevant Turkish Authorities to participate in the ECEG meeting of November 2009.

## **2.2 Balkan area**

### **○ Montenegro**

In Montenegro the euro is the only official currency in use. During the last years, Montenegro proved to be a usual transit area for counterfeits with respect to Italy. Following the first Pericles action focusing on police officers in the field, a second practical training has been delivered in July 2009 to bank cashiers. The activity of Pericles in Montenegro aims at strengthening the know-how of front-line staff (police officers and bank cashiers) in order to stop the possible circulation and traffic of counterfeits. In this perspective, an operational support meeting was organised and chaired by OLAF in September 2009 following a specific request from Interpol Podgorica. Staff from OLAF, the German Police, Europol and the ECB gathered together with the Montenegrin Authorities and made an evaluation of operational information in possession of the Montenegrin Police. As a result, a joint investigation team was established between Germany, Montenegro and Europol.

OLAF is also supporting Montenegrin authorities in establishing a comprehensive national training plan. In the framework of the prospects for accession of Montenegro to the EU, further actions aimed at supporting the development of the relevant Montenegrin legislative framework might be envisaged.

In 2009 Montenegrin, Croatian and Slovak experts from the official Mints took part in a study visit to the ETSC. In the near future, Montenegro will continue to be invited to Pericles staff exchanges organised by the Member States.

### **○ Croatia**

Pericles adopted a direct approach to Croatia by approaching all the main sectors relevant to the protection of the euro. Following a first awareness-raising conference celebrated in 2008, Unit C5 organised two tactical/technical trainings addressed to staff working in the field and being in the first line against euro counterfeiting: the first action (February 2010) mainly addressed to police officers and prosecutors and the second one (March 2010) to bank and motorways cashiers.

The participation of Croatian Central Bank staff in the ETSC study visit and in the Technical training on printing techniques organised by the Dutch police in 2009 is complementary to the overall approach to the country.

In view of further strengthening cooperation, OLAF invited representatives of the relevant Croatian Authorities to participate in the ECEG meeting of June 2009.

In 2010, Unit C5 envisages to involve Croatia in staff exchanges with neighbouring MS, for instance Italy.

- Serbia, Bosnia and Herzegovina, Kosovo UNSCR1244 and the former Yugoslav Republic of Macedonia

OLAF has close direct contacts with the relevant authorities of all aforementioned countries in view of implementing specific actions. The aim of these actions will be to support the creation and consolidation of National Central Offices and to establish a permanent network for collaboration among Balkan countries and European Institutions.

Officials from Serbia, B&H, Albania and FYRoM usually participate in all Pericles actions addressed to the Balkan area.

Contacts are ongoing with the Serbian Authorities (Interpol Beograd, Central Bank and Prosecutor Office) in order to organise training in Serbia before the end of 2010.

A technical-tactical training, organised by Unit C5, will take place in Skopje in April 2010, mainly addressed to police officers from FYRoM and the Kosovo UNSCR1244 (thanks to the close collaboration ongoing between the police of FYRoM and Kosovo). In this area, Kosovo needs a special mention: as it is the case in a few other countries, also here the euro is the only official currency in use. The information circulating is poor and the political situation still “under construction”. OLAF will take the occasion of the training in Skopje for further developing contacts with the Kosovan authorities.

Albania will be the partner of German BLKA in the next Euro South East conference. All Balkan countries and Turkey participate in the annual Euro South East conference organised by the German BLKA.

### **3. Expanding coverage in South America**

#### **3.1 Promoting relations with Colombia, Peru and Argentina**

Thanks to the Pericles trainings and staff exchanges organised by the Spanish central office, the BIBE, the protection of the euro in Ibero-America has been continuous and strong since 2002.

The closest relations have been built with Colombia, where the highest quality and largest quantity of counterfeit euros are produced and discovered. In particular, following the first Pericles action, a type of 'Central Office' has been established in Colombia within the CTI (Technical Investigative Corp of the Ministry of Justice). This office carried out many successful operations against euro (and USD) counterfeiting. The Pericles programme directly contributed to the operational success of the Colombian police forces by delivering training, raising awareness and creating the basis for police cooperation as pointed out in many official occasions by the Spanish NCO (e.g. official note distributed by the BIBE following the last dismantling of an illegal print shop in Bogota on last 7 January 2010.)

According to intelligence gathered from Latin American Authorities, mainly thanks to the strong repression operated in Colombia, in the close future we could face a migration of counterfeiters from Colombia to other American countries as, for instance, Peru and Argentina.

Peru is also very active in the protection of the euro and is the only country having established a real National Central Office within the meaning of the Geneva Convention. Peru, together with Argentina and Colombia, participated in a Pericles staff exchange

organised by the Spanish Authorities in 2009. OLAF established a direct contact with the Peruvian NCO that is considered a good example for all Latin American countries (in the framework of the above mentioned staff exchange, OLAF staff visited the Peruvian Authorities in Lima and Peruvian experts visited OLAF).

Both Colombia and Peru participate, on a regular basis, in the Pericles actions organised by the BIBE. Considering the strategic importance of Latin America, and particularly Colombia, for the protection of the euro, there is a need for OLAF to further strengthen direct contacts with these countries in order to have the possibility to complement the actions organised by the Member States in this area when these show to be inadequate or insufficient. Moreover, a better knowledge of the existing structures will facilitate the identification of areas for effective future collaboration, as for example operational cooperation, with a possible use of Pericles in financing operational meetings and a direct technical support by ETSC experts in case of investigation on coins.

Finally, the specific situation of Argentina must be mentioned. In this country a real Central Office does not exist and there is not yet a known threat for the euro but recently Argentina started to have a certain number of operational links with Peru with respect to counterfeit euro investigations. It is worth monitoring the situation and being ready to intervene with Pericles when needed.

Following exchanges of views with OLAF, the Spanish NCO (BIBE) expressed the intention to organise three Pericles actions addressed to Latin America in 2010, namely:

- a workshop gathering representatives from Latin American 'Central Offices'. This action will probably take place in Colombia and aims at exchanging best practices and supporting Latin American countries in establishing National Central Offices with all the requirements of the Geneva Convention;
- a staff exchange aiming at strengthening operational cooperation;
- a training seminar mainly addressed to Argentinean and Colombian police officers. This action will probably take place in Buenos Aires and aims at specialising police officers and strengthening operational links between Colombia and Argentina.

In addition to the above mentioned actions, Unit C5 will start medium term collaboration with the Colombian authorities with a view of complementing the Spanish initiatives by organising “regional” technical-tactical trainings covering specific areas of Colombia. The aim of this collaboration is to train police officers working in 'at risk' areas as Cali, Medellin and Pereira.

In view of further strengthening cooperation, OLAF invited representatives of the relevant Colombian Authorities to participate in the ECEG meeting of March 2009.

In all Latin America, where needed, Pericles is ready to support further development of relevant legislation and technical support (software, studies, etc.).

### **3.2 Brazil**

Portuguese experts highlighted on several occasions that Brazil is a threat for possible transit or smuggling of counterfeits. This is mainly due to its big size in terms of territory and population and the relevant amount of tourism from and to the euro area. The participation of one Brazilian expert in the trainings organised by the Spanish BIBE in Colombia was not enough for establishing effective cooperation with the national authorities and being aware of what happens within this very large country: Brazil deserves specific Pericles attention.

The Portuguese National Central Office and National Central Bank will organise a Pericles Seminar in Brasilia in March 2010. The action, the first in Brazil focusing on the

protection of the euro, is mainly addressed to staff from the Brazilian Federal Police and the Brazilian Central Bank. Participation from other Portuguese speaking countries as well as from Italy, France and Spain is envisaged too. The intention of the Portuguese Authorities is to duplicate the strategy already used in Colombia by Spain: to start by raising awareness and to continue by delivering training and creating the basis for possible future operational collaboration.

#### **4. Reinforcing weaker links**

Considering that the euro is a global currency and its protection has an international dimension, there is a need to expand the geographical coverage of the Pericles Programme. The experts from EU countries and European/international institutions suggested a number of areas to be considered in view of their size, population, tourism flow and level of the economy: China, the Caribbean and the Mediterranean area, as well as Russia.

##### **4.1 China**

The economic and demographic parameters of China, the growing number of tourists and immigrants together with the strong presence of organised crime in the region (including importantly all forms of counterfeiting) give to this country a prominent place as a potential threat for the euro. Recent experience shows that China is indeed a threat for the euro: in 2009, the Spanish NCO carried out a successful operation involving holograms produced in China and used on counterfeit euro notes. The participation of Chinese experts in Pericles events (e.g. Rome 2008) represents a first bridge to the Chinese authorities, but much more is needed in order to establish the right contacts for organising an awareness-raising event also in China. OLAF together with France and The Netherlands continue to support the Italian NCO in its efforts for organising a specific action in collaboration with the Chinese Government; but for the moment, due to the complexity and slowness of the Chinese administration, no concrete steps forward have been achieved in this area.

##### **4.2 Caribbean and Mediterranean**

Based on French initiatives, awareness on the protection of the euro has been raised in the Caribbean area and in the northern African / Mediterranean region. These two areas have not been identified as major risk areas for the protection of the euro; however, no action had been taken and the ECEG approved the French Pericles proposals, taking into account the geographical proximity and the strong tourism and trade links between these countries and the EU. Thus, during the last three years, two seminars were carried out in the Caribbean (2008 and 2009) and one seminar in France (2007) involving North African states.

The ECEG meeting in March 2009 concluded that the two Caribbean actions are for the moment sufficient. However, action concerning sensitive African areas should continue, since these areas are known to be areas of transit and relay of counterfeits. In this perspective, more added value comes from the already mentioned Franco-Italian police seminar that will be implemented in Sicily in 2010 and from the seminar for financial intermediaries from Italy and Mediterranean Countries planned by the Italian Ministry of Finance (Libya, 2010). Mediterranean countries are also the focus of a staff exchange currently being run by the Italian Carabinieri.

##### **4.3 Russia**

The Italian NCO is currently organising a Pericles Seminar in Moscow; the action will probably take place at the end of June 2010 and will be the first Pericles action mainly addressed to Russian staff. Until now no Pericles action has taken place in Russia and



very few Russians have participated in Pericles actions. Russia is a known producer of counterfeit USD; as was the case elsewhere; counterfeit euro should not be far behind. None of the ECEG participants has developed ideas or contacts for organising awareness raising events in Russia but the issue was addressed at the meeting of March 2009.

The objectives of the Pericles programme described above are set out in order of priority. Thus, it is highest priority to maintain the thrust on the existing MS, particularly the sensitive areas; then Balkans and Turkey; and subsequently South America.

## **5. Involving Member States that have not yet organised projects**

The seven years of Pericles implementation show that the main beneficiaries of the Programme are the authorities from a small number of MS with a strong tradition in protecting money against counterfeiting: Italy, France, Spain and Germany. A certain number of other countries directly benefited by the programme during the last years in a discontinued or sporadically way: Greece, Portugal, Belgium, Finland, Poland, Hungary and Austria. The rest of the MS never applied for the Programme, although they frequently participate in actions organised by others (MS or Commission). According to the experts, the main reasons for this difference are shortage in money and staff: smaller MS have more limited financing; they are more averse to taking even small financial risks and have a limited number of staff dealing with money protection. This situation should change in view of a more balanced sharing of responsibility in protecting the single currency.

In order to encourage those countries to get more involved in Pericles, OLAF needs to improve their knowledge on how to manage a project co-financed by Pericles delivering examples of simple and effective projects having limited financial risks and staff needs. One example of such successful cooperation is the digital reproduction project currently elaborated by the Netherlands with OLAF cooperation. Further examples are staff exchanges in general: these are easy to organise and proved to be relatively less expensive and effective in supporting cooperation among different countries. Generally, a friendly and effective support to the financial management of the projects by MS is a useful method for increasing the number of applicants.

During 2009 the implementation of the Pericles programme included again the active participation as beneficiaries of Belgium (for the second year in a row), The Netherlands and Portugal.

## **6. Further diversification of types of action**

In view of enhancing the multidisciplinary character of Pericles, further steps for further diversification in terms of type of actions and kind of participants will be taken.

- **Actions**

The main part of Pericles actions consists of Seminar/Conference type of actions and staff exchanges. Only few studies were co-financed in the framework of the programme. This is mainly due to the fact that emphasis initially needed to be placed on seminars and staff exchanges; as a result, the technical assistance part was not as well understood by the MS. Currently, OLAF has undertaken an effort to increase the number of co-financed studies. This was recently the case for Belgium, which is now implementing a technical study on higher security features for future euro coins, as well as the conductivity study on the initiative of the Commission. The conductivity study continued to be financed also in 2009.

During the last 2 years Pericles financed the publication of the “Basic Manual: Counterfeit euro? What to do” and the “Counterfeit Euro Experts Manual”. Upon MS request, the “Counterfeit Euro Experts Manual” is now getting translated into four more national languages, using Pericles.

In the near future, Unit C5 is planning to co-finance a study on links between counterfeiting and major events (study proposed by Italy with the support of the ECEG) and, possibly, a social analysis on the crime of counterfeiting together with Europol (in order to explore the key factors identifying the counterfeiter and the reasons behind the different modus operandi). In addition OLAF sees the need for improving databases on counterfeit banknotes and coins, a classification assistant specifically for coins, a coin authentication learning tool, a register for illegal mints etc.

In 2009 a specific effort has been made in order to use the programme for a closer support to operations, as for the meeting organised in Montenegro (see 2.2); this particular use of the Programme showed to be effective but it is important to underline that the possibility to implement this kind of actions mainly depends on MS and third countries' initiatives. This again shows the actual need to establish even closer contacts between the OLAF and investigative units from 'at risk' countries; this could be possibly achieved by increasing the participation of OLAF staff in Pericles staff exchanges organised by the police or by organising joint missions with Europol. The important role played by the Pericles programme in supporting operations is underlined in an official information note issued by the Spanish NCO following the recent dismantling of an illegal print-shop in Colombia (Bogota, 7 January 2010 - see 3.1).

- **Participants**

Due to reasons of priority, in the seven years of implementation, the large majority of participants were police officers. In recent years an increasing number of staff from the financial and judicial sector is participating. Today we need an extra effort for involving also other staff concerned: further diversification of participants from the public sector, through the involvement *inter alia* of customs officers, and fresh attention to the private sector. This was already the case for the last seminar organised by the German BKA with the printing industry and for the training for cashiers from private banks in Montenegro.

Also technicians from Mints were more actively involved in Pericles 2009: the Belgian CNAC organised its second Pericles staff exchange (this time with France), while the ETSC organised a study visit involving Croatia, Montenegro and Slovakia and a workshop for technicians. In 2010, Pericles will be further diversified by delivering a training for cashiers in Croatia (March 2010), co-organising the Italian “financial intermediaries conference” in Libya (May 2010) and including a bigger number of judicial and financial staff in the events mainly addressed to police officers.

Judicial staff was the special focus of the Pericles Seminar “Handling of evidence in the context of Reg. 1338/2001” celebrated in Brussels in November 2009.

Both judicial and financial staff were the main audience at the Conference “A Community strategy for the protection of the euro” organised by the Italian Ministry of Finance in Rome in December 2009 (see 1.1.).

## **7. Performance indicators**

Overall, the implementation of the Pericles programme should be assessed on the basis of the following criteria:

- compliance with the geographical perspectives, as described above;
- diversification of type of action, as mentioned above;
- maintenance of the level of participation at least at the current levels of about 500 participants a year, in a steady-state situation; and
- maintenance of the current high level of credit consumption – at least 80%.

The quality of implementation will be verified with a user satisfaction survey; this is planned for 2010.

A continuous assessment is taking place, on the above basis at each of the meetings of the ECEG. MS have, on this occasion, systematically expressed satisfaction on the effects and management of the Pericles programme.

Yannis XENAKIS  
Head of Unit

Copies: N. Ilett, K. Larsson, S. Combeaud

## ANNEX III



**EUROPEAN COMMISSION**  
EUROPEAN ANTI-FRAUD OFFICE (OLAF)

Operational & Policy Support  
**Protection of the euro; Hercule& Pericles Programmes**

### NOTE TO FILE

**Subject : Pericles programme – Mid-Term Evaluation 2006-2010**

#### **1. Introduction**

The Pericles Programme was established in 2001 and was originally scheduled to run until 2005. However, due to its success, its operation was extended until the end of 2013. A mid-term evaluation started in 2010 in order to assess the effectiveness of the Programme halfway through its 2007-2013 extension. A questionnaire was distributed to the beneficiaries of Pericles funds and the feedback will be used as a basis to identify the target areas for improvement and determine whether Pericles should continue beyond 2013. Considering that the last evaluation took place at the end of 2005, it was decided to evaluate the implementation of the programme starting from 2006.

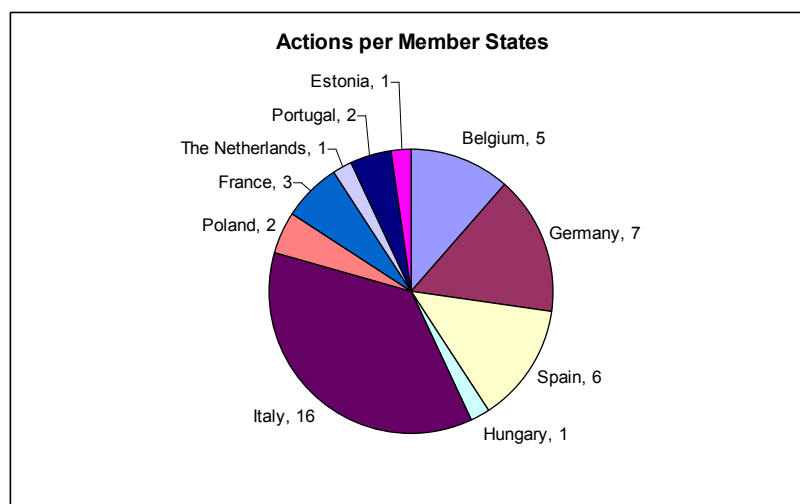
#### **2. Implementation 2006-2010**

From 2006 until 2010, 44<sup>22</sup> actions were committed to: 38 of these actions were implemented in the period 2006-2010 and the remaining 6 are scheduled to be implemented in 2011. The organisers of these actions, co-funded under the Pericles Programme, have consisted of 16 National Competent Authorities<sup>23</sup> from 10 Member States.

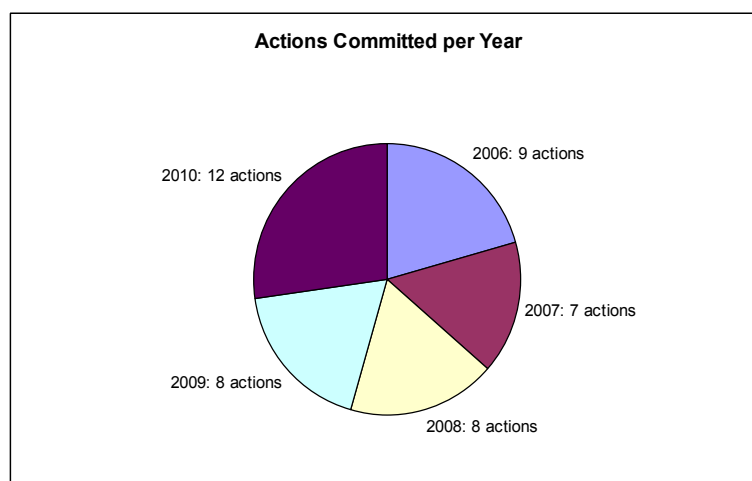
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<sup>22</sup> During the same period of time, The Commission/ OLAF organised 25 Pericles actions on its initiative. These actions are not included in this document.

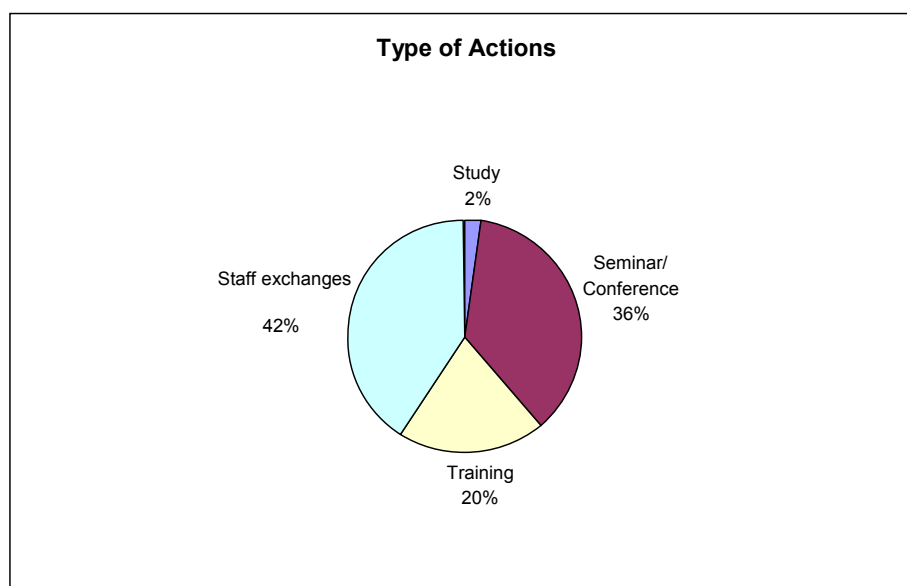
<sup>23</sup> We received 15 replies (Polish Police is missing, they presented for the first time a Pericles application in 2010 for an action to be implemented in 2011)



Italy implemented the highest number of actions: 36% of the total actions.  
The following chart shows a breakdown of the number of actions committed per year.



The following chart depicts the types of actions carried out, the most popular being staff exchanges and Seminar/Conferences (together almost 80% of the actions)



### 3. Responses to the Questionnaire

The statistical data gathered from the responses to the questionnaire are as follows:

#### 3.1. Coordination and Development

How would you grade your level of involvement in establishing the priorities of Commission/OLAF training strategies?

	Non-Existent	Not Significant	Significant	Very Significant
1. At the multilateral level (ECEG)?	1 <sup>24</sup>	2 <sup>3</sup>	6	6
2. At the bilateral level?	1 <sup>3</sup>	1 <sup>3</sup>	7	5

All beneficiaries participating on a regular basis in ECEG meetings (more than 80%) replied that their level of involvement was significant or very significant both at the multilateral and the bilateral level.

#### 3.2. Commission/OLAF Support in Preparation and Evaluation

	Insufficient	Sufficient	Good	Very Good
1. Pre-application phases	1 <sup>4</sup>	-	3	11
2. Timely evaluation and conclusion of contracts	1 <sup>4</sup>	-	5	9
3. Timely final evaluation and payments	2 <sup>5</sup>	1 <sup>6</sup>	5	7

All beneficiaries considered the pre-application phases to be good or very good, with the only exception of Spain. The same applies with the timely evaluation and conclusion of contracts. 3 beneficiaries (20%) would welcome shorter delays for the final evaluation and closure of the action.

The overall negative evaluation of OLAF support received by Spain follows the fact that:

- one application from BIBE was refused by the evaluation committee in 2009;
- the low quality of the financial reports received from Spain obliges Unit D6 to ask for complementary documentation and delay the final payments.

#### 3.3. Efficiency and Effectiveness

To what extent do you agree with the following statements?

	Strongly Disagree	Disagree	Agree	Strongly Agree
1. The financial support provided by the		-	4	11

<sup>24</sup> This is the case of those beneficiaries not participating in the Euro Counterfeiting Experts Group (ECEG), such as Bank of Italy, National Bank of Poland and Royal Mint of Belgium.

<sup>4</sup> ES - BIBE

<sup>5</sup> ES – BIBE, NL - Police

<sup>6</sup> PT – Policia Judiciaria

Commission/OLAF has been instrumental in giving my organisation the ability to carry out training activities with a European dimension aimed at the protection of the euro.	-			
2. With regard to the planning of the training action, the support provided by the Commission/OLAF in terms of coordination/organisation was satisfactory.	-	-	6	9
3. (If applicable) Attendance at the action and coverage of issues by the Commission/OLAF was satisfactory.	-	-	5	8
4. The support provided overall by the Commission/OLAF met expectations.	-	-	4	11
5. (If applicable) The action improved the way in which my organisation works overall.	-	-	5	7
6. The procedure for applying to Pericles is easy to carry out.	1 <sup>7</sup>	-	7	7
7. Pericles legislation is sufficiently clear and coherent.	1 <sup>7</sup>	-	5	7

**Do you intend to submit further applications for financing to the Commission/OLAF, under Pericles?**

**Yes 12    Maybe 1    No 0**

**no reply 2**

80% of the beneficiaries are planning to submit further applications.

**In your opinion, is there a need for the Pericles Programme to continue in the future?**

**Yes 15                      No 0**

100% of beneficiaries recommend the continuation of the Programme beyond 2013

### **3.4.Further Comments**

**Do you have any further comments in terms of the general implementation of Commission/OLAF training activities? If yes, please specify what we could change to further improve these activities.**

**Simplification:** greater flexibility/ discretion in using the granted amount

The beneficiaries refer to the fact that the Pericles Decision provides for a rigid split between Community costs (to be covered by OLAF) and non-Community costs (to be covered by Member States). This split complicates the preparation of the budget when the actions are not implemented on the beneficiaries' premises<sup>8</sup>.

**UCAMP, CCAFM , UCIFM, BIBE**

*This request received from the most experienced users of Pericles shall be taken under serious consideration in view of the possible extension of the programme beyond 2013*

<sup>7</sup> ES - BIBE

<sup>8</sup> This is the case of the large majority of the actions

Evaluation Committee:

- To limit the evaluation to cost/effectiveness criteria
- Need for more meetings of the Committee
- More flexibility to increase the amount of the advanced payment

**BIBE**

*With respect to the comments received by the BIBE, we notice that:*

- *The criteria of evaluation are listed in the Financial Decision and in the Call for Proposals;*
- *The number of the evaluation sessions is strictly linked to the deadlines for submission of the applications; this number (3) cannot be further increased;*
- *In the second half of 2010, OLAF increased transparency and flexibility in providing “increased” advanced payments when needed (the list of cases is within the Call for Proposals)*

**Please add any further comments you would like to make.**

Need for clarification regarding the type of documents and final procedures in order to avoid long delays in closing the actions

**PJ, BIBE**

*Some beneficiaries had the feeling that interpretation of financial rules changed during the years; therefore they would welcome a clarification in order to avoid financial risks and delays in final payment. In this respect a specific meeting in Brussels together with OLAF Budget Unit (D6) could be envisaged.*

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It should be avoided that overlapping with other actions of European institutions occurs in the field of protecting the Euro.

**BLKA**

*The German colleagues underline the importance of coordination among European institutions in training: this is one of the main tasks for the ECEG. In the past some overlapping took place due to the fact that Europol didn't inform about its plans in advance; in consideration of this, OLAF already asked Europol to discuss all training activities in advance at the ECEG meetings.*

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“I would expect the specialised training on the different types of the printing machines used by counterfeiters”

**NBP**

*To be discussed at the ECEG*

#### **4. Conclusions**

Based on the received replies, the following issues shall be pointed out.

**Beneficiaries' satisfaction:**

- The beneficiaries feel to be really involved in the implementation strategy of the Pericles programme and appreciate the support provided by OLAF;
- The Programme is instrumental in giving the beneficiaries the ability to carry out training;
- The Programme positively contributed in increasing the protection of the Euro;
- 100% of beneficiaries recommend the continuation of the Programme beyond 2013.

The above statements show high appreciation for the Programme and its management by OLAF.



**Areas of possible improvement:**

- In case of continuation of the programme beyond 2013 (as suggested), OLAF shall consider a simplification of the legislation by including more flexibility in the use of the granted amount
- There is a need for more clarity in rules and procedures for submitting the final financial report; OLAF shall organise an ad hoc Pericles seminar in 2011.

**Next step:**

Given that discussion on the financial perspectives for 2014-2020 is due to begin in 2011, the outcome of this questionnaire will be discussed together with the Member States at the ECEG meeting and matched with the evaluations provided by participants in the events<sup>9</sup>.

The outcome of this exercise will be used:

- as guidance for introducing possible modifications to enhance the effectiveness and quality of implementation of the Programme before 2013;
- to suggest improvements to the Programme in case it would be extended beyond 2013.

Luca Pierini  
(signed)

**Copies:** G. Kessler, C. Arwidi, Y. Xenakis, C. Chatzipazarlis, K. Ennis

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<sup>9</sup> these are included in the final technical reports provided by the beneficiaries

## ANNEX IV

Pericles tables of implementation (2002-2010)

[http://ec.europa.eu/anti\\_fraud/programmes/pericles/2006/award2002.pdf](http://ec.europa.eu/anti_fraud/programmes/pericles/2006/award2002.pdf)

[http://ec.europa.eu/anti\\_fraud/programmes/pericles/2006/award2003.pdf](http://ec.europa.eu/anti_fraud/programmes/pericles/2006/award2003.pdf)

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[http://ec.europa.eu/anti\\_fraud/programmes/pericles/2009/table-2008.pdf](http://ec.europa.eu/anti_fraud/programmes/pericles/2009/table-2008.pdf)

[http://ec.europa.eu/anti\\_fraud/programmes/pericles/2010/Pericles-implementation-2009.pdf](http://ec.europa.eu/anti_fraud/programmes/pericles/2010/Pericles-implementation-2009.pdf)

[http://ec.europa.eu/anti\\_fraud/programmes/pericles/2011/Annex6-budget-implementation-2010.pdf](http://ec.europa.eu/anti_fraud/programmes/pericles/2011/Annex6-budget-implementation-2010.pdf)

## **DRAFT REPORT**

### **55th Meeting of the “Euro Counterfeiting Experts Group” of 9 November 2010**

#### ***Attendance (See attached list):***

- 41 participants: 23 from Member States (Luxemburg, Romania, Slovak Republic, and Sweden excused)
- One external expert from Portugal and three from Poland
- Representatives from the European Central Bank (ECB) (1), Europol (1), Interpol (1)
- Six members of European Commission/OLAF staff

This meeting took place in Brussels, Belgium and was chaired by Mr. Y. Xenakis, Head of Unit C.5, OLAF/European Commission.

#### **1 Approval of the agenda and the report of the previous meeting**

The Chairman welcomed the participants to the 55<sup>th</sup> meeting of the Euro Counterfeiting Experts Group (ECEG) and introduced the agenda, highlighting the presence of guest speakers from Poland and an external expert from Portugal, explaining that an expert from Spain was not available for today's meeting.

The report of the 54<sup>th</sup> meeting of the "Euro Counterfeiting Experts Group" of 26 June 2010 was approved (the latter with modifications from ECB and Europol). The final report of 26 June 2010 is now available on the CIRCA Website.

#### **2 The effectiveness of anti-counterfeiting legislation:**

##### **2.1 The state of play in Portugal**

Mr. V. Magalhaes (Portuguese State Prosecutor) introduced the legislation in place in Portugal aimed at combating currency counterfeiting. Moreover, he described the

Commission européenne, B-1049 Bruxelles / Europese Commissie, B-1049 Brussel - Belgium. Telephone: (32-2) 299 11 11. Office: J-30 10/62. Telephone: direct line (32-2) 2993483. Fax: (32-2) 2921884.

E-mail: yannis.xenakis@ec.europa.eu

structures in place in Portugal to carry out investigations and technical analysis of counterfeit banknotes and coins. Statistics regarding the quantity of counterfeits identified from 2002 to the present were also provided.

The Chairman thanked Mr. Magalhaes, noting the significant figures: 11,000 cases investigated, 81 closed. The Chairman invited the prosecutor to address the group at a future date on the topic of sentencing practices, describing major sentences imposed and the average lengths of imprisonment. The presentation is found on CIRCA.

### **‘Pericles’ Programme**

#### **3.a. The implementation of 2010 budget – state of play**

The Chairman pointed to the enthusiasm of applicants in 2010, highlighting the fact that the Pericles programme budget is likely to be committed in full again this year.

Mr. L. Pierini (OLAF/European Commission) gave an overall description and appraisal of the projects in the pipeline for implementation in 2010. Underlining the fact that despite the reduction of the 2010 budget to 900,000 €, Mr. Pierini reported that 17 actions are nevertheless expected to be financed, the same number of actions as in 2009. The average cost of actions in 2010 was less than that of 2009. It has been necessary to postpone certain actions until 2011, due to the shortage of 2010 budget. To date, 14 actions have been committed and three are in the pipeline. Applications from Portugal, Poland, and the Italian Carabinieri have been submitted for the last call for proposals. The total number of approved actions is expected to be 17. The amount committed for 14 actions is 725 021 €.

A comprehensive list of approved actions is found on the CIRCA website. Mr. Pierini was pleased to underline that two new member states have submitted applications, Estonia a staff exchange and Poland a seminar/staff exchange, noting, moreover, that the programme’s users are becoming more diversified, ensuring a more thorough protection of the euro.

#### **1. Belgium – Conclusions of the Staff Exchange between the Belgian NCO (police) and the CNAC (Mint) with Spain**

This was a coordinated action between Belgian police and Mint with the goal of observing how the authorities, the NAC and the NCO in Spain work together and to learn how handling of counterfeits, both banknotes and coins, is conducted. Belgian authorities plan to closely associate the NCO (Police) and NAC of the National Bank, by putting them in the same locale in order to improve cooperation. Observations of the handling of counterfeit coins in Spain have already been presented to the CCEG by the Royal mint.

Mr. Peeters told that their reception by Spanish authorities was very welcoming, noting all questions were answered and all material and equipment was available for consultation. Upon reflection, he mentioned that all material, equipment and trained personnel were in place, as were all procedures necessary for counterfeit detection. However, he observed that not all coins were tested, not all sorting machines were correctly adjusted and seemingly the responsibility for checks was not clearly defined. It is his opinion that the new European regulation introducing obligations to authenticate euro coins and penalties would assist in avoiding this difficulty. Transposing the European regulation into a precise, comprehensive and practical national law

outlining procedures and responsibilities concerning the authentication process would be useful. Lastly, Mr. Peeters commented on the constructive working relationship between the Spanish police and analysis centre. Guidance provided by the scientific analysis to the police was integral to focusing investigations and assisting with priority setting. Noting that the Spanish NAC provided much more guidance to the police than in the case in Belgium, he found that the working relationship impressive. It is this complementary relationship he would like to see created in Belgium when the two units, NCO and NAC, are put together. The Chair commended the excellent conclusions of the Belgian initiative and underlined that this was best practice to be used as an example of successful staff exchange.

Action: OLAF/Commission will ensure that the conclusions of this staff exchange are put on CIRCA

## **2. Conclusions of the Seminar “Euro South East” Tirana, Albania (OLAF, BLKA, DE)**

The Chairman explained that BLKA representatives were not presented at the ECEG today because they were celebrating Mr. Edi Liedgens’ retirement. On behalf of the group, the Chair acknowledged the enormous contribution that Mr. Liedgens made to the protection of the euro in terms of police action, prevention and also awareness-raising. He represented a voice of reason in the group and will certainly be missed by the members. Mr. Xenakis wished to express his personal gratitude and expressed his hope that Mr. Liedgens visit the group in the future.

Mr. Pierini presented a brief summary of the “Euro South East” seminar that took place in Albania from 18-22 October. Roughly 70 participants attended from southeast Europe, from Turkey, Germany, Austria, Italy and the Balkans. The action was very successful in terms of updating the status of the protection of the euro and the enlargement and reinforcement of the network of professionals. The action included a simulation of an international investigation. While its focus was German or Austrian experience, the audience benefitted from the observations and the simulated investigation. A fuller description of this successful event and the conclusions will be made at the next ECEG meeting in March.

The Euro South East is strategically important ensuring the thorough protection of the euro while establishing fruitful working relationships among police authorities of the region. Despite Mr. Liedgens’ retirement, Commission/OLAF counts on the series focusing on the South east continuing given its important strategic significance.

The Chairman informed that the euro is a transaction currency in Albania. Nevertheless, their legislation is has not yet been adapted to allow for the adequate protection of the euro. On an official level, the use of euro is not controlled or actively protected against counterfeiting. While appropriate measures are taken when a counterfeit is identified, proactive measures to protect against counterfeiting are not taken. Therefore, given that authorities did express eagerness to improve the situation, the chairman expressed the intention to invite an Albanian delegation for them to describe the current legal situation, with a view to amelioration. Mr Pierini informed that Albania will be listed among priorities for Pericles implementation in 2011.

## **3. Conclusions of the conference: “Reinforcing the protection of the euro: a shared responsibility” 28-29 October 2010, Brussels**

This joint conference was co-organised by Commission/OLAF, European Central Bank (ECB), the European Payments Council (EPC) and the European Security Transport Association (ESTA). 70 participants mainly from EPC and ESTA, commercial banks and cash-in-transit industry, as well as member states gathered on 28-29 October in Brussels. The conference was viewed as a follow-up to that organised in 2005 and aimed to take stock of progress made in the protection of the euro and to identify challenges in the years to come. The two day conference covered legislative changes aimed at the protection of the euro, including new, legally binding authentication procedures for euro banknotes and coins. DG ECFIN presented its Recommendation on legal tender of euro banknotes and coins. Europol presented technical and law enforcement measures to protect the euro. ECB talked about the second generation of euro banknotes. Training aspects under the Pericles programme were summarised and success stories from the Italian NCO were also presented. Cash-in-transit issues focused on the need for greater support from law enforcement to prevent attacks. And DG ECFIN also summarised its proposal for a Regulation on cross-border transport of euro cash. The ECB gave enlightening presentations on the topic of communication with the public, discussing various awareness campaigns. Austria, Portugal and the UK added to the communication panel outlining measures taken in their countries.

The chair wished to underscore the successful cooperation with the ECB which undertook this joint seminar and appointed a senior advisor to deliver the opening speech, while Mr Nicholas Ilett, acting Director-General of OLAF, delivered the closing address. This type of inter-institutional cooperation is integral to promoting a cohesive strategy of protecting the euro. Furthermore, the close engagement of the private sector is becoming ever more important as the authentication legislation involves their compliance. The private sector outlined concrete ideas for the future. These will be reported and shared with the group.

### **3.b Pericles Programme - Perspectives for 2011**

Mr. Luca Pierini tabled a room document outlining initiatives planned by Member States under the Pericles Programme in 2011, highlighting the need to maintain efforts in Italy and to involve Bulgaria more closely. It was reported that Pericles' 2011 budget should be 1.000.000 €. Other areas of concern continue to be the Balkan countries, Turkey and South America; weaker links in China and the Mediterranean remain to be reinforced. During a round table discussion, Member States were invited to comment and describe the focus of their actions in order to ensure coherence and to avoid duplication especially in terms of subjects covered and participants. It was emphasised that the Italian action foreseen in Turkey in 2011 by UCAMP will focus on the financial sector, compared to the police focus of the OLAF/Commission exercise in Antalya. This document can be found on the CIRCA website. He emphasised that the next Pericles call for proposals is foreseen for 1 April 2011. OLAF plans to organise a small event for applicants to provide guidance for applications and financing in the Pericles programme.

The Italian Carabinieri and the Portuguese PJ described their latest applications for staff exchanges underlining the strong contribution of these actions to their operational work. The experts gave their overall agreement on the perspectives of Pericles implementation in 2011.

Highlighting inter-institutional cooperation, Europol described some of its upcoming initiatives and geographic areas of concentration. Europol will continue to give prominence to its WeBTEG initiative (Western Balkans and Turkey) and will carry out an international conference during 2011, a biennial event. It is possible that these operational meetings could be jointly organised together with OLAF and financed by Pericles in the future. Commission/OLAF conveyed its

willingness to co-organise the international conference with Europol and ECB. Moreover, Mr. Buttenberg told of the specific focus of Europol on the following two schemes:

#### *Europol 'Social Study of Counterfeiting'*

Work on the Europol 'Social Study of Counterfeiting' is planned to be carried out in conjunction with Dutch national authorities: the Central Bank, the NCO and the Police Academy. It is now planned to conduct a first pilot phase in the Netherlands, to in order to gather information and to determine feasibility. After the first stage, the scope of the study will be refined to carry out European-wide research. Europol will keep OLAF informed of the Terms of Reference and the advancement of the study.

#### *Europol Bitmap Training*

Europol would like to continue its Bitmap training but in a more centralised way. Portugal expressed its willingness to host a basic training, this initiative was welcomed by Commission/OLAF and Europol. Europol asked to the German BKA to play a role as possible organiser of a possible second level training and agreed to send a request to Commission/OLAF concerning the two levels of training. The modalities will then be discussed with Portugal and, possibly, the German BKA.

Action: OLAF will circulate an e-mail to the ECEG to request interest in Bitmap training to establish the need to organise training in the short term.

#### *International conference on the protection of the euro*

The chairman requested information on the prospects for the next biennial conference on the protection of the euro. He opined that the next conference be organised as a joint initiative Europol/ECB/OLAF. The Europol representative will convey this idea to his hierarchy.

### **3.c. Polish training activities in 2011 (Polish NCO)**

The Polish delegation reported on its upcoming training activity to focus on the protection of the euro in north east Europe. The action comprises three phases, first, in February 2011 a three day working group meeting for 27 people from Member States plus Ukraine, Belarus and Russia. A detailed questionnaire has been forwarded to all Member States in order to determine the level of protection of the euro in each state in order to identify best practices. Following an analysis of the responses, a seminar-type event will be held, with working group sessions aimed at discussing the application of Regulation 1338 and other methodological themes concerning the functioning of NCOs. It will be followed in April-March by a staff exchange, first hosted in Warsaw involving 4 persons each from: Lithuania, Spain, Slovakia, Ukraine and Germany to meet with representatives of Polish national authorities. Then Polish representatives will travel to Vilnius, Madrid, Bratislava, Kiev and Berlin. Finally, the police propose to produce an information brochure in Polish, German, Russian and English. The Chairman thanked Poland for its initiative noting that the focus will be on Eastern border countries. He requested that the questionnaire be modified to remove the elements that are already known and distributed to the ECEG group. Further, it was suggested that MS interested in participating in the action could contact the Polish NCO. Given the ambitiousness of the action, OLAF/Commission offered to collaborate closely with Poland for its implementation.

Action: OLAF will prepare a new version of the Polish Questionnaire and circulate it by e-mail to

the ECEG experts to request their comments.

### **3.d. Euro Counterfeit Currency Manual**

The finalisation of French, German, Italian and Spanish versions is underway. We are awaiting final approval from two Member States.

### **4. Organisational and methodological developments in the fight against counterfeiting (Carabinieri)**

Mr. Gentili gave a presentation entitled “Organisational and methodological developments in the fight against counterfeiting”. It has been uploaded onto the CIRCA website. The Chairman thanked the speaker for his presentation and expressed his wish for continuous close co-operation and coordination of training actions.

### **5. Legislative issues**

#### **a. Implementation of modified Regulation 1338/2001 – update**

##### **i. Procedures for banknote authentication (ECB)**

The ECB reported on Decision ECB/2010/14 of 16 September 2010 on the authentication and fitness checking and recirculation of euro banknotes which has now been published. Ms. Sophie Bening gave a detailed presentation on the provisions which is now found on the CIRCA website.

Following a question from Cyprus, the ECB confirmed that each MS is responsible to decide the amount of financial sanction to apply in case of non-compliance.

##### **ii. Progress with regard to coin authentication procedures (OLAF)**

The Commission (Ms. Kanellopoulou) reported on euro coin authentication procedures. This presentation is found on the CIRCA Website. The Chairman noted that the coin authentication regulation will be published before the end of the year. Addressing a question from France, the Commission revealed that work on guidelines for the implementation of authentication procedures will commence shortly. ETSC work teams have been established to undertake this project and will meet for the first time on 30 November; discussions will take place within this framework. 19 MS have requested to participate in these work teams, to treat various themes, for example, technical instructions or training needs. Mr. Mueller believes a first draft will be ready for circulation within Commission services by mid-April 2011, this is an informal deadline. However, it is still to be determined what type of instrument the Commission will use to issue the aforementioned guidelines.

### **6. Status of euro counterfeits (ECB, Europol, OLAF/ETSC, Interpol)**

European Central Bank (ECB)



Ms. Bening related a message from Mr. McCallum concerning the statistics of euro banknote counterfeiting based on the two page table furnished to the group. Counterfeiting has steadily declined over a one year period to a level of 762,480 or 63,500 per month. The main component of the fall is a decline in the counterfeiting of the 20-euro banknote however, counterfeiting of the 50-euro note is the most numerous. The number of the high quality P3 remains at a much lower level than expected from the runs of the serial numbers. Over 2/3 of counterfeits belong to the so-called 'Napoli' classes. Lastly, counterfeit recognition training has taken place in Estonia to improve readiness for the introduction of the euro.

#### European Technical and Scientific Centre (ETSC)

The ETSC briefed the group on the statistical trends of counterfeit euro coins. Mr. Mueller informed that the last 6 months of 2009 and the first six months of 2010 showed a level of 180,000 coins detected in circulation, up from the previous year of 170,000. It nevertheless seems significant that Germany detects more counterfeit coins than it does banknotes, and that Spain, while detecting counterfeit banknotes, does not detect coins. The counterfeit 50-cent piece is becoming more widespread, matching the level of the 1euro cent. Significantly, half of all counterfeit 50-cent pieces are detected in France, the reason for this is unknown. It is supposed that this is due to flows from Italy.

#### Europol

Mr. Buttenberg gave handouts of tables providing a statistical overview of police actions from January-September 2010. He noted the two peaks during the year which corresponded to two significant cases in Italy and Colombia. Briefly presenting the most recent case, the Italian Carabinieri shut down a printshop producing the 50P5 in August 2010 in Naples. This important operation is likely to aid all European countries affected by this class of counterfeits. There is clear evidence that the dye used for the hologram of this class was found in this printshop. Another major case was the discovery of the printshop for the 100P15 class in Bulgaria. The mother class has now been dismantled based on the material discovered. Europol is involved with three working groups: "Peninsula" involving Italy, France and Spain which has led to improved information flows and cooperation, 'South America' which supports staff exchanges and training measures, and the 'Balkan' working group which currently focuses on measures to track and prevent the production of the 100P12, P13, P15, and 50P26. The statistics provided by Europol, besides outlining major initiatives, describe suspect nationalities. For the moment most counterfeiters are born in Bulgaria but migrate and most often are of Italian nationality. This could be a topic of the upcoming social study. Europol told of the increased quantities of counterfeits in Belgium, the creation of a targeted working group including the NCO and the National Central Bank, and its ongoing action plan of awareness-raising. It is hoped the dismantling of the print shop in Italy will contribute to a decrease in counterfeits circulating in Belgium.

#### Interpol

Ms. Dzidrovskaja reported on counterfeit euro notes reported by Interpol member countries for the period 2008-9, the period of 2010 is still ongoing and will be reported at the next meeting. Of respondents, 87 member countries answered 63 were non-European Union Member countries. In 2008, 40 million counterfeit euros were seized, of these 11 million from Colombia and 900,000 reported by Algeria. Two million counterfeit euros were reported by members outside the euro zone in 2009. This number is significantly lower than the previous year because it excludes

Colombia, whose numbers have yet to be verified. In 2009, Serbia reported 500,000, followed by Switzerland and Peru. Counterfeit euros registered by African countries include 180,000 by Tunisia, followed by Morocco and Algeria; in Asia 70,000 were reported by Jordan followed by Israel and Hong Kong. With regard to counterfeit US dollars, in 2009, 45 million printed notes with a value of 64 million have turned up. In 2008, this number for US dollars was 72 million passed, with 107 million seized. Significant finds were reported from Portugal, Belgium and Russia. As for Canadian dollars, counterfeits were found by Switzerland, Poland, Portugal and Serbia.

#### Commission/OLAF

Ms. Korinthios presented a paper “Effectiveness of action against euro counterfeiting 2007-2009”. The objective of the brief report was to underline the effectiveness of law enforcement action in the fight against euro counterfeiting. Three indicators were analysed; the number of arrests, of illegal print shops and mints discovered, and the number of counterfeits seized before circulation. It is evident that each year there has been progress in combating euro counterfeiting and removing counterfeiters from action. The Group agreed on the usefulness of the approach; consequently, the Commission will extend the scope of this study to all Member States and will refine methodology so as to ensure reliable conclusions.

#### **7. Miscellaneous**

The proposed dates for meetings in 2011: 15 March, 21 June and 10 November

<b>Belgium</b>	Mr. J. Peeters;
<b>Bulgaria</b>	Mr. K. Kostadinov;
<b>Czech Republic</b>	Mr. J. Moravec;
<b>Denmark</b>	Mr. R. Jensen; Mr. S. Jensen;
<b>Germany</b>	Mr. D. Dominicus; Mr. F. Müller; Mr. O. Rump;
<b>Ireland</b>	Mr. D. Heneghan;
<b>Estonia</b>	Ms. K. Kirsell;
<b>Greece</b>	Ms. D. Koutsotoliou;
<b>Spain</b>	Mr. J.F. Bañuelos Fernández; Ms. L. Diz Lozano
<b>France</b>	Ms. M. Carruba; Mr. J.-L. Perrier;
<b>Italy</b>	Mr. F. Carpenito; Mr. A. Gentili; Mr. P. Marraffa;
<b>Cyprus</b>	Mr. C. Ktoris
<b>Latvia</b>	Mr. E. Berzins; Mr. A. Taurins;
<b>Lithuania</b>	Ms. N. Baltruniene;
<b>Luxembourg</b>	excused
<b>Hungary</b>	Mr. T. Goricsan;
<b>Malta</b>	Mr. K. Mifsud; Mr. I.J. Abdilla
<b>The Netherlands</b>	Mr. M. Naber;
<b>Austria</b>	Mr. F. Hammerschmidt; Mr. G. Boden
<b>Poland</b>	Ms. E. Szegidewicz, Ms. E. Kozłowska-Osuch; Mr. T. Malczyk; Mr. J. Dobrolecki
<b>Portugal</b>	Mr. V. Magalhaes; Ms. P. Silveira;
<b>Romania</b>	excused
<b>Slovenia</b>	Ms. I. Kure; Ms. N. Kupic;
<b>Slovak Republic</b>	excused
<b>Finland</b>	Mr. P. Somerkoski
<b>Sweden</b>	excused
<b>United Kingdom</b>	Mr. S. Norton
<b>Commission</b>	
<b>ECB</b>	Ms. S. Bening
<b>Europol</b>	Mr. T. Buttenberg
<b>Interpol</b>	Ms. D. Dzidrovskaja;

Brussels, 16 June 2010 (revision)  
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## **DRAFT REPORT**

### **53rd Meeting of the “Euro Counterfeiting Experts Group” of 18 March 2010**

#### *Attendance (See attached list):*

- 46 experts, 38 from Member States (Hungary, Ireland, Luxemburg, and the Slovak Republic excused)
- One expert from France and one from Italy
- Representatives from the European Central Bank (ECB), Europol and Interpol
- Seven members of European Commission/OLAF staff

This meeting took place in Brussels, Belgium and was chaired by Mr. Y. Xenakis, Head of Unit C.5, OLAF/European Commission.

### **1 Approval of the agenda and the report of the previous meeting**

The Chairman welcomed the participants to the 53<sup>rd</sup> meeting of the Euro Counterfeiting Experts Group (ECEG) and introduced the agenda, highlighting the presence of magistrates from France and Italy as guest speakers.

The agenda and the report of the 52<sup>nd</sup> Meeting of the "Euro Counterfeiting Experts Group" of 10 November 2009 were approved without amendments.

### **2 The effectiveness of anti-counterfeiting legislation:**

#### **2.1 The state of play in Italy**

Mr. A. Galanti (Ministry of Justice, Rome) introduced his findings on the state of implementation of anti-counterfeiting legislation in Italy. The presentation has been uploaded on to the CIRCA website.

## **2.2 The state of play in France**

Mr. S. Almaseanu (Ministry of Justice, DACG, Paris), provided the most recent data available concerning currency counterfeiting, convictions and sentencing. “Effectiveness of anti-counterfeiting legislation in France” is available on the CIRCA website.

The discussion following the two presentations highlighted the need to raise the profile of the seriousness of currency counterfeiting among justice officials, perhaps through the training of judges and magistrates. Furthermore, a wider understanding of sentencing for counterfeiting crimes is needed on a European level. A cooperative effort to render legally prescribed penalties for counterfeiting uniform is warranted. To progress in this, the involvement of Eurojust in the medium, if not short term should be envisaged. Since it is the integrity of the currency that is the object of protection, the ECB argued that different penalties should not be prescribed for it.

Austria volunteered to make a presentation on this topic in June. Finland will also consider making a presentation in the future.

### **‘Pericles’ Programme**

#### **3.1.a The implementation of the 2009 budget**

Mr. L. Pierini (OLAF/European Commission) presented a general overview of the projects financed by the ‘Pericles’ Programme in 2009. 17 actions were co-financed, 8 seminar/training, 5 staff exchanges, 2 workshops, 1 study and 1 technical support meeting. 1,000,000 euro, or 100% of the budget was consumed. The actions approved have covered diverse geographical areas: Balkans and Turkey, Russia, South America and the Mediterranean, including North Africa. Police forces remain the largest focus of Pericles actions, though a multidisciplinary approach is assured by including representatives of financial institutions and the judiciary. One action specifically oriented to the judicial sector was organised, focusing on the issue of handling evidence. In Croatia and Montenegro, seminars on the recognition of counterfeits were given to the financial sectors; a specific technical seminar was also organised by the ETSC on euro coins. The group expressed its approval of this report on the implementation of 2009. A complete list of 2009 Pericles Programme is on the CIRCA website.

#### **3.1.b Prospects for implementation of the 2010 budget**

A document was prepared identifying ongoing 2009 actions and those foreseen for implementation in 2010, highlighting the current strategic framework. It is important to maintain emphasis on the most sensitive EU states of Italy and Bulgaria, especially to counter illegal print shops in the region. Turkey and the Balkan area are of strategic importance to the programme. In 2009, Montenegro and Croatia have been the focus of Pericles actions and this emphasis continues in 2010. Croatia has expressed an interest in participating in staff exchanges with member state national banks. Serbia, Bosnia Herzegovina and the former Yugoslav Republic of Macedonia and Albania will be featured during 2010. Serbia will be highlighted for an action by

the Dutch central bank.

Albania has been selected by the BLKA as the centre of the Euro Southeast. Other geographical areas have been identified by Pericles partners, notably Brazil and Russia, Latin America/Columbia and China. Mr. Perini announced that the following applications had already been received and were due to be evaluated: Euro Southeast in Albania (BLKA), two applications from Belgium for staff exchanges in Spain, an awareness-raising action in Libya (UCAMP) and a staff exchange between BIBE and Peru, Colombia and Argentina.

The Chairman noted that the Pericles budget for 2010 was slightly less, €900,000. A roundtable revealed the plans of members state applications: the BKA intends an action in Bulgaria; UCIFM plans an action in Russia, is holding meetings with Chinese officials, and foresees a study on the relationship between major events and counterfeiting; the Italian Carabinieri intend to carry out an exchange of officials for Malta, Cyprus, Egypt, Lebanon, Morocco, Tunisia and Algeria.

### **3.2 Conclusions of the Seminar “A Community strategy to protect the euro”**

This conference held in Rome 30 November – 1 December 2009 by UCAMP, was organised for magistrates, police forces and representatives of the national central bank. Participants came from Italy, Spain, Greece, Malta and Cyprus and European institutions. 82 participants attended. The main conclusions confirm the importance of effective cooperation between authorities protecting the euro. Central bank authorities noted that measures to authenticate the euro have led to good results. Moreover, analyses of concrete cases were made, focusing on judicial decisions and sentencing in France and Italy. Participants called for an increase the opportunities to attend events, continued flows of information and, further training possibilities should be assured.

### **3.3 Conclusions of the judicial seminar on the topic of the status of counterfeits as evidence**

Mr. Kasimis presented the conclusions of the seminar “Judicial Issues and Criminal Proceedings in relation to the Protection of the euro”. The event took place from 24 to 25 November 2009 in Brussels and was financed under the Pericles programme.

The action brought together 20 experts (mainly magistrates with participation of police officials) from 10 Member States (Belgium, Bulgaria, Estonia, France, Germany, Greece, Italy, Luxemburg, Portugal and Spain), one representative from the European Central Bank (ECB) and 4 officials from OLAF.

The main objective of the seminar was to analyse national legislation in order to propose a framework for making available counterfeits to ECB/ETSC while a penal procedure is pending, in view of achieving the appropriate balance between, on the one hand, the effective transmission/transport of counterfeit notes or coins to the competent European or national authorities and, on the other hand, the coherent and efficient functioning of the criminal proceedings before the national courts.

The Chairman noted that the ECB and European Commission could envisage a draft communication which would formally inform the Presidents of each national Supreme Court of the requirements of Regulation 1338/2001. Eurojust and JLS could be asked to participate in the preparation of a text to be considered with national authorities, and then sent by the appropriate channels.

### **3.4 Conclusions of the Seminar “Cooperating in the protection of money against counterfeiting” Brazil**

The Policia Judiciaria presented the conclusions of the seminar “Cooperating in the protection of money against counterfeiting”. The event took place from 8 to 12 March 2010 in Brasilia, Brazil, financed under the Pericles programme.

The action brought together 73 experts (Brazil, Portugal, Spain, France, Italy, Angola, Cape Verde, Guinea-Bissau, Saint Tome and Principe, Macau, Mozambique), one representative from the European Central Bank (ECB) and 2 officials from OLAF.

Besides, awareness-raising, the issue of information centralisation remained the focal point of the seminar. Contact between Polícia Judiciária and the Departamento de Polícia Federal do Brasil (DPF) and Banco Central do Brasil (BCB) revealed that Brazil does not have a centralised system for the gathering and treatment of information related to money counterfeiting. The police forces started to cooperate and exchange information immediately.

The other Portuguese speaking countries represented at the seminar were very active in the debates, expressing their will to start cooperating with the Portuguese and European authorities in the fight against money counterfeiting. As a direct result of the seminar, a common paper was signed between the four entities that organized and co-organized the seminar (Polícia Judiciária, Banco de Portugal, Departamento de Polícia Federal do Brasil and Banco Central do Brasil) expressing their intention to increase the level of cooperation and the information exchange between them. The paper also referred to the other CPLP countries, encouraging them to provide more detailed information concerning the situation of euro counterfeiting in those countries in order to elaborate a threat assessment and consider possible needs for action.

### **3.5 Euro Counterfeit Currency Manual**

The English version of the Euro Counterfeit Currency Experts’ manual has now been distributed. 260 manuals were delivered to those countries/institutions requesting copies. 40 have been kept by OLAF. Plans are being made to produce the French and German, Italian and Spanish versions, as well as the electronic English version.

### **3.6 Europol proposal for a social analytical, multidisciplinary study of counterfeiting**

Recognising that banknote counterfeiting is increasing and that distribution of banknotes is largely a phenomenon associated with France, Spain and Italy, Europol proposes to study the factors surrounding this phenomenon. Also noteworthy is the significantly large numbers of detected counterfeit coins in Germany compared to other similarly large countries. The objective of the study is to enhance the knowledge of counterfeiting and the factors that facilitate distribution in some countries, while not in others. Social analysis will be used to obtain quantitative evidence, using political, economic, social, technical and legal information to draw conclusions. It was noted that the idea of the study was positively received by the Steering Committee of the ECB, Europol and OLAF. Overall, the group agreed to the need for a scientific approach to gain a better understanding of the situation with regard to counterfeiting. The Chairman proposed that Europol, the ECB and OLAF meet to formulate a draft Terms of Reference with a view to presenting a more concrete proposal to the ECEG in June.



#### **4. Dismantling of an illegal print shop for Algerian Dinars in France**

Mr. Perrier described an investigation which involved the production of counterfeit 1000 Algerian dinars in Lyon. This seizure involved authentic paper that was stolen from a lorry in Marseille in 2006; 18,000 tons (44 bobbins) disappeared, of which, probably 38 are still missing. Dinars' security depends largely on authentic paper. Criminals in Naples were discovered in 2008 producing dinars and stopped. In 2009 the police from Lyon discovered that criminals bought paper from Marseille and were working in an official commercial print shop to produce false dinars. 14 people were arrested in Lyon, and criminals in Marseille were also apprehended for stolen papers, though many got away probably to Italy.

This case involved a four colour printing offset and a scanner/computer which made plates directly without having to produce films. This is the first time in France that this technique has been seen. It enables counterfeiters to speed up production significantly and renders film redundant. These machines are not expensive, approximately €25,000, and are widely available. It is impossible to distinguish between the offset print and the inkjet print without careful scrutiny with a microscope. This is a new phenomenon in counterfeiting. A complete visual report was shown of the investigation site.

#### **5. Legislative issues**

##### **a. Implementation of modified Regulation 1338/2001 – update**

###### **i. Procedures for banknote authentication**

The ECB reported that lawyers have now proposed the final draft of the two instruments with which the ECB intends to implement the framework as a binding legal act to the banknote committee. The framework is known, exceptions for remote branches and extreme circumstances will be included. In order to re-circulate euros there will be an obligation to use machines successfully tested by the ECB; there will also be a mechanism for surveillance of these obligations. The timeframe of spring/summer 2010 still stands for approval, at the very latest by the end of the year. Responding to a question from the chairman, the ECB noted that annexes to these legal texts exist.

###### **ii. Progress with regard to coin authentication procedures**

The Commission reported that a proposal was adopted and presented to the Council in November 2009. It was discussed with the Swedish presidency of the Council and is currently under discussion with the Spanish presidency in collaboration with the Bank of Spain. An unexpectedly large number of modifications were proposed. Now it is in discussion with the European Parliament, under the ordinary procedure of co-decision. It will be a Regulation of both the European Parliament and the Council. Final adoption is expected for the second half of this year.

## **b. Monitoring of sanctions under framework decision of 29 May 2000 and Article 6 of Regulation 1338/2001 - update**

Referring to the presentations of the morning, Mr. Kasimis noted that all countries have legislation pertaining to the crime of unintentionally receiving counterfeit euros and subsequently returning them into circulation. OLAF/Commission views it appropriate to focus efforts on raising awareness of ‘intermediaries’, both financial and individual, that this is a crime of counterfeiting. Intermediaries behave in this manner to avoid financial loss nevertheless, it is also appropriate to consider raising sanctions associated with this behaviour. The group will revisit this topic.

### **6. Status of euro counterfeits**

Interpol briefed the group on two projects: ‘S- print’ by which second-hand intaglio printers are tracked worldwide, and security substrates, in cooperation with the printing industry. Interpol is organising two conferences, one on counterfeit documents another on financial crimes.

Mr. McCallum presented a room document of the usual data on counterfeits, noting its availability on the CIRCA website. The general monthly trend has been going down since September 2009; the actual number of counterfeits has stabilised, though at a higher number than previously. The total figure ending 15 March 2009 for the running year was 861,628, a bit down from the end of 2009. Approximately one-third comes from France, one-third from Italy and Spain together, and the last one-third from the rest of Europe combined. Unfortunately, the last few weeks have seen more activity in the high quality class of the 200P3A. A new print run has been produced with new plate numbers and serial numbers. It is still called variant A, because it is not technically different from the previous print run. It seems that there are 80,000 which have been produced, possibly more.

Europol informed that Council Decision establishing European Police office entered into force on 1 January 2010, replacing the Europol Convention. Its mandate has been extended to include not only organized crime, but also all forms of serious crimes affecting member states. A new structure and new financing provisions are in place. The forgery of money unit has not been affected and is operating as usual. Recent operations have included the seizure of 25,000 pieces of counterfeit notes in France and the dismantling of a print shop in Colombia together with Spain’s BIBE and Europol resulting in the seizure of 22,000 pieces of 50€ notes and 15,000 Colombian pesos.

The Chairman thanked Europol for its report and requested that for the next meeting, in order to have more global data and to trace general trends, that Europol present a table highlighting: number of arrests/year, number of illegal workshops dismantled/year, number of banknotes seized before circulation/year for each year 2002-present. The Commission emphasised it was requesting only non-personal, non-operational information not related to current cases. If this information could be gathered and shared, it could be useful for the group to support legislative initiatives. Europol will attempt to prepare a table for discussion at the ECEG.

The ETSC briefed the group on the statistical trends of counterfeit euro coins. There is a shift within the denominations that is being observed, with a decrease in 2€ coin counterfeiting, while a slight increase of 50-cent and 1 € coins. Nevertheless, the 2€ coin remains the most frequently counterfeited. Also, it remains significant that most coins are detected in Germany, while not nearly so many are detected in Italy and Spain, whereas Italy and Spain detect many counterfeit banknotes.

The Chairman addressed a question relating to discrepancies of data between Europol and ETSC. He explained that Europol relies on the CMS database for figures, whereas ETSC, in order to avoid revisions, contact CNACs in order to foresee the numbers which will later appear in the CMS after classification.

## **7. Miscellaneous**

The next meeting will take place 24 June, the following is pencilled for 9 November.



## EUROPEAN COMMISSION

EUROPEAN ANTI-FRAUD OFFICE (OLAF) Operational & Policy Support

Protection of the EURO

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### DRAFT REPORT

**Subject: 47th Meeting of the “Euro Counterfeiting Experts Group” in the framework of the Anti-Fraud Advisory Committee (Cocolaf) of 13 March 2008.**

Participants: Y. Xenakis (Chairman Commission), 38 experts from 22 Member States (Estonia, Luxemburg, Portugal, Hungary and Romania excused); two representatives from the ECB, one from Europol and one from Interpol attended. See attached list.

#### **1. Approval of the agenda and report of the previous meeting**

The Chairman briefly introduced the agenda which was approved by the group. The draft report of the ECEG meeting of 13 December 2007 comprising modifications submitted by the ECB was also approved.

#### **2. ‘Pericles’ Programme**

Implementation 2007 (OLAF) Ms. Skocinska presented a general overview of Pericles 2007 implementation. The Pericles call for proposals was extended until 31 March 2008 in order to avoid an uncovered period, while awaiting publication of the new financial decision. Twelve actions were organised under the 2007 budget including 7 conducted by Member States and 5 Commission initiatives. One additional application for a staff exchange by the Belgian CNAC was submitted and is expected to be approved. The members of the ECEG accepted this report of the Pericles 2007 implementation. A more detailed report outlining participants and other facts will be presented at the June meeting.

- Conclusions of the Euro-Caribbean seminar, Guadeloupe (France)

The action in the French department of Guadeloupe focused on awareness-raising of the crime of counterfeiting in the region. The aim was to study the circulation of counterfeit money, eventual links between counterfeit distribution and other crimes such as drugs and human trafficking, in order to obtain an evaluation of the threat to the euro in the region, and to the local economies. Considerable discrepancies between countries were reported by the various delegations. Some countries reported having much experience protecting currency, such as the tourist destinations of the Dominican Republic and St.

Martin's and producer regions such as Guyana and Guadeloupe, others admitted less experience. Discussions included a wide range of topics; speakers from Colombia and Venezuela even addressed the issues of manufacture and distribution in their respective countries. Improvements in cooperation among the various countries in the region has already been noted following the seminar, and contacts with European counterparts, the Netherlands, Spain, the UK, Italy, Portugal and France have been enhanced. Further training on operational and technical issues was requested by the participants and it is thought that ideas for improving structures in the judiciary, central bank and police would eventually be sought.

France announced its intention to build upon this programme to organise a second seminar, focussing on technical and operational training, in conjunction with Dutch colleagues. In preparation to its introduction of the euro, and in its capacity as a maritime and aviation hub, the venue would be St. Martin's.

#### European Counterfeit Currency Manual (state of play)

Progress on the layout of the Experts' manual has encountered some delays due to end of the year budget procedures. We now, however, have the approval for work to begin with the printing services of the Commission (OPSCE) and have allocated a budget of nearly € 60.000 to assist with layout and production into EN, FR and DE. We expect that work on the layout of this manual will advance to a point that we can hold a first meeting for revision and editing in June, possibly 11 or 12 June.

Due to various technical difficulties, OPSCE has had many hurdles dealing with the production of the Basic Manual. Progress has been made in the French, German and English versions. At the last minute, however, it has been thought prudent to make slight modifications to the text, adding additional references to euro coins. Slight delays have occurred due to this, though they are manageable.

#### Workshop on judicial issues and criminal proceedings

The Commission reported on the responses to its questionnaire regarding Art. 4 and 5 of Regulation 1338/2001. The responses revealed that legislation in MS does not explicitly give the possibility to magistrates to liberate counterfeits from criminal procedures for technical processing. There is a need to verify the approach in MS to this problem.

The ECB requests that there is a harmonisation of the manner in which evidence is treated in criminal proceedings, allowing for the analysis of counterfeits. The ECB would favour a seminar or workshop on the topic – it being understood, however, that such a seminar alone is merely a first step towards the above-proposed solution.

Italy, Germany and Belgium favoured a workshop. Belgium insisted that direct dialogue is necessary as a follow up to a workshop.

The Commission intends to present a report, at the June ECEG meeting, to be considered for the organisation of the workshop leading to best practices in handling evidence; this might be in the second half of the year.

Seminar in Croatia The Commission is organising a seminar in Zagreb the month of June. Contacts with the Central Bank of Croatia, the Ministry of Justice and AFCOS have been made. We will inform of further details.

- Seminar in Montenegro

Montenegro has been highlighted by Europol as a priority in the fight against counterfeiting. Based upon the threat posed by the Western Balkans, the Commission is supporting a Pericles action for training in Montenegro. Both Interpol and Europol voiced their support of this initiative. Europol suggested that the event should be extended to at least three days, given the numerous topics to cover and discuss, both in terms of technical knowledge and investigative/operational information. The ECB mentioned its interest to take part in this event and would encourage contacts with the national central bank. It also mentioned that in following up a High Level Group action point, the ECB recently undertook an evaluation of the legal framework of protection from currency counterfeiting in the western Balkans, (incl. Montenegro) which it would communicate in due course to the Commission and Europol.

Mr. Leidgens (BLKA) mentioned that through the Euro-Southeast, a lot of information regarding the Western Balkans has already been garnered. Useful facts and contacts are already known or have been made; he suggested close contact with the Commission/OLAF in order to structure the upcoming event. He reiterated that the event should be longer in length and should allow time for in depth explanations.

The Netherlands informed the group that Montenegrin authorities will attend a cooperation/training event at the Dutch Central Bank in the autumn.

The Chairman summarised that there is an urgent need for an operational training of police. Moreover, a need for a medium to high level awareness-raising training also exists. The Commission/OLAF will revise the agenda, lengthening the event and taking into consideration advice from the BLKA. Further developments in will be communicated to the group.

#### Pericles Programme 2008 – Prospects

A list, updated following the ECEG meeting is attached in annex. Fourteen actions are foreseen.

Germany will continue its Euro East South-east programme, its sixth event will be held in Cyprus tentatively scheduled for 22 September.

Spain confirmed two actions, its sixth training/seminar in Colombia is planned for December 2008, and a staff exchange with experts from Latin America (Argentina, Colombia, Peru and Venezuela) should take place at the end of 2008 or beginning 2009.

France voiced its intention to carry out a second Euro-Caribbean seminar in March 2009 in St. Martin. And it confirmed its intention to study the production of a police kit for counterfeits.

Italy (UCIFM) mentioned its ongoing consideration of holding an awareness raising and training event in China for trainers of police and bank operators. Official letters have been sent to China, Italy is awaiting a response from Chinese authorities. If approved, the hope is to organise the event in time for the Olympics. This timing seems tenuous.

Based upon its recent threat assessment, Interpol voiced its support for such an event in China. Though China does not provide statistics concerning the level of counterfeiting, evidence gathered from ICPO members of seized counterfeit notes suggests that counterfeits from China could pose a threat. Europol noted that China has not agreed to have a Europol liaison officer; it supports the initiative to conduct a training event. The ECB reported that it has conducted training of cashiers from the People's Republic of China on the recognition of counterfeits which was well received however it has not had contact with law enforcement authorities.

Spain supported an initiative in China citing that China produces technology which produces counterfeit holograms. France noted that on a monthly basis, counterfeit Yuans taken from circulation are increasing.

The Commission welcomed the idea.

Italy (UCAMP) intends to hold a seminar focused on Central Bank officials and the processes of counterfeit withdrawal from circulation. It hopes to involve Spain, France, Greece, Malta and Cyprus to participate in this seminar highlighting an exchange of experience.

Italy (CCAFM) will hold a training seminar on technical and operational activities such as phone tapping and gathering evidence based on best practices. It would like to involve scientific investigators from other countries.

The Netherlands police will organise a training series on digital technologies. It should consist of three three-day sessions beginning in September 2008. It aims to highlight cooperation between public and private sectors in the fight against counterfeiting.

The Commission/OLAF also announced its plan to organise a seminar in Turkey later in the year. This is based on direct contacts made concerning the new Turkish lira. A study visit to Brussels will also be organised for Turkish representatives.

The Chairman welcomed the various projects and agreed the prospects for Pericles 2008.

### **3. Authentication of euro coins (OLAF)**

Progress in implementation procedures National Central Banks agreed on a common European procedure for testing coin processing machines. These procedures were harmonized for coin processing devices during the workshops of December 2007/January 2008. A modified test set, now including all known classes, was approved and applied to machines. Advances were made with cooperation from the private sector.

List of coin-processing machines online A list of coin-processing machines successfully tested is now available on-line on the OLAF website. The list indicates the type of machine, the date of its test and the length of the validity of the testing. The ETSC would appreciate feedback on the list.

- Functioning of the Commission recommendation
- A review of the current Recommendation will eventually be made with a view

#### **4. Database on illegal print shops and mints (Europol and Italy)**

The Europol representative gave an update of the action implemented through the ETSC work team, underlining its intention to expand existing Europol databases on counterfeit currency in order to include data on illegal print shops and mints. The next meeting of the work team will be held at The Hague on the 18 March 2008.

Mr. Marraffa of UCIFM presented Italy's information on illegal mint discoveries. It includes summaries of cases, lists of materials discovered as well as a geographical analysis of discovered sites.

The presentation was appreciated by the members of the ECEG and was cited for its very high quality and practical usefulness. Questions arose, however, concerning possible users and access; in particular, it was underlined that these data should be available not only to police, but also to other disciplines concerned such as central banks and ministries. Suggestions were made for improvements such as more precise descriptions of the counterfeits, the police operation and more 'soft data'. The Italian representative noted that the database summarises operational, non-personal, information and that this data can be had immediately. Following Italy's suggestion, the ECEG agreed that this information should be uploaded onto CIRCA. If an NCO would like to use or update data, they are able to access via CIRCA. It is not overlapping with the Europol work team project.

Europol stated that the task of preparing a proposal for a database on illegal mints and print shops has been entrusted to the specific work team (functioning in the context of the ETSC work team) under the leadership of Europol. The presentation of Italy should be considered in the context of the next meeting of the work team.

Following discussions, the chairman concluded that the ETSC work team should indeed take up the issue using the Italian raw data, in the CIRCA, as a basis for the preparation of the eventual database.

#### **5. Legislative issues**

– Update on the proposal for modification of Council Regulation 1338/2001

The ECB declared that its position has been adequately summarised in previous meetings of the ECEG and is well known.

The Commission/OLAF related the various steps which will be taken for the adoption of these modifications and the calendar involved, to the best of its knowledge. The opinion of the European Parliament is provisionally scheduled to be voted at the plenary of 2 September 2008. Subsequently, assuming the EP issues a final opinion on the matter, it will be taken up by the groups of the Council. At the Council, adoption could be made rapidly, perhaps by the end of the year, or it could be delayed by discussions and agreements to negotiate on contentious points. One such point that could require further elaboration is whether there efforts to detect counterfeit euros should be taken up by noneuro area Member States in which it circulates nevertheless. Further developments will be communicated in the next meeting of the ECEG.



– Prospects for publication of an updated list of Competent National Authorities according to Art. 2 of Regulation 1338/2001 (OLAF) Mr. Kasimis (OLAF) reported that most information for a list has been communicated to the Commission/OLAF, though eight MS have not yet responded to requests. The Commission requested that all Member States verify the list and provide the name of the national organisation, address, phone, fax and e-mail address contacts.

– Prospects for modification of Regulation 2182/2004 concerning medals and tokens similar to euro coins (OLAF)

Outlining the current features of the legislation, Ms. Raiah (OLAF) explained that it currently bans production and distribution of medals and tokens similar to euro coins, banning the use of the words ‘euro’, ‘euro cent’ and the ‘€ symbol’. At the same time, bans are placed on coins or tokens having a similar size or design to euro coins. Nevertheless, possibilities for derogations exist, authorised by the Commission.

Plans are in place to amend the Regulation and agreements have been made between OLAF and the Mint Directors’ Working Group to modify three areas. The modified Regulation will clarify the word ‘design’ by defining characteristics to be banned, such as the use of twelve stars representing the EU and geographical representations of the EU, as well as effigies, coats of arms, mint works and other features of sovereignty. A second step would be to specify the derogation procedures by the Commission in conjunction with the Counterfeits Coin Experts Group. The third category of amendments addresses commercial characteristics, number produced, price and way they are presented to the public.

These amendments are at the stage of internal discussions, and the amendment procedure has not yet been formally launched.

The Chairman noted that this legislation pertains to coins, and while coins are not directly the responsibility of the ECEG, it seems important nevertheless to inform all parties concerned with legislative developments. These proposed amendments will be discussed with the Euro Coin Sub Committee.

Czech Republic requested if the Collector Coin sub-Committee was informed on these changes. The Commission/OLAF noted that its input had been sought and assured that it would be consulted at the text developed.

Italy requested that final decisions be communicated. This was noted by Commission/OLAF.

## **6. Currency Counterfeiting at international level (INTERPOL)**

The CSDB of Interpol will be welcoming a new seconded official in April 2008 from Peru.<sup>+</sup> This colleague is a forensic expert and a law enforcement official. The CSDB team will now consist of a team leader plus four professionals. As a point of interest, please consult the public web pages and the secure web pages for recently made updates and updated fact sheets.

Following the agreement on coordination and communication between the two organisations, Mr. Krivak announced that the message flow between Interpol and Europol in 2007 increased. The message flow increased 165%, 70% of this had to do with counterfeit currency issues.

Reporting on the trends of US currency activity, Mr. Krivak reported that in 2007, 765 billion US banknotes were in circulation worldwide, up 15 billion from 2005. Of these he reported, 66% of all US banknotes are held abroad. More specifically, 75% of all 100 US dollar bills are overseas. One in 12,000 US dollar notes are counterfeit. 2007 was characterised by an increase in

counterfeit notes in circulation, with face value up to nearly 150 million worldwide, whereas from 2003-2006 it was around 100 million yearly.

It is important to note that 2007 counterfeiting of the USD was up, domestically, overseas and in Europe. In 2007 seizures of US counterfeit currency seizures before circulation jumped in Europe, especially with important seizures in Germany, Turkey, Russia and Portugal. This indicates that efforts to curtail the professional grade counterfeits emanating from Europe and Colombia are working and there are reasons to be cautiously optimistic. Cooperation and work with law enforcement, the security printing industry and National Central Banks on the protection of currency seems to be fruitful.

Regarding the IPCO community, other global currencies that are counterfeited outside their borders exist, the top four currencies are the Canadian dollar, the British pound, the Turkish lira and the Chinese yuan. The Canadian authorities agreed to share information; the high of nearly 600,000 pieces in 2004 has now dropped to just under 175,000 pieces. The Bank of England is also experiencing a slow down in counterfeiting, indicating a decrease of 28% from 2006 to 2007. Australia has experienced counterfeiting outside of its borders. Generally they experience very little counterfeiting, with 6 piece per million, but sometimes a large seizure will increase the numbers. In 2007, the counterfeiting was nevertheless low for the Australian dollar. Interpol hoped to highlight that the measures are in place and are working to protect international currencies.

## **7. Status of euro counterfeits (ECB, OLAF/ETSC)**

The ECB announced that the annual total of counterfeits recovered remains around 570,000 pieces or 48,000 pieces per month. A new development, however, appears to be occurring: the face value has increased slightly, due to counterfeit 200€ banknotes in some countries. In previous years, the annual face value for counterfeiting was between € 30-32m, whereas now it is about €40m. Certain countries in particular are faced with this rise in 200€ counterfeits, Austria, Belgium and Germany. While for these countries, the 200€ is not the most numerous counterfeit, it is nevertheless, significant, second only to counterfeit 50€ notes.

<sup>1</sup> As of 30 April 2008, due to financial and administrative reasons, the seconded forensic expert and law enforcement official from Peru has yet to arrive in France in order to start work at IPSG-CSDB.

The evolution of counterfeiting on a monthly basis averaged over six months demonstrates that the number of pieces generally remains under 50,000. The graph similarly shows that the counterfeit 200€ is growing in significance. While in 2004-2005 the class of 200P3 was the most significant, it is now the 200P3A and 200P4. There is little report with regard other new classes.

The Chairman asked about the 'double mountain' effect of the graph, notably that 20€ counterfeits increase every two years. The ECB maintained that one cannot generalise, but noted that just five high volume classes together account for over half of all the counterfeits received. When the print shop for one of these classes is closed down, or a new production commences, the effect on the counterfeit statistics is readily perceptible.

The ETSC presented its new format of reporting. Overall, the number of counterfeit coins detected in circulation in 2007 increased significantly compared to 2006. It noted that in 2007, more than 85% of all counterfeit coins seized were 2€ coins. The detection of class 24 saw a steep

increase in 2007. At the same time, counterfeiting of the 50 cent piece is increasing. Detection has been increasing throughout the year in most Member States. However, the amount seized in illegal mints remains low. 72 classes and variants have been created in 2007. Nevertheless, the main classes of counterfeits from previous years continue to represent the large majority of counterfeits found in circulation.

## **8. Miscellaneous**

– Communication among ECEG members (CIRCA forum) Ms. Skocinska noted that the system is in place and working. Access is based on a transaction number and a logon password. The Commission will communicate details.

– Next Meeting

Following serious hesitations to hold the next ECEG meeting in July, it is now rescheduled for Wednesday 25 June.



## EUROPEAN COMMISSION

EUROPEAN ANTI-FRAUD OFFICE (OLAF) Operational & Policy Support

Protection of the EURO

Brussels, OLAF C5/KE D(2008) 656

### DRAFT REPORT

**Subject: 46th Meeting of the “Euro Counterfeiting Experts Group” in the framework of the Anti-Fraud Advisory Committee (Cocolaf) of 13 December 2007.**

Participants: Y. Xenakis (Chairman Commission), 37 experts from 24 Member States (Poland, Portugal, and Romania excused); two representatives from the ECB, one from Europol attended. See attached list.

#### **1. Approval of the agenda and report of the previous meeting**

The Chairman briefly introduced the agenda which was approved by the group. The draft report of the ECEG meeting of 2 October 2007 comprising modifications from the ECB was also approved.

#### **2. ‘Pericles’ Programme**

Implementation in 2006 – final report (OLAF)

Ms. Skocinska presented complete statistics of Pericles 2006 implementation.

94% of Pericles budget for 2006 was committed and twelve training actions were cofinanced or financed. Out of them 9 emanated from Member States (Belgium, Germany, Spain, Hungary, Italy and Poland) and 3 were organised by ETSC and OLAF.

Six actions were seminar/conference type, two -trainings, two -staff exchanges and two studies. Five actions were fully implemented in 2006 and seven in 2007 (three actions: *Study on reinforcing the security characteristics of future euro coins* by Belgium, *conductivity study* and *ETSC work team meetings for technical investigation* are still ongoing).

632 people benefited from the Programme training actions: most of them were representatives of law enforcement services (495), 64 representatives of judicial sector, 45 representatives of national central banks, 19 mint and 9 people coming from ministries of finance. Out of 632 participants, 190 came from Euro zone Member States, 221 from non Euro zone Member States and 221 came from non EU countries (mostly Latin American, Balkan and Mediterranean Countries and Eastern

Europe).

#### -Implementation in 2007

Regarding the Pericles 2007 budget, eight actions have been committed for a total of approximately €574.000. Five of them have been completed and others will be carried out in the first months of 2008. UCIFM (IT) and BKA (DE) express the willingness to send grant applications in December or January 2008.

In order to assure continuity of training actions the necessary funds will be already committed from the remaining Pericles 2007 budget.

#### Implementation and prospects (OLAF)

##### – Conclusions of the Euro North-East conference in Tallinn, Estonia (Germany, BKA)

This action took place in Tallinn from 8-11 October 2007 in cooperation with the Estonian Criminal Police which provided exceptional support. Counterfeit experts from the police, judiciary and banking sectors from Denmark, Germany, Estonia, Finland, Latvia, Lithuania, Norway, Poland, Sweden, Russia and Belorussia attended. The intention was to invite participants from countries who may in the future introduce the euro and to highlight the problem of counterfeiting in border countries. The North-East area of the European Union is a focal point for efforts to combat counterfeiting since cross-border activities are highly influenced by organised crime. Preventative strategies, aims to align police measures, training and information exchange were highlighted during the conference. In addition to national participants, OLAF, Europol, Interpol, Eurojust and the US Secret Service participated.

High level dignitaries and Ministers of Estonia, BKA and OLAF attended and made presentations. Interesting aspects of security features were highlighted and skilfully presented. The ECB introduced the latest trends in counterfeiting and related technical information. Various case scenarios were treated including judicial aspects of cross-border investigations and joint investigations teams.

This action led to the commitment of Estonian authorities to align legislation regarding the implementation of the Framework Decision on criminal sanctions for counterfeiting.

##### – Conclusions of the seminar on use technical and personal databases in combating euro counterfeiting in Rome (Italy, UCIFM)

This seminar took place 29-30 October in Rome. Focusing on technical databases, UCIFM concentrated on inviting participants from the Western Balkans. Italian, Spanish and French authorities cooperated quite effectively to demonstrate the workings and advantages of using technical databases related to counterfeiting. Databases function in the euro zone at national level, and that generally, their structure is similar. It has become apparent that the NCOs could benefit from a direct link to the Europol database.

For actions during 2008, UCIFM is considering focusing on China, given the upcoming Olympics.

Responding to French comments, the Chairman noted that perhaps the Commission would consider an obligation to create and maintain national databases, especially since it is a useful tool for monitoring and investigations.

– Conclusions of the 5th seminar for Latin American countries in Cartagena de Indias, Colombia (Spain, BIBE)

This event took place from 26-30 November and included representatives from police and Central Banks from eighteen Latin American countries. This series of seminars in Colombia has been running since 2002 and has underpinned improved communication and cooperation between the EU, the United States and Latin America in efforts to prevent currency counterfeiting. This year the seminar concentrated on the practical dimension of conducting investigations. On the last day of the seminar the Colombian authorities described some of their operations which had been the focus of media attention. This presentation concentrated on a number of large seizures of counterfeit euros and dollars and resulted in the destruction of printing and production centres. Mention was also made of discoveries of large quantities of Spanish two-euro counterfeit coins, illustrating the extent to which the euro has spread, and the attempts counterfeit it. Participants reacted positively to the event and emphasised the relevance of the seminar given the increasingly frequent use of the euro.

The Chairman noted that the BIBE actions in Colombia have resulted in concrete structural reforms in Latin America, aiding in the establishment of National Central Offices, Colombia, Peru, Uruguay, for example. The overall level of awareness of the euro and of counterfeit euro has been raised considerably throughout the region. The need for a continued effort remains with regard security characteristics, investigation practices and operational methods.

– Conclusions of study visit for coin experts from Cyprus, Greece and Portugal in Pessac (OLAF/ETSC) This three day event included two police officers from Cyprus and Greece and one representative of the Central Bank of Portugal. The technical visit is to train technicians to carry out technical analysis and detailed classification of counterfeit coins. The participants seemed to benefit greatly from the explanations and practical exercises provided by ETSC. A basic training for technical analysis aimed at law enforcement officers exists and is also available and carried out, in general, once a year. The ETSC welcomes expressions of interest for such trainings, either specific or basic and will attempt to fulfil requests.

– Conclusions of the ETSC workshop on authentication of euro coins and handling euro unfit for circulation in Mainz, Germany (OLAF/ETSC)

From 23-25 October a workshop on euro coin authentication took place in Mainz, Germany. The aim of the workshop was to solicit feedback on the implementation of the 2005 Recommendation on authentication and handling of unfit euro coins with a view to reviewing the various provisions as well as to oversee a similar procedure for sorting machine testing. During the workshop four different sorting machines produced by different manufacturers were tested. The conclusions were reassuring; comparing the results, they were all capable of detecting counterfeits with similar precision. A list of tested machines is available to the CNACs and will be published. This work was carried out in cooperation with the private sector to encourage the production of machines which are able to detect even the most sophisticated counterfeits. To date this work is quite encouraging. Additionally, the group went forward with the revision of the Recommendation by identifying areas in need of

particular attention.

- Conclusions of TAIEX seminar on operational issues related to money counterfeiting in Ankara, Turkey (OLAF) This seminar, financed by the TAIEX programme involved 120 Turkish police officers from the Turkish 'KOM' service focusing on financial crime. The focus of the seminar was on operational issues involving the counterfeiting of the euro and Turkish Lira; Member States, the Commission, the ECB and Europol all participated. The evaluation was favourable.
- Prospects for seminar in Croatia (OLAF) OLAF will consider future actions with Europol following contacts with the Minister of Interior of Croatia. The Western Balkans is considered a very sensitive area for the threat of counterfeiting.
- Workshop on judicial issues and criminal proceedings –state of play (OLAF)

Mr. Kasimis presented a brief table indicating the progress made in establishing the foundations for this workshop. The Commission issued a questionnaire to all MS in October 2007. The answers to this questionnaire will provide the basis for discussion and topics of an eventual workshop. The Commission noted that most MS replied, but in some cases the contact person was lacking or the questionnaire had only brief answers. The Commission encouraged all delegations to provide details of an appropriate contact person.

Action: the Commission will resend its e-mail to NL and Finland.

- European Counterfeit Currency Manual -state of play (OLAF)

#### Basic Manual

The Commission/OLAF has foreseen a commitment of 105.000€ for production and distribution costs under the Pericles budget. Pre-ordered manuals for 26 Member States amount to 415.000 units. To date, Commission/OLAF has sent the following languages to the printer for layout: EN (UK, IE), DE (DE, AT, LX), FR (FR). First versions of the lay-out were received. But technical problems due to the cover-page have caused some unexpected and lengthy delays. 'OK to print' orders have been received from the UK and Ireland. Once the difficulties with the cover-page are resolved, other languages will be sent for lay-out and production.

#### Experts Manual

The Editorial Board requested that the Commission/OLAF assume the task of final editing and coordinating the lay-out of the contributions into a coherent Experts' Manual. During the last meeting of the Editorial Board, 2 October 2007, most chapters were approved in terms of content. OLAF has begun this editing and work on is ongoing. OPSCE will provide an estimate for production costs of the Experts' Manual. As a first run, we have estimated for 300 EN, 100 DE and 100 FR versions. These will be produced in full-colour, A4 paper with a CD-Rom annex. A preliminary budget of 250,000 has been foreseen.

Prospects for 2008 (roundtable)

- Cyprus Staff Exchange – Cyprus will need to consider whether this can be carried out.
- Cooperation in the fight against counterfeit currency (Turkey) Responding to a request from Turkey, this Commission initiative will be carried out with considerable involvement from

Europol. A number of police forces within Turkey; it could be foreseen that MS make presentations on the communication and responsibilities between police offices at national level and the creation and functioning of National Central Offices.

– Seminar in Croatia

The Commission requests assistance with making appropriate contacts with Croatia. Europol, as the European Central Office is keen to participate in third countries and has permanent contacts with Croatia on the operational level. This event can be prepared jointly.

The Commission noted that the elections have stalled preparations for this event, but when the time is appropriate, contacts will be resumed. Perhaps an on-site visit can be carried out in cooperation with Europol.

– Seminar in Montenegro The Commission would like to carry out a joint activity with Europol. Europol has recently participated in an awareness raising activity in conjunction with the anti-money laundering programme and learned of the clear need for training and of the willingness on the part of the Montenegrin authorities to support training on euro counterfeit prevention. The Commission would like to move rapidly on this and would like to support a preparatory visit.

– Workshop on the authentication of euro coins

Each area previously identified will be treated and a report submitted by April or May in order to streamline procedures for authenticating coins.

Further Prospects 2008 (Roundtable)

– Italy Italy will organise a seminar involving Malta and Cyprus in preparation for the upcoming adoption of the euro.

– Germany

BKA will hold a seminar on cooperation with print-shops; monitoring will be the theme. It will be planned for the second half 2008. The aim is a practical event planned for representatives of police, judiciary and relevant banks. The focus will be the production of banknotes. The idea is to establish new starting points for investigations from monitoring numbering and types of paper used, etc. The ECB welcomes this initiative.

BLKA will organise the 6<sup>th</sup> Euro South-East Conference together with Cypriot colleagues in Cyprus during the second half of 2008. It will involve representatives of police, judiciary, CNACs and NACs; around twenty countries are expected to attend. The focus will be the means of production of counterfeits and how correct analysis, research and technical interpretation can lead to a good investigation. This is especially important for prosecutors to understand because it occurs that improper decisions are made based on a lack of knowledge of the topic.

– France

France will consider opportunities to conduct an action in China perhaps in cooperation with Italy. The Euro-Caribbean seminar will take place in January. This is the first attempt to conduct an awareness raising activity in this region. It will be conducted with the support of the Netherlands and our British colleagues who are widely present in the region.

France also voiced the intention to produce a police kit to detect counterfeit euro coins in collaboration with industry. The Chairman noted that Pericles could finance conception work,



study and prototype, but not production of such a kit.

The Chairman noted the various expressions of interest regarding counterfeiting in China and added that we should study the need for increased attention. Germany added that the BKA has liaison offices in China and to date has only registered one case of counterfeiting of the euro. It noted that China applies the death penalty for counterfeiting.

– Spain

Spain will organise the 6th seminar in Cartagena, Colombia in October 2008 as a continuation of its series of cooperation with Latin America.

### **3. Legislative issues**

Update on the proposal for modification of Council Regulation 1338/2001

The Chairman presented a working document concerning the Commission's proposal for a modification of this Council Regulation on 17 September 2008. The modifications proposed aim to ensure that euro banknotes be authenticated in all countries where it circulates within the EU. This proposal still has to be approved by the Council. It was noted, however that concerns have been voiced by non-euro zone countries that measures to ensure authentication could incur considerable costs. The Czech Republic requested that the last sentence of the second paragraph be deleted, the sentence referred to 'Thus...is not founded.' He noted that the euro is protected according to the Geneva Convention and according to Regulation 1339 and that employees of commercial banks and exchange offices are trained for the recognition of counterfeit euro. It also questions the effectiveness of these modifications. Discussion showed a possibility for non-euro area MS to consider practical ways of complying with the obligation to ensure authenticity, in line with the circulation of the euro in these countries.

The ECB requested that such documents be circulated prior to meetings to allow for reflection. The ECB questions whether modifications should be made and whether the utility of such changes has been established. It requested that the last paragraph of the introductory paragraph be deleted 'This is compounded...Member States.' It noted the general agreement that the euro should be protected; however, a qualitative difference must be made according to the notion of legal tender in euro zone and non-euro zone countries. In non-euro zone countries such as the Czech Republic, the National Bank does not have the information to allow it to authenticate the euro, noting as well that the Czech Republic need not authenticate euros because it is not obliged to accept euro as payment. Accordingly, the ECB stated that the euro should not be authenticated in the countries outside the eurosystem.

The ECB further disagreed with paragraph 3 "these articles establish a dynamic evolution of the euro...", stating the Treaty of Lisbon demonstrates a clear retrench, the euro is the single currency of the Euro Monetary Union, not the European Union. It further outlined that the protection of the euro is ensured through the protocols of the Geneva Convention, the free movement of counterfeits, cooperation between judicial and police authorities and through training. The notion of legal tender precludes more stringent measures such as authentication. Finally, the ECB wanted to stress that it does not recommend machines for verification and requested that the last paragraph be revised.

Prospects for publication of updated list of national Competent Authorities according to art. 2 of Regulation 1338/2001

The Commission would like to ensure the most complete details and will resend the request to Member States.

#### **4. Status of euro counterfeits (ECB, OLAF/ETSC)**

The ECB noted that the trends have remained remarkably stable, though increasing slightly. 50,000 units per month has been typical for four years. The tables distributed indicate counterfeits by country and denomination. The ECB will issue its press release on 10 January. Certain waves seen in the charts are accounted for by the rise and fall of particular classes. Print shops are dismantled, stop production, then reappear and commence production this was true of the 20P2.

The ETSC noted an increasing amount of counterfeit coins throughout 2007. Over 180,000 units will be seized in 2007. The 2€ remains the most common counterfeit. Since the authentication procedures which began in mid-2005 there has been a pronounced increase in the identification of counterfeit coins especially in Belgium, Austria, the Netherlands and more recently France. The Commission would like to see better implementation by Spain.

France requested that information regarding the capacities of the machines be diffused. The CNACs want to know that sorting machines can detect even the most sophisticated variants. The Commission noted this and reiterated that this capability is very recent and is a result of the work conducted at Mainz.

The BLKA requested that information regarding the number of seizures and confiscations also be made available to the group in order to provide a more complete overview of the counterfeiting situation. Europol stated that it could provide this at the next meeting.

#### **5. Miscellaneous**

Communication among ECEG members (CIRCA forum) – state of play Ms. Skocinska reported that documents related to the ECEG have been uploaded to the Circa forum, and that an explanatory e-mail will be sent to explain access to members.

- ECEG meetings for 2008: 13/03; 4/07 to be reconsidered, 20/11





## ANNEX VI

Brussels, 04<sup>th</sup> May 2011 OLAF/C5/

### **THE PROTECTION OF EURO COINS IN 2010**

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## 1. INTRODUCTION

This report presents 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 double requirement. Section 2 gives first a detailed overview of the evolution of euro coin counterfeiting in 2010. Sections 3 and 4 then present the regular and specific activities that the ETSC has carried out in 2010 in order to reinforce the protection of euro coins.

## 2. SITUATION WITH REGARD TO COUNTERFEIT EURO COINS

A distinction that has to be made on counterfeit euro coins between those detected in circulation and those seized before circulation. The counterfeit coins detected before circulation are usually seized by police before causing financial damage, whereas the counterfeit coins 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

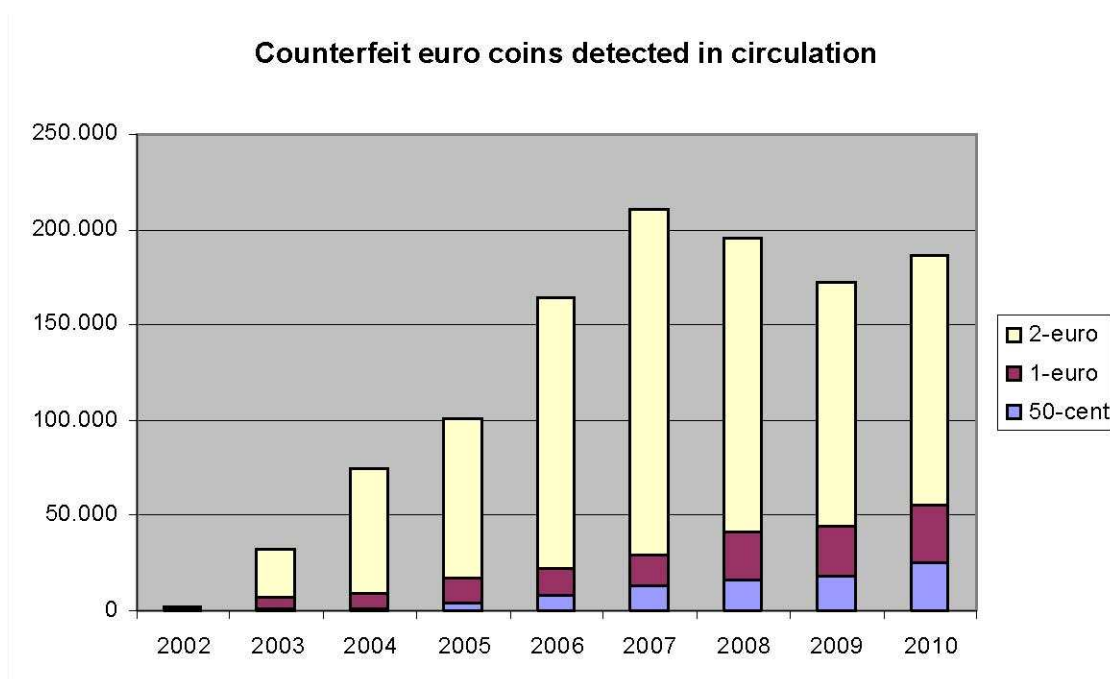
The total number of counterfeit euro coins removed from circulation in 2010 reached 186 000, an increase of about 8% from 2009.

The breakdown by denomination of counterfeits found in circulation for the last four years is shown below:

	50-cent	1-euro	2-euro	Total
<b>2010</b>	25 100	31 000	129 700	185 800
<b>2009</b>	18 100	26 500	127 500	172 100
<b>2008</b>	16 600	24 500	154 800	195 900
<b>2007</b>	13 000	16 200	181 900	211 100
* The figures comprise both stamped counterfeits (common classes) and cast counterfeits (local classes).				

When compared to 2009, among the 3 highest coin denominations, the number of 2-euro counterfeits increased by over 2%. In spite of rapid increase in numbers of counterfeit coins of 50-cent and 1-euro (38% and 16% respectively), 2-euro remains by far the most counterfeited euro coin, constituting 85% in value terms. Overall, nearly 1.150.000 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:



Progress shown in removing counterfeit euro coins from circulation reflects the efforts made by Member States to authenticate euro coins. To assist in these efforts, the European Parliament and the Council adopted the Regulation No 1210/2010 of 15 December 2010<sup>1</sup> proposed by the Commission on the authentication of euro coins. This Regulation was published on 15 December 2010 and sets out the rules for financial institutions to ensure that all euro coins which they put back into circulation are genuine.

In 2010, countries with the highest level of detected counterfeits (Germany and France) , registered a slight fall in quantities. At the same time, countries where the stricter controls had been imposed (Portugal, Spain, Italy) showed a sharp rise in quantities.

Counterfeit euro coins were found in all Member States of the euro area in 2010, with the exception of Cyprus. Germany remains the country where most counterfeit coins are found. Its share had come down the last years to 36% due to progress made in other countries. Small numbers of counterfeit euro coins were also detected in Member States which do not belong to the euro area and third countries.

Overall, the number of counterfeit coins detected in circulation in 2010 remains very small by comparison to the total of 92 billion genuine euro coins in circulation including 16 billion of the three highest denominations.

<sup>1</sup> Regulation (EU) No 1210/2010 of the European Commission, Parliament and of the Council of 15 December 2010 concerning authentication of euro coins and

handling of euro coins unfit for circulation



## 2.2 Counterfeit coins seized before circulation

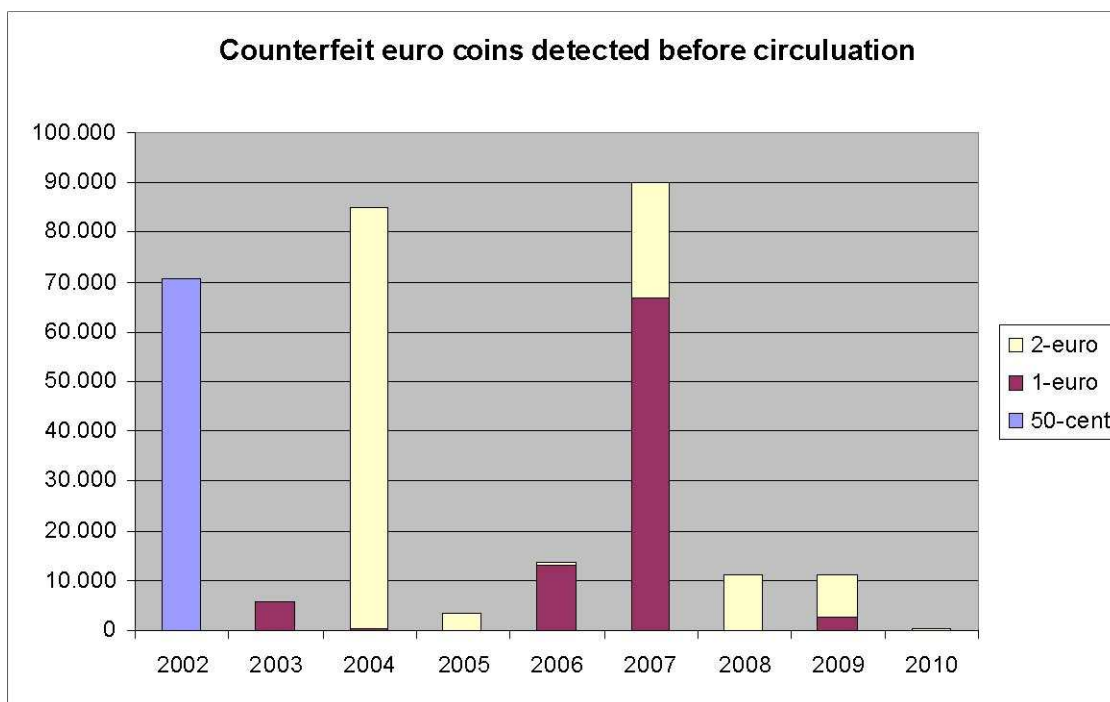
In addition to the counterfeit euro coins removed from circulation, counterfeits are regularly seized before they enter into circulation, mainly in the framework of police operations and investigations. These activities include dismantling of clandestine mints, but also seizures of significant quantities from individuals, that might, in one way or another, be involved in the distribution of counterfeit coins. These seizures occur irregularly therefore the number of counterfeits seized before circulation varies significantly from year to year.

The number of counterfeit coins seized before circulation in 2010 was under 600. The breakdown per denomination of counterfeit euro coins found before circulation for the last four years is shown below:

	<b>50-cent</b>	<b>1-euro</b>	<b>2-euro</b>	<b>Total</b>
<b>2010</b>	0	14	555	571
<b>2009</b>	5	2 579	8 477	11 061
<b>2008</b>	1	2	11 200	11 203
<b>2007</b>	8	66 700	23 200	89 908
* The figures comprise both stamped counterfeits (common classes) and cast counterfeits (local classes).				

For the second consecutive year no illegal mint has been dismantled by law enforcement, neither large seizures were made. Overall, about 290.000 counterfeit euro coins have been seized before circulation since 2002.

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:



### 2.3 Common classes (stamped counterfeit coins)

Counterfeit coins detected in the Member States are analysed by the Coin National Analysis Centres (CNACs). They are classified by reference to already 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 or variant.

A distinction is made between common classes and local classes. Local classes correspond to cast counterfeit coins, usually produced in smaller quantities. These are dealt within the next section.

Common classes are counterfeits made with a stamping process, 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, indicating possibly 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.

### 2.3.1 Overall analysis

#### Creation of common classes

The total number of families of counterfeits (common classes) created by the ETSC continued to rise in 2010, indicating a potential increase in the number of illegal mints producing counterfeit euro coins. In particular, 11 common classes were created in 2010, the lowest number since 2002, which reflects the fact that most of the classes that had been created are still in circulation and the efficient deterring does not “encourage” the creation of the new mints or tools. The number of common classes created by the ETSC each year since the introduction of euro coins is indicated in the table below:

Number of newly identified common classes				
	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
TOTAL	55	36	43	134

The total number of classes has now risen to 134. Despite the large number of common classes, the bulk of counterfeit coins is still concentrated. In particular, one common class (2-euro class 6) represented in 2010 more than 31% of the total number of registered 2-euro counterfeits (a drop from 41% in 2009). For the 50cent denomination, almost half of the counterfeits found in circulation belongs to a single class (common class 1). In total, six classes are responsible for around half of the total number of counterfeits found in circulation. Except for the 50-cent common class 1, no illegal mint has been dismantled for any of those classes.

Of the total number of classes, 17 were proven to be connected to the clandestine mints that have been dismantled until now. For the remaining classes, evidence was found for seven classes, following their creation, demonstrating that they are linked to another class. This leads to the conclusion that there are illegal mints that are producing or have produced up to 111 classes of counterfeit euro coins and that remain undiscovered to date.

## ANNEX VII



**EUROPEAN COMMISSION**  
EUROPEAN ANTI-FRAUD OFFICE (OLAF)

Operational & Policy Support  
**EURO Protection; Hercule & Pericles Programmes**

### NOTE TO FILE

**Subject: Pericles programme- Workshop “How to Apply and Report under Pericles”, 8 June 2011, Brussels**

#### OBJECTIVES

The mid-term evaluation of the Pericles Programme<sup>25</sup> which was carried out during the last at the end of 2010, revealed a need for more clarity and simplification with respect to procedures and rules for submitting applications and preparing final financial reports for Pericles. The above-mentioned seminar was geared for experts from Member States dealing with the preparation of Pericles grant applications and final financial reports.

The experts, at the 56<sup>th</sup> Meeting of the "Euro Counterfeiting Experts Group", last 22 March, welcomed the idea of organising a specific seminar on this issue. A similar workshop took place in 2006 to explain the new rules of Pericles 2007-2013, it was considered useful and successful. Since 2006, a high turnover of staff within the National Competent Authorities has had an impact on the quality of Pericles applications and of the final financial report. Member States voiced eagerness for clarification and for closer contact especially with the financial unit.

The main objectives of the seminar were:

- to facilitate the preparation of Pericles applications in order to further increase the quality of the implementation,

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<sup>25</sup> see note No ARES(2011) 331408 of 25/03/2011

- to avoid misunderstandings regarding financial issues, and
- to further improve the effective cooperation between OLAF and Competent National Authorities from Member States with respect to the management of Pericles.

#### CONDUCT OF THE ACTION

Unit C5 presented four presentations, simulating applications of a staff exchange and an international seminar, and the final technical report. Unit D6 focused on the contents of the grant agreement, eligible costs and final financial report<sup>26</sup>. Budget issues were taken up throughout the seminar. Question and answer periods were lively and added to a productive information exchange. The content of the presentations and concrete examples were prepared based on frequently seen errors, and were also geared to address frequently asked questions by Member States.

#### EVALUATION OF THE PARTICIPANTS

43 participants (representatives from Member States' Competent National Authorities – list attached) attended. Participants overwhelmingly reported high satisfaction, most indicated 'very good' and three participants indicated 'good' regarding content, documentation and method of answering questions. Quite a few evaluations indicated that the workshop was better than expected.

Below is a chart of the responses of questions 1-8.

	<b>Insufficient</b>	<b>Sufficient</b>	<b>Good</b>	<b>Very good</b>
1. Welcome	<b>0</b>	<b>0</b>	<b>7</b>	<b>31</b>
2. General organisation	<b>0</b>	<b>0</b>	<b>10</b>	<b>31</b>
3. Accommodation	<b>0</b>	<b>0</b>	<b>9</b>	<b>27</b>
4. Food and beverages	<b>0</b>	<b>4</b>	<b>16</b>	<b>18</b>
5. Language facilities	<b>0</b>	<b>0</b>	<b>8</b>	<b>30</b>
6. Relevance of the subject matter	<b>0</b>	<b>0</b>	<b>4</b>	<b>34</b>
7. Documentation	<b>0</b>	<b>0</b>	<b>6</b>	<b>32</b>
8. Overall impression of the seminar	<b>0</b>	<b>0</b>	<b>8</b>	<b>30</b>
<b>TOTAL:</b>	<b>0</b>	<b>4</b>	<b>58</b>	<b>230</b>

#### CONCLUSIONS

Four issues emerged for further consideration:

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<sup>26</sup> See agenda in attachment

- (1) OLAF will verify the daily allowance limits indicated in the Call for Proposals in order to possibly update them.
- (2) In order to speed up and simplify the management of applications, OLAF will require electronic versions of applications to be sent on the date of the postal deadline.
- (3) The issue of VAT tax needs to be reworded in the call. A public body must provide proof that it cannot recuperate VAT in order to request it in the budget.
- (4) The Final Financial excel-sheet prepared by D6 will be posted on the internet as soon as approval is had.

Overall, the Pericles event was carried out successfully, the relevant goals completely achieved and its results were in line with the Pericles criteria and strategy.

Kristin Ennis