



EUROPEAN PARLIAMENT

2009 - 2014

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*Session document*

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**A7-0212/2010**

28.6.2010

**\*\*\*I**  
**REPORT**

on the proposal for a regulation of the European Parliament and of the Council concerning authentication of euro coins and handling of euro coins unfit for circulation

(COM(2009)0459 – C7-0207/2009 – 2009/0128(COD))

Committee on Economic and Monetary Affairs

Rapporteur: Slavi Binev

### ***Symbols for procedures***

- \* Consultation procedure
- \*\*\* Consent procedure
- \*\*\*I Ordinary legislative procedure (first reading)
- \*\*\*II Ordinary legislative procedure (second reading)
- \*\*\*III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

### ***Amendments to a draft act***

In amendments by Parliament, amendments to draft acts are highlighted in ***bold italics***. Highlighting in *normal italics* alerts the relevant departments to parts of the draft act which may require correction when the final text is prepared – for instance, obvious errors or omissions in a language version. Suggested corrections of this kind are subject to the agreement of the departments concerned.

The heading for any amendment to an existing act which the draft act seeks to amend includes a third and fourth line identifying respectively the existing act and the provision in that act affected by the amendment. Passages in a provision of an existing act that Parliament wishes to amend, but the draft act has left unchanged, are highlighted in **bold**. Any deletions that Parliament wishes to make in passages of this kind are indicated thus: [...].

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## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a regulation of the European Parliament and of the Council concerning authentication of euro coins and handling of euro coins unfit for circulation (COM(2009)0459 – C7-0207/2009 – 2009/0128(COD))**

**(Ordinary legislative procedure: first reading)**

*The European Parliament,*

- having regard to the Commission proposal to the Council (COM(2009)0459),
  - having regard to Article 123(4) of the EC Treaty, pursuant to which the Council consulted Parliament (C7-0207/2009),
  - having regard to the Commission Communication to Parliament and the Council entitled 'Consequences of the entry into force of the Treaty of Lisbon for ongoing interinstitutional decision-making procedures' (COM(2009)0665) and the addendum thereto (COM(2010)0147),
  - having regard to Article 294(3) and Article 133 of the Treaty on the Functioning of the European Union,
  - having regard to the opinion of the European Central Bank of 16 November 2009<sup>1</sup>,
  - having regard to Rule 55 of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A7-0212/2010),
1. Adopts its position at first reading hereinafter set out;
  2. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;
  3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

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<sup>1</sup> OJ C 284, 25.11.2009, p. 6.

**POSITION OF THE EUROPEAN PARLIAMENT  
AT FIRST READING\***

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**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

concerning authentication of euro coins and handling of euro coins unfit for circulation

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union and in particular Article 133 thereof,

Having regard to the proposal from the European Commission,

Having regard to the opinion of the European Central Bank<sup>1</sup>,

Acting in accordance with the ordinary legislative procedure<sup>2</sup>,

Whereas:

- (1) Council Regulation (EC) No 1338/2001 of 28 June 2001 laying down measures necessary for the protection of the euro against counterfeiting<sup>3</sup> requires credit institutions, and, within the limits of their payment activity, other payment service providers, and any other institutions engaged in the processing and distribution to the public of notes and coins to ensure that euro notes and coins which they have received and which they intend to put back into circulation are checked for authenticity and that counterfeits are detected.
- (2) Commission Recommendation 2005/504/EC of 27 May 2005 concerning authentication of euro coins and handling of euro coins unfit for circulation<sup>4</sup> provides for recommended practices regarding authentication of euro coins and handling of euro coins unfit for circulation. However, the lack of a mandatory common framework for coin authentication results in different practices among Member

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\* Amendments: new or amended text is highlighted in ***bold italics***; deletions are indicated by the symbol ■ .

<sup>1</sup> OJ C 284, 25.11.2009, p. 6.

<sup>2</sup> Position of the European Parliament of ...

<sup>3</sup> OJ L 181, 4.7.2001, p. 6.

<sup>4</sup> OJ L 184, 15.7.2005, p. 60.

States and cannot, therefore, ensure a uniform protection of the currency *throughout* the *Union*.

- (3) In order to achieve an effective and uniform authentication of euro coins throughout the euro area, it is therefore necessary to introduce binding rules for the implementation of common procedures for authentication of the circulating euro coins and of control mechanisms of those procedures by the national authorities.
- (4) During the authentication process, genuine euro coins **■** that are no longer fit for circulation *are also identified*. The circulation of unfit coins makes them more difficult to use, particularly in coin-operated machines, and may create confusion to the users as to the authenticity of the coins. Unfit coins should be removed from circulation. Common binding rules are therefore necessary for Member States to handle and reimburse genuine unfit euro coins.
- (5) In order to achieve the necessary coordination of the implementation of the authentication procedures, the details of testing *and training* requirements for coin authentication, the specifications for checking unfit euro coins *and other practical implementation provisions* should be further determined by the European Technical and Scientific Centre (ETSC) established by Commission Decision 2005/37/EC<sup>1</sup>, *after having consulted the counterfeit coin experts group referred to in that Decision*.
- (5a) *In order to allow for a gradual adjustment of their current system of rules and practices to the provisions of this Regulation, the Member States should, during a transitional period of three years from 1 January 2012, be able to provide for derogations regarding the types of coin-processing machines to be used for the authentication of euro coins and for the number of these machines to be verified each year.*
- (6) Since the objective *of this Regulation, namely* effective and uniform authentication of euro coins throughout the euro area, cannot be sufficiently achieved by the Member States due to the differences in national practices and can therefore be better achieved at *Union* level, the *Union* may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty *on European Union*. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve *that objective*.
- (6a) *It is for each Member State to introduce applicable penalties for infringements, with a view to achieving an equivalent authentication of euro coins and handling of euro coins unfit for circulation throughout the Union.*
- (6b) *Each designated national authority handling euro coins unfit for circulation may apply a handling fee in accordance with this Regulation in order to cover the expenses related to the process. Handling fees should not be applied to submissions by natural persons of small quantities of unfit coins. Member States should be able to provide for exemptions from handling fees for legal persons which cooperate closely with the authorities in removing counterfeit and unfit coins from*

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<sup>1</sup> OJ L 19, 21.1.2005, p.73.

*circulation. Member States should be able to accept counterfeit and unfit coins to be packaged together without applying a surcharge, if this serves public interest,*

HAVE ADOPTED THIS REGULATION:

## Chapter I: Subject matter and definitions

### Article 1

#### Subject matter

This Regulation lays down procedures necessary for the authentication of euro coins and for the handling of euro coins unfit for circulation.

### Article 2

#### Definitions

For the purpose of this Regulation the following definitions shall apply:

- (a) "authentication of euro coins" means the process of verifying that euro coins are authentic and fit for circulation;
- (b) "euro coins unfit for circulation" *means* genuine euro coins rejected during the authentication process or the appearance of which has been significantly altered;
- (c) "designated national authority" *means* the Coin National Analysis Centre (CNAC) or the authority defined by the Member State concerned;
- (d) "institutions" *means* the institutions referred to in Article 6(1) of Regulation (EC) No 1338/2001, *excluding the institutions referred to in the third indent thereof*;
- (da) "CCEG" means the counterfeit coin experts referred to in Decision 2005/37/EC.*

## Chapter II: Authentication of euro coins

### Article 3

#### Authentication of euro coins

1. The institutions shall ensure that euro coins, which they have received and which they intend to put back into circulation, are submitted to authentication. They shall implement this obligation:

- (a) **█** by means of coin-processing machines included in the list of coin-processing machines, referred to in Article 5(3); or



(b) by **█** personnel *trained in accordance with the modalities defined by Member States*.

2. Following the authentication procedure all *euro coins suspected to be counterfeit* **█** and euro coins unfit for circulation shall be sent to the designated national authorities. **█**

3. Counterfeit euro coins delivered to the competent national authorities in accordance with Article 6 of Regulation (EC) No 1338/2001 shall not be subject to handling or other fees. *As regards euro coins unfit for circulation, the provisions of Chapter III shall apply.*

#### Article 4

##### Required testing

1. *In implementing Article 3(1)(a), the institutions shall use only the types of coin-processing machines that have successfully passed a detection test conducted by the designated national authorities or by the European Technical and Scientific Centre (ETSC) and that were listed on the website referred to in Article 5(3) at the time of their purchase. The institutions shall ensure that those machines are regularly adjusted to maintain their detection capability, taking into consideration the modifications introduced in the list referred to in Article 5(3). The detection test shall be designed to ensure that a coin-processing machine is capable of rejecting the known types of counterfeit euro coins and, in the process, euro coins unfit for circulation and all other coin-like objects that do not comply with the specifications of genuine euro coins.*

*1a. For a transitional period of three years from 1 January 2012, Member States may provide specific derogations from the provisions of the first sentence of paragraph 1, for coin-processing machines that have been in use at the time this Regulation enters into force and that have proved capable of detecting counterfeit euro coins, euro coins unfit for circulation and other coin-like objects that are not genuine euro coins, even if they are not included in the list on the website referred to in Article 5(3). Such derogations shall be adopted after consultations with the CCEG.*

2. *The Commission shall provide that the ETSC, in a reasonable time frame, after having consulted the CCEG, defines the technical specifications for the detection test, and other practical implementation provisions, such as training practices, the period of validity of the detection test report, the information to be included in the list referred to in Article 5(3), the guidelines related to control, checks and auditing by Member States, the rules of procedure for the rectification of non-compliances, as well as the relevant thresholds for acceptance of genuine coins.*

#### Article 5

##### Adjustment of coin processing machines

1. With a view to enabling manufacturers of coin processing machines to obtain the indications necessary for the adjustment of their machines to detect counterfeit euro coins, testing in accordance with Article 4 may be carried out at the CNACs, the ETSC or, following bilateral agreement, on the premises of the manufacturer's facilities.

2. Following the successful testing of a coin processing machine, a summary test report

shall be issued for the attention of the manufacturer of the machine and copied to the ETSC.

3. The Commission shall publish on its website a consolidated list of all coin processing machines, for which a positive and valid summary test report has been received or prepared by the ETSC.

## Article 6

### Control and auditing by Member States

1. Member States shall put in place the controls *provided for in paragraphs 2 to 7*.

2. Member States shall perform annually on-the-spot controls in the institutions with a view to verifying the proper functioning of a representative number of coin-processing machines *used* through detection tests. Where *staff of the institutions controlled is expected to check manually the authenticity of euro coins put back into circulation*, Member States shall obtain an assurance *from those institutions* that *their staff are* duly trained *for that purpose*.

3. The number of machines to be verified each year in each Member State shall be such that the volume of euro coins processed by these machines during that year represents at least 25 % of the total cumulated net volume of coins issued by that Member State from the introduction of the euro coins until the end of the previous year. The number of machines to be verified shall be calculated on the basis of the volume of the three highest denominations of euro coins intended for circulation. *Notwithstanding paragraph 4, Member States shall endeavour to ensure that machines are verified on a rotating basis.*

*3a. In the event that the number of machines to be verified, as obtained by applying the calculation method provided for in paragraph 3, is higher than the number of machines operating in one Member State, all the machines operating in that Member State shall be verified.*

*3b. For a transitional period of three years from 1 January 2012, Member States may decide, following notification to the Commission, that the number of machines to be verified each year shall be such that the volume of euro coins processed by those machines during that year represents at least 10 % of the total cumulated net volume of coins issued by that Member State from the introduction of the euro coins until the end of the previous year.*

As part of the annual controls, Member States shall also monitor the capacity of the institutions to authenticate euro coins on the basis of:

- (a) the existence of a written policy *providing instructions related to either the use of automatic coin-processing equipment or to the manual sorting, as appropriate*;
- (b) the allocation of appropriate human resources;
- (c) the existence of a written maintenance plan intended to keep machines at their appropriate performance level; ■

(d) the existence of written procedures for handing over counterfeits and other euro coin-like objects as well as coins unfit for circulation to the designated national authorities;  
*and*

*(da) the existence of internal control procedures describing the modalities and the frequency of the controls to be carried out by the institution in order to ensure that its sorting centres or its staff follows the above-mentioned instructions.*

**4a. Where a Member State detects a non-compliance with this Regulation, the institution concerned shall take the measures to ensure that the non-compliance is rectified promptly.**

### Chapter III: Handling of euro coins unfit for circulation

#### Article 7

##### Withdrawal and reimbursement of euro coins unfit for circulation

1. Member States shall withdraw from circulation euro coins unfit for circulation.
2. Member States shall reimburse or replace euro coins that have become unfit *due to* long circulation or accident *or that have been otherwise rejected during the authentication procedure*. Member States may refuse reimbursement of euro coins unfit for circulation which have been altered either deliberately or by a process that could be reasonably expected to have the effect of altering them, notwithstanding reimbursement of coins collected for charitable purposes, such as 'fountain coins'.
3. Member States shall ensure that after withdrawal, euro coins unfit for circulation are destroyed by physical and permanent deformation, so that *they* cannot re-enter into circulation or be submitted for reimbursement.

#### Article 8

##### Handling fees

1. A handling fee of 5 % of the face value of the submitted euro coins unfit for circulation *may* be withheld from the reimbursement or the replacement of those euro coins. The handling fee *may* be supplemented by an additional 15 % fee of the face value of the submitted euro coins in case the entire bag or box is checked as provided in **Article 10(2)**.
2. Member States may provide for general *or partial* exemptions from handling fees in cases where the submitting legal or natural persons cooperate closely and regularly with the designated national authorities in withdrawing from circulation counterfeit euro coins and euro coins unfit for circulation *or where it serves the public interest*.
3. Transport and related costs shall be borne by the submitting legal or natural person.
4. Without prejudice to the exemption provided for in paragraph 2, a maximum quantity of one kilogramme euro coins unfit for circulation per denomination is exempted from the handling fee each year for one submitting legal or natural person. ***If that limit is exceeded, all the coins submitted may be subject to a fee.***

**4a. If an individual submission includes coins treated with chemical or other hazardous substances to such a degree that they may be deemed to harbour a health risk for handlers, the charges levied in accordance with paragraph 1 shall be supplemented by a further fee equivalent to 20 % of the nominal value of the euro coins submitted.**

## Article 9

### Packaging of euro coins unfit for circulation

1. The submitting legal or natural person shall sort the euro coins submitted for reimbursement or replacement per denomination in standardised bags or boxes, as follows:

- (a) the bags or boxes shall comprise:
  - (i) 500 coins for each of the denominations of 2-euro and 1-euro,
  - (ii) 1 000 coins for each of the denominations of 0,50-euro, 0,20-euro and 0,10-euro,
  - (iii) 2 000 coins for each of the denominations of 0,05-euro, 0,02-euro and 0,01 euro,
  - (iv) for smaller quantities, 100 coins of each denomination;
- (b) each bag or box shall bear the indications of the submitting entity, the value and the denomination contained, the weight, date of packaging and bag/box number; the submitting entity shall provide a packaging list with an overview of the bags or boxes submitted; *where coins have been treated with chemical or other hazardous substances, the standard packaging units shall be accompanied by a written declaration specifying the exact substances which have been used;*
- (c) where the total quantity of euro coins unfit for circulation is smaller than the requirements referred to in point (a), these euro coins shall be sorted by denomination and may be submitted in non-standard packaging.

2. By derogation from paragraph 1, Member States may maintain different packaging requirements provided for under their national rules when this Regulation comes into force.

## Article 10

### Checks of euro coins unfit for circulation

1. Member States *may* check submitted euro coins unfit for circulation as follows:
- (a) the quantity declared shall be verified by weighing each bag or box;
  - (b) authenticity and visual appearance shall be checked on the basis of a sample of at least 10% of the submission.
2. In case anomalies are identified following those checks or deviations from the provisions of Article 9, the entire bag or box shall be checked.

**2a. Member States may also refuse to accept euro coins, where the acceptance or processing of such coins constitutes a health risk for human handlers or if a submission fails to meet packaging and labeling standards, and provide for measures to be adopted with respect to the legal and natural persons having submitted such coins.**



## Chapter IV: Final provisions

### Article 12

#### Reporting, communication *and evaluation*

1. Member States shall submit reports to the Commission on their euro coin authentication activities on an annual basis. The information provided shall include the number of controls carried out pursuant to Article 6(2) and coin-processing machines tested, the test results, the volume of coins processed by these *machines*, the number of suspect euro coins analysed and the number of reimbursed euro coins unfit for circulation, *as well as the derogations provided for in Articles 4(1a) and 6(3b)*.

**1a. In order to enable Member States to monitor the compliance of the institutions with this Regulation, the institutions shall, if so requested, provide, at least on an annual basis, the Member States with the following information, as a minimum:**

- (a) types and number of machines used;**
- (b) location of each machine; and**
- (c) volume of processed coins for each machine per year and per denomination, at least for the three highest denominations.**

**1b. Member States shall ensure that information concerning the authorities designated for reimbursement of replacement and specific modalities, such as packaging requirements and fees, is made available on the appropriate web sites and through the appropriate publications.**

2. **After analysis of the received reports of the Member States**, the Commission shall **present an annual** report to the Economic and Financial Committee on developments **and results** concerning euro coin authentication and euro coins that are unfit for circulation.

**2a. The Commission shall report to the European Parliament and to the Council by 30 June 2014 on the operation and the effects of this Regulation. The report may be accompanied where necessary by legislative proposals implementing in further detail, or amending, the provisions of this Regulation, in particular with respect to the content of Articles 6 and 7.**



### Article 13a

***Penalties*** Member States shall lay down the rules on penalties applicable to infringements of the provisions of this Regulation and shall take all measures necessary to ensure that they are implemented. The penalties provided for shall be effective, proportionate and dissuasive.

#### Article 14

##### Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

It shall apply from 1 January 2012, ***with the exception of the provisions of Chapter III, which will apply from its date of the entry into force.***

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the ***Treaties***.

Done at

For the European Parliament

The President

For the Council

The President

## EXPLANATORY STATEMENT

The objective of this proposed Regulation is to lay down procedures regarding the authentication of euro coins and the handling of euro coins unfit for circulation.

Counterfeiting of euro coins is a significant threat, particularly for the highest coin denominations. The lack of a mandatory common framework for coin authentication may, in some Member States, constitute an impediment for the institutions concerned to actively look for counterfeits; this creates differences, across the EU, in the degree of protection of the currency. The proposed Regulation constitutes the legally binding instrument now necessary for the establishment of a common method for the euro coin authentication to be applied by the institutions concerned and of the necessary controls by Member States.

In this context, the present proposal aims to ensure the effective implementation, throughout the euro area, of common procedures for authentication of the circulating euro coins and of control mechanisms of these procedures by the authorities.

As a Rapporteur I agree with approach of the Commission and the proposals of the Council (including the linguistic corrections in the text). In order to achieve an improved and more precise text of the Regulation we would like to introduce several amendments to the Commission's proposal.

One of the primary objectives of the Regulation is to ensure that the institutions guarantee that euro coins returning to circulation are subject to an authenticity screening process. The authentication should be implemented through the processing machines of coins included in the list referred to in Article 5 paragraph 3, or through duly trained staff in accordance with methods designated by the Member States. Furthermore, due to the fact that the euro coins authentication inevitably incurs expenses to the institutions involved in this process (credit institutions, and a number of other institutions, such as cash transporters), we suggest including the right of the institutions to retain a handling fee.

We suggest the adding of a new paragraph allowing a transitional period of three years from January 1, 2012, whereby Member States may provide specific derogations from the provisions of the first sentence of Article 4 paragraph 1, for coin-processing machines that have been in use at the time this Regulation enters into force and that have proved their capability to detect counterfeit euro coins, euro coins unfit for circulation and other coin-like objects that are not genuine euro coins, even if they are not included in the list on the website referred to in Article 5 paragraph 3. Such derogations shall be adopted after consultations with the CCEG. The above provision will grant more flexibility for the inclusion of machines in the list.

With regards to Article 6 paragraph 2 we believe that it should be an obligation of the Member States to implement procedures and guidelines such as to guarantee the proper and sufficient training of the staff involved in the euro coins authentication process. This is clarified in the amendment proposed by the Council but we have introduced an additional clarification that Member States shall obtain assurance from the coins authentication institutions employing this staff that it is duly trained for the purpose.

Further on to the number of machines that are checked annually in each Member State we are in support of the compromise of 25% of the total cumulated net volume of coins issued by that Member State from the introduction of the euro coins until the end of the previous year. It is an achievable volume of coins not only for small EU Member States, but also for those Member States where the number of the machines is large, and at the same time we believe that it is the minimum that shall be done in order to guarantee the main objective of the Regulation, namely, the protection of the euro against counterfeiting. We have suggested another provision, which we find indispensable in order to ensure a greater scope of the machines inspected in the long run, and which is the requirement coins authentication machines to be revised alternately.

Driven by our desire to always allow and respect transparency of the processes in the institutions as well as accessibility and efficiency of their work, we have suggested the introduction of the requirement that the Commission, after receiving and analyzing the reports from the Member States, shall submit to the Economic and Financial Committee an annual report on developments and results concerning euro coin authentication and euro coins that are unfit for circulation.

As a conclusion to the above we would like to mention that this report has been created respecting the principles of subsidiarity and proportionality.



## PROCEDURE

<b>Title</b>	Authentication of euro coins and handling of euro coins unfit for circulation	
<b>References</b>	COM(2009)0459 – C7-0207/2009 – 2009/0128(COD)	
<b>Date submitted to Parliament</b>	11.9.2009	
<b>Committee responsible</b> Date announced in plenary	ECON 7.10.2009	
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	LIBE 7.10.2009	
<b>Not delivering opinions</b> Date of decision	LIBE 6.10.2009	
<b>Rapporteur(s)</b> Date appointed	Slavi Binev 20.10.2009	
<b>Discussed in committee</b>	26.4.2010	2.6.2010
<b>Date adopted</b>	22.6.2010	
<b>Result of final vote</b>	+: 43	
	–: 0	
	0: 1	
<b>Members present for the final vote</b>	Burkhard Balz, Slavi Binev, Godfrey Bloom, Sharon Bowles, Udo Bullmann, Pascal Canfin, Nikolaos Chountis, George Sabin Cutaş, Rachida Dati, Leonardo Domenici, Diogo Feio, Elisa Ferreira, Vicky Ford, José Manuel García-Margallo y Marfil, Jean-Paul Gauzès, Sven Giegold, Enikő Győri, Liem Hoang Ngoc, Othmar Karas, Wolf Klinz, Jürgen Klute, Rodi Kratsa-Tsagaropoulou, Astrid Lulling, Hans-Peter Martin, Arlene McCarthy, Íñigo Méndez de Vigo, Sławomir Witold Nitras, Ivari Padar, Alfredo Pallone, Anni Podimata, Antolín Sánchez Presedo, Olle Schmidt, Edward Scicluna, Peter Simon, Theodor Dumitru Stolojan, Ivo Strejček, Kay Swinburne, Ramon Tremosa i Balcells, Corien Wortmann-Kool	
<b>Substitute(s) present for the final vote</b>	Elena Băsescu, David Casa, Saïd El Khadraoui, Sari Essayah, Carl Haglund, Iliana Ivanova, Syed Kamall, Philippe Lamberts	