

Information on the incidence of counterfeit £1 coins in the UK, the counteractions, and the increase in the number of counterfeit £1 coins between March 2008 and September 2009.

Full texts of three Royal Mint surveys are being provided as separate documents (May-June 08, Oct-Nov 08, May-June 09). Otherwise, the disclosable information has been compiled within this document. Information pertaining to individuals, and to commercially or security-sensitive information has been redacted.

HM Treasury (HMT) is responsible for UK coinage policy, and works closely with the Royal Mint (RM), and the coin handling industry, to ensure that demand for circulating coin is met and that public confidence in the currency is maintained.

There are currently approximately 1.48 billion £1 coins in circulation in the UK. Since 2002, the Royal Mint has conducted surveys to ascertain the estimated level of counterfeit £1 coins in the UK. The results of those surveys are shown below:

Date	Counterfeit rate
Nov 02	0.92%
Nov 03	0.92%
Nov 04	0.98%
Nov 05	1.26%
May 06	1.46%
Nov 06	1.69%
May 07	1.96%
Nov 07	2.06%
May 08	2.23%
Nov 08	2.58%
May 09	2.52%

HM Treasury holds regular meetings with the Royal Mint, Serious Organised Crime Agency (SOCA), and representatives from the Association for Payments Clearing Services (APACs) (more recently, the Payments Council), to discuss the issue of counterfeiting and various steps that might be taken to both increase withdrawals of counterfeit £1 coins and prevent new counterfeit £1 coins from entering circulation.

Largely as a result of a concerted effort by members of the cash handling industry, 2008/09 saw a marked increase in the numbers of counterfeit £1 coins returned to the Royal Mint for analysis and destruction. HM Treasury welcomes these best endeavours on the part of the cash handling industry and is keen to continue to work with them to identify appropriate ways in which counterfeits continue to be withdrawn from circulation.

Year	Counterfeit withdrawals

2003-04	85,500
2004-05	117,500
2005-06	84,500
2006-07	153,800
2007-08	97,000
2008-09	891,956

The Treasury is committed to maintaining the integrity of the currency and will continue to collaborate with interested parties to ascertain ways in which this issue can be addressed.

HM Treasury is working closely with the Royal Mint and keeps the level of counterfeit coins – as reported in the six monthly surveys – under careful scrutiny. Moreover, the Treasury is keen to work with interested parties to further establish ways to tackle the incidence of counterfeit currency in the UK, both by maximising withdrawals of counterfeit £1 coins, and minimising the number of new counterfeit £1 coins entering circulation.

In addition, the Royal Mint is considering ways in which the current counterfeit one pound coin survey might be further enhanced to provide additional data that could be used to better understand the impact of counterfeiting on, for example, consumer and retailer confidence.

Further information, including details of the designs of all UK £1 coins, can be found on the Royal Mint's website:

<http://www.royalmint.com/Corporate/facts/CounterfeitPoundCoins.aspx>

The following text contains disclosable information relating to counterfeit £1 coins, since May 2008.

1. Disclosable information from minutes of meeting on Counterfeit £1 coins between HM Treasury, Royal Mint, APACS and SOCA, dated 6 November 2008.

1.0

Introduction

[Royal Mint] opened the meeting by welcoming all participants and noting that this was the first opportunity that all parties had met to discuss this issue.

He added that the timing of the meeting was appropriate given the recent publicity surrounding counterfeit £1 coins and that awareness of counterfeit £1 coins was much higher.

[Royal Mint] informed the meeting that the issue of counterfeits had achieved level of political significance and that the Treasury Minister had been briefed accordingly. The Minister would be advised of the outcome of this meeting.

2.0

APACS Progress

[APACS] advised that since July there had been a significant increase in the volume of counterfeits returned to the Royal Mint following much greater focus on the part of APACS members.

He also added that the requirement to increase the volume of counterfeits detected and withdrawn has caused disruption to the flow of coin around the system and raised concerns that it had recently come to light that some genuine coins had been rejected by [equipment details withheld] machines.

[APACS] questioned what other parties were doing to detect and withdraw counterfeits. He added that APACS is a voluntary member group which cannot dictate working practices and tabled the possibility that members may look to process coin elsewhere.

[APACS] stressed that members are keen to withdraw counterfeits however practical issues had to be considered. He also asked what messages the RM were giving to consumers and operators.

[Royal Mint] tabled a summary of counterfeits withdrawn and the numbers declared to date and confirmed that there had been a significant increase in the volumes of counterfeits identified by members of APACS, which was recognised as a step forward.

[Royal Mint] informed the meeting of the latest field trial following sampling of returns at the Royal Mint.

[Text withheld]

[Royal Mint] advised that the recent findings proved that the sample checking of counterfeits at RM works. Also, he was pleased that [equipment details withheld] and the member in question had reacted quickly and was encouraged by the positive team effort on all parts.

[APACS] highlighted the seriousness of genuine coins being identified as counterfeits and the impact that this would have on a number of other stakeholders in the chain. This point was supported by [APACS] who added that it was difficult to identify counterfeits and that every effort

should be made to ensure that genuine coins were not recorded as counterfeits.

[Royal Mint] advised that [text withheld], the settings on all [equipment details withheld] machines were established to ensure only counterfeit or garbled coin were rejected.

RM has had a number of dialogues with various organisations ranging from manufacturing companies, councils, shopping centres and the car park industry.

Controlled samples of counterfeit coins have been supplied to manufacturers of validators for coin processing equipment so that they can calibrate their equipment in order to minimise their losses.

[Royal Mint] added that some Councils are concerned with the losses they are seeing notably from car park receipts and are applying pressure on the car park operators to upgrade their machines to reject counterfeits.

[APACS] asked if we could identify how input into the system in the form of intelligence is used. What happens to information when it is fed through? (This was covered by [SOCA] later in the meeting.)

[APACS] informed the meeting of the Bank of England policy of targeting specific areas. If an area is identified as having a problem then the Bank of England targets the area in question by distributing leaflets, speaking to retailers etc.

[Royal Mint] referred to the recent debate in the media regarding counterfeits and informed the meeting that the RM was currently producing a leaflet for distribution to supermarkets (and other parties).

[Royal Mint] advised that the leaflet was still in development and that we were seeking advice from the Bank of England regarding this concept and seeking to learn from the Bank's experience in raising awareness of forged notes.

[APACS] raised concerns that by targeting supermarkets it could in effect pass the burden of detecting and withdrawing counterfeits back to the Banking Industry.

[text withheld]

[Royal Mint] advised that the policy so far concerning PR was to be reactive rather than pro-active. However, if HMT wished to change this policy the RM would take matters forward accordingly but that a budget would be required. [HMT] commented that we should only undertake targeted PR if it was going to work, if it was based on good intelligence.

[APACS] also added that for a campaign to be successful, we would need to look at all links within the chain before taking action.

[APACS] queried how many counterfeits could be detected by cashiers and members of the public. [SOCA] advised that approximately a quarter of counterfeits should be readily identifiable.

[HMT] agreed that we should look at the problem from end to end and monitor levels going forward.

3.0

SOCA

[SOCA] advised that SOCA has been the National Central Office since 2006 for all matters concerning currency both nationally and internationally. [text withheld].

With regards to coin, in one particular case, they have closed an operation which claimed to have produced £14 million counterfeit £1 coins.

Examples of counterfeit £2 coins recently had been found in [equipment details withheld]. However, the quality of the counterfeits is not good and this criminal operation is not regarded as a significant threat.

[APACS] asked if distribution of counterfeit coins is similar to that of counterfeit notes.

[SOCA] explained that coins do not attract a great deal of criminality, as it is difficult to get coins into circulation. [SOCA] estimated that currently there is only one major group of counterfeiters in operation.

Counterfeits are usually distributed in bulk at supermarkets or laundered through legitimate accounts or over time, through small businesses.

[APACS] advised that one obvious area for focus would be [text withheld].

[SOCA] advised that the public have a high degree of confidence in our currency.

Liaison between SOCA and The Royal Mint is working well but that feedback on all aspects was not appropriate as some information is restricted.

[SOCA] emphasised the need for more counterfeits to be identified at Point of Sale and advised that generally this is a good source of intelligence.

SOCA also works with the Forensic Science Services in analysing counterfeits.

[Royal Mint] advised that manufacturers of validators are very keen for operators to upgrade their equipment and naturally, see this as a commercial opportunity.

[APACS] noted that increased detection at POS would lead to increased customer irritation.

Regarding the resources of SOCA devoted to this subject, [SOCA] advised that there are nine members of their team, the majority of which work on the analysis side, identifying where threats are and gathering intelligence.

[SOCA] advised that counterfeit notes are usually identified and withdrawn quickly (within 14 days which is approximately the time for it to enter the banking system).

With regards to coin, SOCA has to rely on fewer sources of information recognising that new counterfeits are not usually extracted from the system for some time.

SOCA is also looking to reduce the amount of recidivist offenders and advised that legislation is now in place which forbids released criminals from owning or having on their premises, or being near any form of equipment that could be used for counterfeiting with a further five year ja

term as deterrent.

4.0

HMT

[HMT] recognised that there was no single action that was likely to resolve this issue. However, there appeared to be a number of actions spanning the different stages in the process that could be taken forward and, when taken together, this body of actions could make a material difference. He noted that a number of possible actions had been highlighted during the course of the meeting. This included looking at how the actions taken to tackle counterfeit banknotes could be used for coin.

[HMT] acknowledged that we cannot just rely on Cash Centres but was encouraged to see the volumes of counterfeits being detected and withdrawn increasing. He stated that he hoped to at least see a reduction in the rate at which counterfeits in circulation were increasing in future surveys as a result of the action taken to date.

[HMT] advised that re-coining the £1 coin is potentially the most extreme option and would involve considerable expense both for taxpayers and the industry. Furthermore, recoinage may prove to be an expensive temporary solution if counterfeiters began to copy the new coin, or another denomination, successfully.

[HMT] advised that we need to be confident that we have done everything possible at every stage in the process to identify and withdraw counterfeit coins but that he recognised it needed to be on a sustainable basis. Also

[HMT] noted that actions needed to be considered fully to ensure that they did not provoke any unintended consequences.

5.0

Discussion

Public Relations

HMT confirmed willingness to review policy concerning publicity but looked to the RM to provide a paper.

[APACS] suggested that there should be a pilot in a particular area (as per bank notes).

It was suggested that we should target areas based on intelligence collated by SOCA. [SOCA] advised that they had nothing specific at present.

[APACS] noted that December is not a good time to start an awareness campaign.

Other PR activities could include a media campaign or distribution of leaflets via the Post Office.

[Royal Mint] highlighted the need to establish a procedure and to be able to measure the success of any such campaign.

The only measure currently in place is the number of counterfeits withdrawn at Cash Centres. This would need to be extended to include perhaps the number of counterfeits handed in at police stations.

[APACS] observed that increased publicity may encourage people to scrutinise £1 coins closely and lead to identification of counterfeits in coin issued by Banks.

It was agreed that a working group would need to be established to look at a proposal to run a test pilot. Proposal to be prepared prior to Christmas. The proposal should include recommendations for the test region, timing, cost and expected outcomes.

Legality

[APACS] raised the question of the Banking Industry's legal status regarding withdrawal of counterfeits. [SOCA] referred to the Counterfeiting and Currency Act and in particular Corporate Liability (Section 24) but recognised that the Financial Corporate penalty is modest. [SOCA] also advised that criminal legislation primarily deals with counterfeits.

[APACS] advised that APACS has taken legal advice and challenged the interpretation of "positive knowledge".

All parties agreed that this subject was outside the scope of this meeting.

Current Practice

APACS have openly stated that only 10% of inflows of £1 coins are currently checked.

It was debated that there are time constraints and capacity issues and that increasing this percentage will require changes in current working practices and possibly, capital investment. Increasing the current rate of 10% of coins being checked is regarded as necessary by both HMT and The Royal Mint and will be discussed in more detail at the next meeting.

6.0

Action Points

1. Attendees to be informed when all [equipment details withheld] type machines have been re-calibrated
Action: [Royal Mint]
2. Draft proposal for a publicity test pilot. If practical, Paper to be submitted to HMT by December 19th 2008. **Action:** [Royal Mint]
3. Next counterfeit declarations due end of January **Action:** [Royal Mint]

7.0

Date of Next Meeting

Mid February 2009 – date to be confirmed **Action** [Royal Mint]

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2. Disclosable information from 'One pound survey – heads up' email from Royal Mint to DRM team, dated 19 November 2008.

Just to let you know that I have been advised the latest figure looks like being around 2.64% which is up from the earlier survey this year of 2.23%. We should have more detailed information and a firm figure within the next few weeks.

Once full analysis of the survey results was complete, the actual figure was in fact discovered to be 2.58%.

- 3. Disclosable information from letter between HM Treasury and APACS, dated 20 November 2008.*

It was a pleasure to meet you and [APACS] at the Treasury earlier this month, and to hear the points made by [APACS]. I was very interested in your presentation on the work APACS members are doing to tackle the problem of counterfeit £1 coins in circulation. We are grateful to you for the steps you are taking so far.

I was sorry to have to leave before the discussion in order to brief the Economic Secretary. Please accept my apologies that the meeting with him took longer than expected. Given that I was unable to take part in the following discussion with you, I thought it would be useful for me to write setting out my views.

The Treasury takes the problem of circulating £1 counterfeit coins seriously. We have been monitoring with close interest the results of samples and we have reported to the Exchequer Secretary, Angela Eagle MP, on the matter. She is determined that more active efforts are made to withdraw these coins, in accordance with the legal duties you recognise fall on APACS members and other cash centres. I understand that the current practice is still only to withdraw counterfeits arriving in mixed bags, and therefore that your members are not checking the vast majority of £1 coins for counterfeits. I would be interested in your comments on this point, as it would seem that this practice is clearly inadequate to detect and withdraw the coins?

In the meeting you raised the problem of counterfeit coins being passed along the supply chain. I agree that all major cash handlers should take action and it was good to hear of the steps beginning to be taken by car parking companies, for example. I understand that the Royal Mint has already written to these operators and other cash handlers reminding them of their legal duties. However, additional practical steps would make a bigger impact: is there more that APACS members could do to identify the sources of counterfeit coins and reject and return the coins?

We also discussed publicity and public information material. As [Royal Mint] explained, the Royal Mint is preparing enhanced materials and the policy at present is to respond to enquiries. Experience with banknotes shows that a targeted proactive use of information is effective in reducing the circulation of counterfeits, but *only*, if the targeting is based upon accurate information about the occurrence of the counterfeits. I understand that the meeting agreed to put together a proposal by the end of the year. But I could not recommend to the Minister that we start a proactive campaign unless we had a reliable standard of information about counterfeit coins. If sampling were to increase and to show where coins were occurring, then I would be very open to making the case that we should support your members' activity with information. I would be interested in your views on whether we could get to this position.

[Royal Mint] has reported to me that there was some discussion of the sanction against organisations for passing on counterfeit coins. The sanction is modest in financial terms but the real risk from passing on counterfeits must be the considerable reputational damage.

I recognise the excellent role you are playing in influencing your members on these points. At the meeting, it was agreed to meet again in February to review progress. In the meantime, I would welcome any comments you may have on the points I have raised in this letter.

I am copying this letter to [Royal Mint] at the Royal Mint, to [SOCA] and [SOCA] at SOCA and to [HMT] here.

4. *Disclosable information from letter between Payments Council and HM Treasury, dated 27 November 2008.*

It was a pleasure to meet you and your colleagues on 6 November; I felt it was useful to get all the interested parties around the table and hope that we have established a habit of face-to-face discussions between all the stakeholders. That said, I am disappointed that we seem to be moving back from the Action Plan agreed during the second half of the meeting.

I do not think that we diverge on objectives. We would like to see counterfeits out of circulation and the producers caught and prosecuted. We also want to retain the public's confidence in the £1; This requires a concerted and co-ordinated approach, not one which falls primarily on (some of) the coin centres. That was why I was really enthused at the prospect of a pilot study in a particular location to raise awareness of the problem right across the supply chain. This would have given us useful pointers about which levers to pull to deliver our desired objective.

I appreciate your comments about needing evidence for the Minister; but we have to accept that many of the counterfeits in circulation are really quite realistic and that current technology does not detect them reliably. We did agree at the meeting that the rejection of genuine coin was as much to be avoided as the acceptance of counterfeit and the unpalatable fact is that good quality counterfeits cannot be identified by machine and so will continue to circulate irrespective of how many times they are checked. It is against this background that we have to consider your suggestions that current practices in the industry are changed.

It is highly likely that significant change to current work practices for the sorting of coin will have unintended consequences:

- a) It will encourage those with large quantities of coin to go to institutions where they are not checked for counterfeits and debited when these are detected. This will reduce the detection rate.
- b) It will potentially reduce the flow of coin and create logistical problems which may have an even worse impact on consumer confidence in the coin.
- c) It does not tackle the root cause of the problem – the entry of the counterfeit coin in to the system. Maybe there is more that can be done to strengthen the follow-up with SOCA by coin centres, especially in light of their comments at the meeting about the value of "hot leads". More frequent collection, and faster and more detailed checking, of counterfeit returns by the Mint would no doubt also aid SOCA in its attempts to pinpoint the source(s) of the problems.

It is concern over issues like these which has driven my continuing interest in cost benefit analysis. I think that it would both be good practice and potentially identify where resource should be concentrated to best effect; it may also contribute to the evidence which we need to put before the Minister.

We are naturally looking at whether other initiatives by coin centres can contribute to the overall goal but their effectiveness will have to be assessed in the context of actions by tohers.

I am also not going to rise to any legal bait! I think that we should try and avoid focusing this debate on an exchange of legal opinions as that way lies madness and large bills. Suffice to say that we are not at one in our legal interpretation.

I hope that there is now a meeting in the diary between us!

5. *Disclosable information from email on One Pound Counterfeits between Royal Mint and HM Treasury, dated 15 December 2008. -*

One pound awareness campaign

1.0**Preamble**

It was suggested during the meeting on November 6th attended by HMT, APACS, SOCA and RM that consideration should be given to a proactive Counterfeit One Pound Awareness Campaign. Ideally, commencing with closely monitored pilot project in a region suffering from a high level of counterfeits. This report reviews the subject.

2.0**Methodology**

The level of counterfeit one pound coins has been monitored for several years.

(a) Nationwide surveys

The results of our surveys can be tabulated as follows:

Year	Month	%
2008	October	2.58
2008	June	2.23
2007	October	2.06
2007	May	1.96
2006	October	1.69
2005		1.26
2004		0.98
2003		0.92
2002		0.92

(b) Frequency of sampling

For many years we conducted surveys annually but soon after the percentage of counterfeits rose above one percent we increased the sample size from 10,000 coins to 15,000 and the frequency to every six months.

(c) Samples for survey

We collect bags of sample coins from the cash centres which are owned by the private sector banks and Post Office. The number of samples from each area reflect the pattern and density of population throughout the UK. Samples are taken from the North East, North West, Yorkshire and Humberside, East Midlands, West Midlands, East Anglia, London, South East, South West, Wales (North and South), Scotland (West and East) and Northern Ireland. The UK banks and Post Office source the samples from the above locations and then hold them at the nearest cash centre for collection by the Royal Mint. The sample size and sources were decided after consultation with APACS' statisticians.

The veracity of the figures was challenged by HM Treasury in 2006 so we sought advice from the UK Office for National Statistics (ONS) as to whether our methodology was sound.

[text withheld]

In practice, it transpired that the two larger sample sizes confirmed the results of our smaller, earlier surveys. Therefore, in 2008 it was agreed to reduce the sample size to 25,000 one pound coins which is a more manageable size for collection and analysis.

3.0

Current Policy

The agreed policy is to be passive and only to respond to enquiries from the media and general public when approached. Both APACS and SOCA have adopted a similar line.

4.0

Existing Material

The Royal Mint website incorporates design details of this coin since its introduction. In addition, there is a Q&A, an approved reactive statement for the media and an A4 pictorial sheet of coin designs. The headline figures from the surveys are made available to the media and APACS.

5.0

Interested Parties

[text withheld]

(c) SOCA considers counterfeiting of one pound coins justifies significant resources, [text withheld]

(d) APACS is concerned about the financial cost of withdrawing counterfeits, the fact that the majority of counterfeit one pound coins cannot be identified with current automated technology and the potential for negative publicity.

(e) Currently the general public are more curious than concerned, hence the interest of the media, but do not consider the matter to be a major problem. [text withheld]

(f) The RM is devoting resources to [text withheld], liaising with the cash centres to calibrate coin sorters, managing the returns and handling an ever increasing amount of correspondence from Councils, APACS and the media.

6.0

Audience

This can be broken down into five segments namely the general public, retailers, cash centres, major coin users and the media.

(a) Currently the general public may access the RM website. There is no other material available so the major source of information is the media.

(b) Likewise, we have no material to offer retailers.

(c) We offer technical support to the cash centres in the form of senior RM engineers who assist, together with the manufacturers, to calibrate correctly the coin sorting machines. In addition, we collect all the identified counterfeit coins from the cash centres for analysis.

(d) Major coin users includes Councils which derive considerable income from car park receipts and operators of public transport such as buses. Currently enquiries from these organisations are being handled on an individual basis with telephone calls and letters.

(e) Media – while we have our Q&A and reactive statements, our policy of being passive means that so far we have not appointed a spokesman, handling media enquiries at a distance through our PR company.

7.0

Practicalities

(a) If a member of the public finds a counterfeit coin it is meant to be surrendered to the nearest Police Station. In practice this rarely occurs. If a purchaser refuses to accept a suspect coin as part of change, the teller is likely to return it to the till. The issue remains that by helping the public to identify thirty million one pound counterfeit coins in circulation will raise the dilemma of what is considered appropriate action. In a similar vein, if a bank teller confiscated a suspect coin then such action could lead to a public disturbance.

(b) The Bank of England's Awareness Campaign is proactive in terms of attending conferences and events. In addition, a professional and comprehensive set of materials has been produced. Five members of staff are dedicated to this subject. However, regional events and campaigns are planned in advance. One conclusion from the meeting on 27 November was that whilst it could be possible for the Bank or the Royal Mint to respond rapidly with a campaign focussing on an area of "hotspot" counterfeits there might be little practical benefit in doing so. A second observation was that close monitoring in a specific region of the effectiveness of awareness campaigns would be difficult.

8.0

Options for an Awareness Campaign

(a) if we accept that it is not practical to focus on mounting rapid response campaigns in specific geographic hotspots.

(b) that HMT would not be prepared to fund an operation on a scale as that sponsored by the Bank of England.

(c) that there is need for additional information for the general public and retailers.

(d) that the major cash handlers at operating level need further education.

Then the following action is recommended:

(1) produce a brochure for use in responding to retailers and the general public. Suggested initial print run of 10,000 at a cost of approximately £15,000.

(2) for the RM to budget one technical FTE and be prepared to recruit one administrator devoted to the subject.

(3) RM to consider holding a number of one day seminars for cash handlers on counterfeit identification and logistics.

9.0

Recommended Action

(1) Date in February '09 to be agreed for a second meeting with HMT/SOCA/APACS and the RM.

(2) Approval for production of the leaflet (mid January).

(3) Review RM personnel resources for 09/10 budgets.

(4) [text withheld].

(5) Continue to encourage members of APACS and cash handlers to maximise the use of available technology to withdraw counterfeit coins.

(6) Continue with six monthly surveys, the next scheduled for May '09.

(7) Discuss feasibility of sponsoring a number of awareness seminars for cash handlers during 2009.

Attachments:

- [attachment withheld]
 - Minutes of meeting with Bank of England (27 November)
 - Mock brochure and A4 sheet
-

Minutes of meeting with Bank of England (27 November)

1.0

Background

Meeting scheduled to discuss Bank of England's Currency Education Campaign (Know your Banknotes & Take a Closer Look) and collate feedback concerning the draft brochure for counterfeit £1 coins.

[Royal Mint] referred to the latest analysis of £1 coins and advised that the volume of counterfeit £1 coins currently in circulation has increased since the last survey in May 2008.

[Royal Mint] referred to the recent meeting at HMT during which representatives of HMT tabled the Bank of England's campaign as an example that may be used for counterfeit coins.

2.0

Bank of England Currency Education Campaign

[Bank] advised that the Bank of England has a team of 5 working on banknote education. They have adopted various strategies to raise awareness of counterfeit notes, which include point of sales material

(leaflets, posters and Z cards) the provision of training sessions and attendance at police and retailer exhibitions/conferences.

The Bank has identified 3 main target audiences 1 Professional Cash Handlers (includes the police/banks) 2 Retailers and Businesses (large and small) 3 The General Public. They work closely with a number of different bodies in each target audience to increase awareness including Action Against Business Crime, the Association of Chief Police Officers (ACPO) and Police Media Departments.

They view retailers as their priority audience because that's where counterfeits are passed and the retailers are effectively the first line of defence.

The overall aim of their education campaign is to achieve a behavioural change so that notes are checked more regularly ,which will make counterfeits more difficult to pass and therefore less attractive as a criminal enterprise. They concentrate on how to identify genuine notes not on how to identify counterfeit notes.

Bank advised that they have not intentionally targeted regional hotspots. The recent campaign in Plymouth was planned in conjunction with a contact of the Bank's agent in the region and was deliberately low key so they could attract sufficient regional coverage in local newspapers and radio without turning it into a national scare story . They achieved what they wanted as the story was picked up locally and an article on the subject of counterfeits appeared in the local press and on radio the following day.

Bank acknowledged that their awareness campaign in itself may not necessarily lead to a reduction in counterfeits and that they do not have a robust way of measuring their success. However, their view is that what they are providing is a public service and by being proactive it will help in the long run.

Bank advised that they have a print and design budget of approximately £100,000.00. per annum and that in a normal year they would distribute around 150,000 leaflets and posters. This would increase dramatically in a year when they issue or withdraw a new note.

By being proactive, their workload increases i.e. greater number of requests for information packs etc. However, there is not a direct relationship between the numbers of leaflets distributed and the number of counterfeit notes handed in. The vast majority of counterfeits are detected in the automated note sorting process.

3.0

Counterfeit £1 Coin Brochure

In response to **Royal Mint**'s request for feedback regarding the concept that the RM had prepared, **Bank** tabled the following comments:

General Comment for Consideration

- What are the objectives of the campaign?
 - Who is the target audience?
 - What is the budget?
 - How will the leaflet be updated? (To accommodate new designs & new types of counterfeits)
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- How will leaflets be distributed and used?
 - How will the partially sighted use the leaflet?
 - What other types of media will be used as part of the campaign?
 - Are the police aware and in support of the campaign?
 - Will anything be achieved by the campaign?

Specific Comments on the leaflet

- The print too small.
- The language used in the leaflet is too technical.
- We need to give advice concerning what to do if someone has a counterfeit
- Leaflet could be helpful to counterfeiters therefore rendering it useless!
- Need to be consistent in listing years of issue.
- We should use whole images as opposed to partial shots.
- Be more definitive (use “must” not “should”).

The leaflet described in the documents above is now publicly available on the Royal Mint's website:

<http://www.royalmint.com/web/counterfeitguide/counterfeitcoinguide.pdf>

A guide to all of the UK £1 coin designs is similarly available at:

<http://www.royalmint.com/web/counterfeitguide/onepounddesignsposter.pdf>

6. *Disclosable information from email between Assistant Private Secretary to the Exchequer Secretary and Debt and Reserves Management Team, HM Treasury, dated 22 January 2009.*

Many thanks for sending this through, XST was grateful for the update. Obviously she is concerned that we keep on top of this issue and is pleased with the work the Mint is doing to mitigate the risks. [information redacted (policy)], and would like to continue to be kept up to date on the survey results.

This email was sent in response to the provision of the following 'for information' brief from the Royal Mint about £1 counterfeit coins.

One Pound Counterfeit Coins

1. Prologue

The number of one pound counterfeit coins has been rising each year for the past five years to the current figure of 2.6%.

Counterfeits are becoming increasingly sophisticated. Only one third of counterfeits can be identified by high speed coin sorters. Thus the majority of counterfeit coins continue to circulate.

In March 2008 there were 1.47 billion one pound coins in circulation of which approximately thirty eight million are estimated to be counterfeits.

There is no industry standard as to the number of counterfeits to warrant a recoinage. In 2002 both Jordan (1 Dinar) and Hong Kong (\$10) decided to issue banknotes when the counterfeit levels of the coins steadily increased towards five percent. South Africa decided to upgrade their 5 rand coin in 2004 at a lower level. Malaysia withdrew their one dollar coin in favour of a note in 2005. Whereas informal discussions with overseas Issuing Authorities indicate the maximum acceptable percentage is five percent, the countries listed earlier took action at a lower level. [text withheld].

The Police have enjoyed some successes but the level of counterfeits is still increasing.

[text withheld]

2. Nationwide Surveys

The results of RM surveys of one pound coin counterfeits can be tabulated as follows:-

Year	Month	%
2008	October	2.58
2008	June	2.23
2007	October	2.06
2007	May	1.96
2006	October	1.69
2006	May	1.46
2005	November	1.26
2004	November	0.98
2003	November	0.92
2002	November	0.92

We have detailed regional geographical figures so we are aware of the locations with the highest numbers of counterfeits.

3. Frequency of sampling

For many years we conducted surveys annually but soon after the percentage of counterfeits rose above one percent we increased the sample size from 10,000 coins to 15,000 and the frequency to every six months.

4. Samples for survey

We collect bags of sample coins from the cash centres which are owned by the private sector banks and Post Office. The number of samples from each area reflect the pattern and density of population throughout the UK. Namely, in our last survey, samples were taken from the North East, North West, Yorkshire and Humberside, East Midlands, West Midlands, East Anglia, London, South East, South West, Wales (North and South), Scotland (West and East) and Northern Ireland. The UK banks and Post Office source the samples from the above locations and then hold them at the nearest cash centre for collection by the Royal Mint. The sample size and sources were decided after consultation with APACS statisticians.

The veracity of the figures was challenged by HM Treasury in late 2006 so we sought advice from the UK Office for National Statistics (ONS) as to whether our methodology was sound.

The ONS suggested quadrupling the sample size and analysing a second source which we achieved through a supply of coins from the Post Office in addition to the traditional quantity from the members of APACS.

It transpired that the two larger sample sizes confirmed the results of our smaller, earlier surveys. Therefore, in 2008 we decided to reduce the sample size to 15,500 one pound coins which is a more manageable size for collection and analysis.

5. Validation of counterfeits.

We use a private consultant ([name withheld]) to identify the counterfeits and he determines whether a coin is counterfeit through the identification of physical features such as edge inscription, colour, quality of striking. This work is supported by the staff of the Royal Mint's in-house Quality Assurance Department who have access to a [equipment details withheld] and validators which are used to check the machine readability features (EMS).

6. Police activity

Activity led by SOCA has resulted in some success notably the closure of a large illegal mint in Enfield (North London) and several arrests resulting in the interruption of organised criminal gangs. Their investigations confirm that all sterling counterfeit coins are manufactured in the UK.

7. Banks and Post Office cash centres

The major private sector cash centres are being reorganised to some extent in order to improve their processes to identify counterfeit coins through their cash sorting machines.

A significant fact is that the one pound coin, which was introduced twenty five years ago, is made of nickel brass (i.e. neither bicolour nor clad) [text withheld] [equipment details withheld] machines. In practice it is likely that only one third of the counterfeits in circulation will be identified mechanically

which means that if all identifiable counterfeits that can be identified in this manner are withdrawn, it will reduce the counterfeit level to around two percent.

8. Policy

The Royal Mint endeavours to enforce the policy of HM Treasury which is to encourage the banks and Post Office to withdraw as many counterfeits as technically possible by reminding them that under The Forgery and Counterfeit Currency Act of 1981 it is an offence to knowingly pass on counterfeits. At the same time, to look to the Police to curtail the number of new counterfeit coins entering the economy. The Banks have challenged their legal obligation to withdraw counterfeit coins. We understand current legislation would mean a guilty verdict only resulting in a small fine. Thus the main drivers for the coin handlers to withdraw counterfeit coin is more an acknowledgement of the moral case, fear of reputational impact and reluctance to become too confrontational with HMT.

So if the coin handlers take the matter seriously and if their attempts to mechanically sort and withdraw counterfeits are successful, then the percentage of counterfeit coins in circulation will reduce by a third. It will remain to be seen whether the percentage starts to increase which will happen if the Police cannot stop significant numbers of counterfeits entering circulation.

9. Results

The Police closed down a major illegal mint in Enfield and have disrupted criminal operations in several parts of the country notably in the South East, the North West, the Midlands and Northern Ireland.

RM lobbying of APACS has resulted in an increased number of counterfeit coins being withdrawn and sent to the RM for secure destruction.

Year	Counterfeits sent to RM by APACS
2003/04	86,000
2004/05	118,000
2005/06	85,000
2006/07	154,000
2007/08	97,000
2008/09	297,000 (as at end December)

[text withheld]

10. Going Forward

[text withheld]

The RM is finalising a brochure and a poster illustrating how to identify a genuine one pound coin. These will be available before Easter.

The RM will offer to sponsor initially three, one day training courses covering how to identify counterfeit one pound coins and the process for sending counterfeits to the RM. Two of the courses will be for senior and middle managers of APACS cash centres, the third for coin handlers who are not APACS members.

11. Action by the Royal Mint

The Royal Mint has been discussing the need for a major counterfeit coin withdrawal programme with APACS since 2007. [text withheld]. In addition to regular discussions at APACS meetings, notably the Cash Steering Group (CSG), the Coin Dealers Working Party (CDWP) and the Coin Club, a meeting was held on November 6 between HMT (DRM Team), SOCA, APACS and the Royal Mint. This was followed by a meeting on December 16 attended by [HM Treasury] (DRM), [name withheld] (Royal Mint), [name withheld] (CEO APACS) and [name withheld] (Director, APACS). A future meeting is scheduled for February 17 to be attended by HMT (DRM), SOCA, APACS and RM.

The RM has held discussions on November 27 with the Bank of England Note Issue Department about their experience with counterfeit notes and the measures in place.

The RM wrote formal letters in July 2008 to every major cash centre, cash handlers and industries involved with processing cash reconfirming that identified one pound counterfeit coins must be withdrawn and sent to the Royal Mint.

RM technical experts have ongoing discussions with manufacturers of coin sorters and validators. [text withheld] [equipment details withheld].

RM staff have conducted two training courses for staff of SOCA and liaise on a regular basis regarding counterfeit coin and illegal mints. RM experts, for example, attended the scene of crime at Enfield. RM also provide expert witnesses in trials.

The RM has been handling, often in conjunction with DRM, several hundred enquiries from the public and media including the major newspapers and TV.

[text withheld]

Continue to lobby APACS and other cash handlers to up their efforts to identify and withdraw counterfeits.

Liaise with the manufacturers of validators to explore methods of improving detection.

Continue to handle enquiries and FOI requests from the general public and media.

Liaise closely with DRM.

12. Conclusion

Efforts to date have failed to reduce the trend of an increasing number of counterfeit coins. APACS continues to resist requests to increase the number of one pound coins sorted for counterfeits from the current level of ten percent. There is a growing interest by the media.

[text withheld]

The only additional measure that could be taken to avoid this predicament could be for the members of APACS to be requested at Board level to work towards one hundred percent sorting which if implemented in a timely manner, should result in a reduction of counterfeits by one third within one to two years. Logically, the efforts of SOCA should curtail criminal activity which will significantly reduce the supply of new counterfeit coin. Such concerted action should reduce the high profile nature of the problem for the time being.

7. Disclosable information from draft letters between HM Treasury and APACS members, Associations and Coin Processors (non-APACS members), dated 16 February 2009.

APACS

Further to discussions at APACS Cash Services Group and the Coin Dealing Working Party I am writing to remind members of their obligations concerning the withdrawal of counterfeit coins from circulation.

As discussed at length, recent surveys suggest that around two percent of the 1.5 billion one pound coins in circulation, that is approximately thirty million coins, are potentially counterfeit and therefore have no legal tender value.

The Forgery and Counterfeit Currency Act of 1981 makes it an offence to knowingly pass on counterfeits and with that in mind all cash centres must renew their focus on identifying and withdrawing counterfeit one pound coins.

Members are requested to make best endeavours and to maximise the capabilities of their equipment by updating the parameters on sorting equipment used to process circulation coin, in order to identify and withdraw counterfeits.

All coin sorting machines must be in good mechanical order, correctly adjusted and calibrated to the new control window specifications as agreed with the manufacturer.

So if necessary, please liaise with the relevant manufacturer in order to upgrade your machines to ensure utilisation of the most recent technology.

Following the recent field trials we are content that provided all equipment has been upgraded to the agreed specification, all coins rejected twice by the same machine may be regarded as counterfeit or garbled coin.

Counterfeits must be separated from garbled coin and withheld by the cash centre, pending return to the Royal Mint for secure disposal.

Thank you for your co-operation in this matter.

Associations

You may have read in the press that a number of counterfeit one pound coins are in circulation. Recent surveys suggest that around two percent of the 1.5 billion one pound coins in circulation, that is approximately thirty million coins, are potentially counterfeit and therefore have no legal tender value.

While some counterfeits can be readily identified by their poor quality and colour a significant percentage can be detected by validators in vending machines with correctly set calibration.

The Forgery and Counterfeit Currency Act of 1981 makes it an offence to knowingly pass on counterfeits and with that in mind the major cash centres will be reviewing their focus on identifying and withdrawing counterfeit one pound coins.

The purpose of this letter is to request that you ask your member organisations to make their best endeavours and maximise the capabilities of the equipment used to withdraw the counterfeit coins from circulation.

Small quantities of counterfeit coins should be taken to the local police station but larger volumes may be sent to the Royal Mint marked for the attention of the Quality Assurance Manager.

Thank you for your co-operation with this matter.

Coin Processors (Non – APACS)

You may have read in the press that a number of counterfeit one pound coins are in circulation. Recent surveys suggest that around two percent of the 1.5 billion one pound coins in circulation, that is approximately thirty million coins, are potentially counterfeit and therefore have no legal tender value.

While some counterfeits can be readily identified by their poor quality and colour a significant percentage can be detected by validators in vending machines with correctly set calibration.

The Forgery and Counterfeit Currency Act of 1981 makes it an offence to knowingly pass on counterfeits and with that in mind the major cash centres will be reviewing their focus on identifying and withdrawing counterfeit one pound coins.

The purpose of this letter is to request that your organisation makes best endeavours and maximises the capabilities of the equipment used to withdraw the counterfeit coins from circulation.

Small quantities of counterfeit coins should be taken to your local police station but larger volumes may be sent to the Royal Mint marked for the attention of the Quality Assurance Manager.

Thank you for your co-operation with this matter.

8. Disclosable information from minutes of 17 February meeting between HMT, Royal Mint, SOCA and APACS, dated 19 February 2009.

Introduction

[HMT] welcomed everyone to the meeting stating that she was feeling more optimistic following the progress so far.

[HMT] referred to the results of the last survey, which indicated that the volume of counterfeits in circulation had increased to a level of 2.58%.

[Royal Mint] informed attendees of comments reported by [SOCA], made at a recent counterfeiting seminar in which the method of sampling for counterfeits in the UK was praised. It was stated that the UK model was superior to methodology currently in practice in Europe.

[APACS] asked whether the current method of visual checking would continue in the future. [Royal Mint] advised that there are qualified people at the Royal Mint to undertake the same task as [name withheld] however, he acknowledged that on an individual comparison we could not replicate the speed at which [name withheld] identifies counterfeits. After visual identification the counterfeits were analysed by Royal Mint technicians to confirm their status and determine the method of production. This second process confirmed [name withheld] remarkable accuracy.

[APACS] requested an up to date summary of the survey results.

[APACS] enquired whether the percentage of counterfeits undetectable by a [equipment details withheld] machine had increased. [Royal Mint] advised that this seemed to be the case.

The Royal Mint

Reviewing actions arising from the last meeting, [name withheld] advised that members had been informed that all [equipment details withheld] machines had been re-calibrated.

[Royal Mint] tabled proofs of a poster and leaflet. Final quantities have not been confirmed but it was agreed that the RM would progress this with APACS.

[Royal Mint] explained that following discussions with the Bank of England regarding its regional PR awareness campaign in Plymouth, it was concluded that the effectiveness of the resulting local media coverage in terms of identifying any resulting increase in the number of counterfeits identified could not be determined. Furthermore, it was noted that the city was chosen as a result of several factors rather than a specific Bank of England focus on the level of counterfeit notes.

[APACS] raised the issue that The Royal Mint was still finding genuine coins in consignments of counterfeits. [Royal Mint] agreed to take this forward with individual members but with the exception of one instance, suspected that they were garbled coins.

[APACS] outlined details of three Awareness Seminars at the Royal Mint and circulated a draft programme together with the three planned dates.

[Royal Mint] also confirmed that both SOCA and the Bank of England have agreed to be represented at each seminar. Two of the seminars were proposed for APACS members and one for non-APACS cash handlers.

[Royal Mint] to progress the APACS invitations, which will be endorsed by [APACS].

[APACS] also enquired whether [name withheld] could attend each session with a view to sharing some of his expertise. [Royal Mint] agreed to check his availability.

SOCA

[SOCA] advised that counterfeit coin was only a small part of counterfeiting activity within the UK, however, as a result of increased intelligence it was evident that this matter needed to be addressed.

[SOCA] advised that he believed there was only one group active at the moment but progress is being hindered because SOCA does not have total sight of how all the counterfeits are entering into circulation.

[SOCA] advised that since the last meeting other areas of activity have developed and SOCA's focus now is to identify areas of production. SOCA continues to maintain its relationship with the Forensic Science Services and has used [name withheld] as an expert witness in court.

[APACS] asked if SOCA was able to provide more information regarding the volumes of counterfeits being introduced. [SOCA] advised that despite the closure of the Enfield site, he believed that we would continue to see counterfeits from this operation enter into circulation as invariably counterfeiters store fake coins in areas away from the site of production.

[APACS] asked whether SOCA could identify the number of counterfeits from each source. [SOCA] confirmed that this was the case.

APACS

[APACS] advised that the re-calibration of equipment and the adoption of new procedures have not been achieved without some problems.

Members have raised concerns that some operators are not making best endeavours to identify and withdraw counterfeits which could give such companies a competitive advantage. [Royal Mint] advised that he had asked members to provide specific details, confidentially or anonymously, so that he could write to them. [Royal Mint] suggested that if anonymity was the issue then perhaps members could forward the names in the first instance to APACS. [APACS] agreed to explore this suggestion.

[APACS] raised the issue concerning the speed of turnaround of results, which [Royal Mint] agreed The Royal Mint would endeavour to improve.

[APACS] also expressed a desire to improve detection of counterfeits at points of entry such as Car Parking meters etc. [Royal Mint] advised operators had been contacted by letter and the name of one organisation reported not to be withdrawing counterfeits had been referred to [Royal Mint].

[APACS] advised that sampling at cash centres will continue in quiet periods and [HMT] requested details regarding the statistical analysis for this sampling procedure. [APACS] agreed to respond.

[APACS] advised that it was important that we show that this campaign is a co-ordinated effort.

HMT

[HMT] advised that the issue of counterfeits had been discussed with the Minister and that she felt it prudent not to brief the Minister further until the results of the next survey were known (May).

In the meantime, [HMT] proposed to take direct action by way of writing to both APACS members and non APACS members to continue the momentum and to re-enforce efforts. [APACS] supported this initiative.

Following a brief review of the summary table detailing declarations submitted by members, it was agreed that the volumes declared by each player was not necessarily relative. For example a deficit player draws coin from the Coin Club and would not necessarily identify the volumes of counterfeits that perhaps a surplus member would.

[Royal Mint] advised that non - APACS members had declared approximately 150,000 counterfeits. [APACS] asked for confirmation of this figure to share with members (confirmed herewith).

Action Points

1. [Royal Mint] to send a summary of survey results to [APACS]
2. [Royal Mint] to progress incidents of genuine coins found in consignments with APACS members and [equipment details withheld].
3. [Royal Mint] to progress invitations to Awareness Programmes with APACS.
4. [HMT] to liaise with [Royal Mint] and [APACS] in order to write to APACS members and with [Royal Mint] regarding the letter to non-APACS members.
5. [Royal Mint] to invite [name withheld] to the three Awareness Seminars.
6. [Royal Mint / APACS] to co-ordinate May survey

Date of Next Meeting

17th November 2009 (but may be brought forward)

9. *Disclosable material from 'Royal Mint counterfeit £1 statement and Q&A's' between Grayling Political Strategy and HM Treasury, dated 8 April 2009.*

"The estimated number of £1 coins in circulation in the UK on 31 March 2008 was 1,470 million.

"The Royal Mint carries out surveys every six months to track the counterfeit rate. These comprise of a random sample of £1 coins from across the country being subjected to individual visual and analytical inspection. Over the past five years the counterfeit rate of £1 coins has increased and is currently estimated to be 2.58%.

"The Royal Mint has no plans to withdraw and replace the £1 coin. The responsibility for any such decision would lie with HM Treasury.

"The Royal Mint takes counterfeiting and fraud extremely seriously and has put in place a number of design and composition features to minimise the risk of counterfeiting and allow for easier identification. These include for example the milled edge and incuse lettering on the £1 coin.

"We are concerned at the apparent upward trend and are working with the banks, the Post Office, the vending industry and law enforcement agencies to remove counterfeit £1 coins before they reach the pockets of members of the public.

"Coin handling businesses, such as banks and the Post Office, handle over three-billion £1 coins every year. They use high-speed, automated systems to process customer deposits and prepare coin for reissue. These automated systems are capable of detecting and withdrawing a significant number of

counterfeit coins. All counterfeit coins detected from coin processing are sent to the Royal Mint for disposal.

“For members of the public there are also a number of clues in the general appearance of the coin which assist in recognising counterfeits. These include the colour, clarity of the edge inscription, for example on the £1 coin, and its weight.

“It is a criminal offence to make or use counterfeited coins. Any member of the public who is in possession of a counterfeited coin should not attempt to spend it.”

- Ends -

Notes to Editors:

1. The composition, design and quality of coins all play a part in prevention of fraud. The £1 and £2 coins, the highest values in circulation, also have security measures such as a milled edge and an inscription in incuse letters.

2. Additional clues in identifying counterfeit £1 coins include:

- The date and design on the reverse should correspond.
A list of designs and dates is available on the Royal Mint website.
- The lettering or inscription on the edge of the coin should also correspond to the right year.
- The milled edge may be poorly defined or the lettering uneven in depth and spacing

- The design on either or both the observe and reverse sides may be poorly defined
- Where the coin should have been in circulation for some time, the colouring may appear more shiny and golden than normal with little sign of ageing.

3. The Royal Mint has a history dating back over 1,000 years. By the late thirteenth century the organisation was based in the Tower of London, and remained there for over 500 years. In 1810 the Royal Mint moved out of the Tower to premises on London's Tower Hill. In 1967 the building of a new Mint began on its current site in Llantrisant, South Wales.

Reactive Media Q&A's

A Royal Mint spokesperson said:

Q1. Are the figures in the BBC report accurate?

A1. The estimated number of £1 coins in circulation in the UK on 31 March 2008 was 1,470 million.

Regular sampling by the Royal Mint suggests that the counterfeit rate of £1 coins is currently around 2%. However, the current counterfeiting level is within the level generally tolerated by monetary authorities around the world before a re-coinage would be considered.

We track the counterfeit rate through regular surveys in the spring and autumn every year. The survey consists of a taking a random sample of coins from across the country, and subjecting them to individual analytical inspection.

It is a criminal offence to make or use counterfeited coins. Any member of the public who is in possession have a counterfeited coin should not attempt to spend it."

Q2. How can counterfeit coins be identified by members of the public?

A2. There are often a number of clues in the general appearance of counterfeit £1 coins. These include:

- The date and design on the reverse should correspond. A list of designs and dates is available on the Royal Mint website.

- The lettering or inscription on the edge of the coin should also correspond to the right year.
- The milled edge may be poorly defined or the lettering uneven in depth and spacing
- The design on either or both the observe and reverse sides may be poorly defined
- Where the coin should have been in circulation for some time, the colouring may appear more shiny and golden than normal with little sign of ageing.

Q3. Can the Royal Mint provide samples or images of counterfeit coins?

A3. It is unlikely that the identifying features would be picked effectively up by film or camera.

Q4. At what level of counterfeiting would it be necessary to replace the £1 coin?

A4. The current counterfeiting level is within the level generally tolerated by monetary authorities around the world before a re-coinage would be considered.

Currently there is no plan to withdraw and replace the £1 coin. The decision about the replacement of any coin for whatever reason would be made by the Treasury.

Q5. Is anyone from the Royal Mint available for interview?

A5. Unfortunately nobody from Royal Mint is available for interview. However if you have any specific questions or points you would like addressing, please contact us and we will provide a response from the Royal Mint.

Q6. What do members of the public do if they identify a counterfeit coin? Do they get the money back?

A6. Any member of the public who is in possession of a counterfeited coin should not attempt to spend it. Counterfeited coins can be handed over to the police.

It is the responsibility of law enforcement agencies to investigate and prosecute counterfeiters, but the Royal Mint provides technical assistance when requested.

Q7. How does the Royal Mint respond to Robert Matthews' quote that public confidence has collapsed in countries where counterfeit levels have reached similar levels:

Robert Matthews, was the Queen's Assay master until he retired to become a coin consultant four years ago. He said confidence in coins collapsed in other countries when forgery rates reached similar levels.

He said: "In 2004, people started refusing to take the South African 5 Rand coin, due to concerns about the number of counterfeits, and eventually the coin had to be redesigned and re-circulated.

"Independent surveys showed the number of counterfeits to be 2% - the same as we've got here - and I'm worried that if we're not careful the same thing will happen to the pound coin."

A7. The current counterfeiting level is within the level generally tolerated by monetary authorities around the world before a re-coinage would be considered.

The Royal Mint is working with banks, the Post Office, the police and the vending industry to remove counterfeit £1 coins from circulation before they reach the pockets of members of the public.

Coin handling businesses, such as banks and the Post Office, handle over three-billion £1 coins every year. They use high-speed, automated systems to process customer deposits and prepare coin for reissue. These automated systems are capable of detecting and withdrawing a significant number of counterfeit coins. All counterfeit coins detected from coin processing are sent to the Royal Mint for disposal.

Q8. Did the BBC obtain details from a Royal Mint survey, or carry out their own research? Are the surveys made public?

A8. The Royal Mint is tracking the counterfeit rate through regular surveys in the spring and autumn every year. The survey consists of a taking a random sample of £1 coins from across the country, and subjecting them to individual analytical inspection. The counterfeit rate established from these surveys is made available when requested.

Q9. How worrying is it that the number of counterfeit pound coins has doubled in the last five years?

A9. The Royal Mint is obviously concerned at the apparent upward trend and is tracking the counterfeit rate of £1 coins through regular surveys in the spring and autumn every year. The survey consists of a taking a random sample of £1 coins from across the country, and subjecting them to individual analytical inspection.

The Royal Mint is working with banks, the Post Office, the police and the vending industry to remove counterfeit £1 coins from circulation before they reach the pockets of members of the public.

Coin handling businesses, such as banks and the Post Office, handle over three-billion £1 coins every year. They use high-speed, automated systems to process customer deposits and prepare coin for reissue. These automated systems are capable of detecting and withdrawing a significant number of counterfeit coins. All counterfeit coins detected from coin processing are sent to the Royal Mint for disposal.

Q10. Which materials are counterfeit £1 coins made from?

A10. The materials used to produce counterfeit £1 coins differ depending on the counterfeiter. The basic specification of £1 coins is available in the public domain. However, it is likely that criminal gangs are undertaking their own analysis of coins and then conducting experiments so as to produce the most accurate copies possible.

10. *Disclosable information from email on 'Transport of counterfeit coin by non APACS organizations' between Royal Mint and HM Treasury, dated 27 May 2009.*

This email confirms our agreement to authorise a budget of £50,000 to allow non APACs members to send suspected counterfeits back directly to the Mint on the same terms as APACS members do for the remainder of the calendar year.

As you stated in your original email, consignments must be co-ordinated and approved by The Royal Mint [name withheld] to ensure you have timely dispatches and in economic volumes. HMT would also need regular (i.e. monthly) updates on expenditure so we can record and monitor costs.