

THE SUNDAY TIMES *magazine*

30.8.2009



Pleasure chest

The British Museum's saucy stash of secrets

The picture of evil

Andrew O'Hagan reads the faces of killers

Illegal tender

How fake euros are breaking the bank

Beauty and the brain

From the catwalk to Cambridge, Lily Cole talks to Chrissy Iley about her millionaire student life and acting with the late Heath Ledger

security feature, had been "very professionally produced". The gang's meticulous records showed that these were sold on to underworld associates for £3.50 a time.

After Hancox and his accomplices pleaded guilty to a variety of charges, they shuffled into the dock to be sentenced. In view of Hancox's advanced age and deteriorating health, the judge imposed a nine-month suspended sentence and ordered him to be electronically tagged: five other men were jailed for between 18 and 45 months.

The forged euros seized from the Acton gang eventually found their way to Allister McCullum's office on the 16th floor of the glass-and-steel tower that houses the European Central Bank (ECB) headquarters in Frankfurt. As the resident counterfeit specialist, McCullum sleeps, eats and drinks fakes, so familiar with their individual characteristics that he can often make an educated guess as to where they originated. "There are basically five main sources, and though I can't identify them specifically, the vast majority of the stuff we see is produced in EU member states." His team spend their days poring over bogus notes for clues to help them stay a jump ahead of criminal networks. They are not short of work: thanks to the surge in the euro's value against sterling and the dollar, it is becoming the forger's currency of choice.

With 16 nations now having adopted the euro, the amount in circulation worldwide is second only to the dollar, and the counterfeiters are cashing in on the euro's popularity. According to Europol, which represents European national police forces, around 70% of the bogus euros recovered can ultimately be traced back to three

Bulgarian authorities, that delivered a massive blow to a major gang of counterfeiters." A few days after the raids, more forged euros were discovered in Sofia, the crime-ridden capital of Bulgaria.

Three weeks later, the Spanish police announced that they had broken up another counterfeiting network believed to have been responsible for smuggling around €50,000 worth of fake euro notes into the country every month over several years. More than 20 people were arrested, among them three alleged ringleaders and a courier detained at a bus station who was carrying over €60,000 in phoney notes. The fakes were said to have been produced in Italy and funnelled into Catalonia for onward distribution: they were only discovered when they reached the banks. Since Spain adopted the new currency, forgeries with a face value of over €6m euros have been seized.

Fanning a sheaf of fakes across his desk like a cardsharp, McCullum places a genuine €50 note alongside another that I would have sworn was identical, then talks me through its telltale defects. "Most of the fakes sent to us are rubbish, often knocked out on a desktop printer," he observes. Even more skilled forgers rarely labour for perfection. "They're not interested in producing notes that will defeat bank sorting machines, just something good enough to fool the general public." Most transactions involving forgeries take place under fluorescent lighting in banks, shops and restaurants — "the very worst conditions for spotting funny money".

As described by McCullum, a former Bank of England counterfeit expert, the economics of the business are fairly simple. The trick is getting the notes into circulation, because that's when the

'THE FORGERS ARE JUST INTERESTED IN SOMETHING GOOD ENOUGH TO FOOL THE PUBLIC. MOST OF THE FAKES ARE RUBBISH'

large gangs operating out of Italy and the Balkans. French police say that most of the fakes entering the country are smuggled in by "mules" from Poland, Lithuania and Bulgaria.

Last month, a carefully co-ordinated international police operation broke up what was described as one of the most active forgery rings in Europe in the Bulgarian town of Plovdiv, a notorious centre of organised crime. It was the culmination of a two-year investigation launched after the discovery that large quantities of counterfeit euros were circulating in Spain. Armed raids on three print shops uncovered sophisticated computer equipment and desktop software: about €500,000 in high-quality fake 100, 200 and 500 notes was also recovered. According to Rob Wainwright, Europol's director, the Plovdiv gang was allegedly responsible for producing and distributing forgeries with a face value of around €16m since 2005. "This was an excellent example of international police co-operation, led by the

"profit chain" begins, with the fakes being offloaded on unsuspecting victims. "The people behind the printing are lucky to get much more than 10% of face value from their distributors, so there's an incentive to shift as much as you can produce." According to Karel Schell, a Dutch banknote consultant, a forged €50 note probably costs less than 1% of its face value to manufacture.

When the euro came into use in 2002, it was hailed as the most counterfeit-proof currency ever to roll off the presses. An array of security features included holograms, inks that changed colour under ultraviolet light and a device like a tiny scratch card to help identify fakes by touch.

The ECB had taken it for granted that forgers would set about testing the new currency's defences while the public was still unfamiliar with the notes. One US observer went further, predicting that the introduction of the euro would provide "the biggest shot in the arm for organised crime since the sale of alcohol was outlawed in



the US". In the event, there was no immediate explosion of fakes, but as counterfeiters got to grips with the euro, the number of bogus notes being seized and recovered has increased significantly. In 2007, there was a 12% rise, and 2008 saw another double-digit spike to a five-year high of more than 650,000 identified fakes.

For the first time, the €20 note has replaced the 50 as the fakers' favourite. By contrast, not a single counterfeit €500 note was returned to the ECB last year. "It's becoming increasingly risky trying to pass one of them on," McCullum explains. The outlets most frequently targeted by criminals have learnt the hard way not to accept the purple-tinted notes without close examination. On the other hand, he adds, they are cherished by drug cartels, money launderers and renegade arms dealers: a million euros' worth will fit snugly into a briefcase, greatly facilitating the transport of dirty money.

As McCullum points out, counterfeiters have been around for almost as long as mankind has

Investigation

Left: counterfeit detectives at Matsumura Technology in Tokyo

Below left: a printing press used to make fakes

Below right: Adolf Burger, forced into forging pounds



used money. When cocoa beans served as currency for the ancient Mayan civilisation, fakers would slit a pod open, replace the beans with others of no value, then stick the pod back together. During the second world war, Adolf Burger, a Jewish typographer in a concentration camp, was forced to produce the equivalent of £3 billion in fake British notes for an operation to destabilise the pound. In February, the Bank of England invited the 91-year-old Burger — whose story was told in the film *The Counterfeiters* — to inspect one of his own forgeries.

If anything keeps McCullum awake at night, it is the threat posed by the new methods being applied to counterfeiting. Most forged euros are still produced on cumbersome offset lithograph machines, which require skill to use. But the technology is becoming more sophisticated, less expensive and easier to move around.

Just how many counterfeit euros are swilling around the world is anyone's guess: ECB

statistics deal only with those seized or withdrawn from circulation after being discovered, and some experts argue this is only the tip of a substantially larger iceberg. McCullum admits that "we don't know what is out there". The author of an authoritative book on counterfeiting, John K Cooley adapted Winston Churchill's description of the USSR to conclude that the true global figure of forged euros remains "a riddle within an enigma". Unsurprisingly, the ECB stoutly defends the integrity of its currency, emphasising that fakes account for only a minute proportion of the total supply of euros. Its research suggests that the chance of somebody receiving one works out at about once in every 400 years. Yet even if just a tenth of 1% of the euro notes in circulation are forgeries, we are talking about a sum in the region of £700m, possibly much more. That may explain why the ECB is now working on a new series of notes with upgraded security features.

Whenever counterfeit-detection specialists get together, the talk turns to "supernotes" — \$100 bills forged with such skill that experts can only distinguish them from the real thing in a laboratory. By most accounts, the first of these near-flawless fakes surfaced 20 years ago in Manila. Initial checks on the note discovered nothing wrong, but as a precaution it was sent to the Washington headquarters of the US Secret Service, responsible for protecting the nation's currency as well as its president. After extensive forensic testing, it became apparent that this was a counterfeit like no other. For a start, the note was printed on paper containing the same unique blend of 75% cotton and 25% linen as the real thing. It also utilised colour-shifting ink

and contained the same proportion of embedded red-and-blue fibres used by the US treasury as an additional security feature. Equally worrying, the fake had been run off on a multicolour intaglio printing press of the type widely used by the world's central banks. In the intaglio process (the word derives from the Italian for carving), engraved plates are coated with special ink that is then wiped away, leaving deposits in the recesses of the engraving. Paper and plates are then sandwiched together under huge pressure, forcing the ink out of the recesses and onto the note to create a distinctive embossed effect on the front and a slight indent on the back.

With the exception of the Nazi plot to destabilise the British pound, this was the first known case of the highly specialised intaglio technology being used to produce forgeries. Like the guardians of the euro in Frankfurt, the US authorities stress that as a proportion of the total amount of dollars in circulation, forgeries are a drop in the ocean. In the early 1990s, the Secret Service rubbished a congressional committee report which speculated that the value of supernotes in circulation could amount to billions. But the "iceberg" factor applies equally in Washington: nobody there really knows how many fake dollars are floating around the world. In 2007, the official estimate was one in every 10,000 notes, representing an increase of almost 70% in a little over five years. The Secret Service did not respond to a request by *The Sunday Times Magazine* for an updated figure.

In October 2004, federal agents running a sting operation discovered a stash of high-grade counterfeit \$100 bills concealed in a container of toys that had arrived by sea from China. As far as the American authorities were aware, these were the first supernotes to be smuggled into the US. A few weeks later, around \$3m worth of fakes were seized from another vessel arriving from the Far East, followed by a consignment hidden in bolts of cloth. With alarm bells ringing, a federal investigation, code-named Operation Smoking Dragon, was launched. As the result of a series of arrests and interrogations, investigators concluded that the counterfeit traffic was being orchestrated from the North Korean capital of Pyongyang. Professor Stephen Mihm, of the University of Georgia, author of a revealing article on supernotes in *The New York Times*, recalls a senior Washington official assuring him the US possessed "overwhelming evidence" ➤