



# Illicit tobacco trade

## Latest supply control measures in the EU



DG SANTE, European Commission  
Health in all policies, global health and tobacco control

Geneva



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## Nature of illicit trade

- In the EU: V: 10-11% of the overall market; tax losses: €10bn+;
- Important public health implications;
- Composition of illicit market changes: contraband from major international products, cheap whites and counterfeits, domestic illicit manufacture;
- Main countries of provenance for smuggled tobacco in the EU: China, UAE, Vietnam, Malaysia, Russia, Singapore, Belarus, Ukraine;
- Points of entry: EU Eastern border, Eastern Mediterranean, Western Balkans;
- Fuels the shadow economy;
- Often domain of organised criminal groups;
- Worldwide, complex problem -> needs to be addressed in a comprehensive way, both geographically and in terms of rules, resources and products.

# Factors contributing to illicit trade

- High incentives and substantial loopholes
- **Insufficient supply chain control measures**
- Enforcement challenges
- Low disincentives

*(COM Communication: stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products)*

# Legislative framework

## EU response

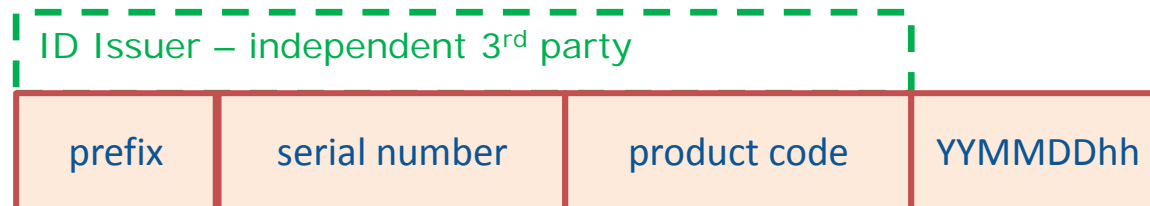
- Articles 15 and 16 of Tobacco Products Directive 2014/40/EU establish:
  - EU-wide system for tracking and tracing (from the manufacturer to the last point before the retail outlet)
  - Security features

## International response

- FCTC Protocol (Art. 8, on traceability)

# Tracking and tracing

- Tracking at tracing via a unique identifier (UI) at unit packet level
  - Option to mark at aggregated level (link to unit packet level must be ensured)
- UIs are generated by an independent issuing agency
- UI must follow clearly prescribed structure



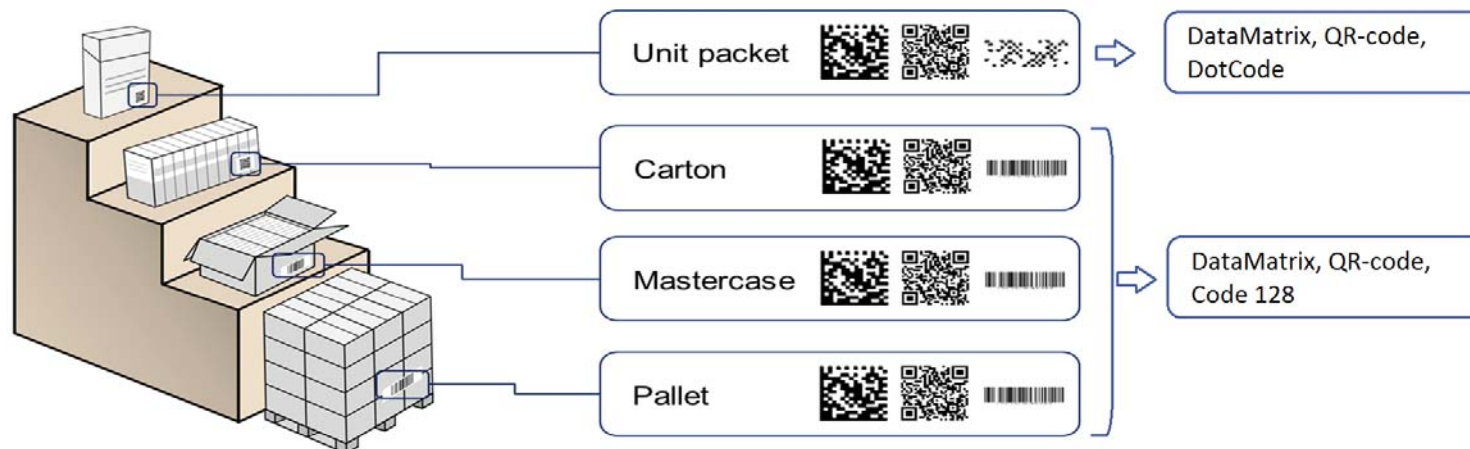
# Tracking and tracing

- UI relates to a broad set of information on product movement and transactional data
  - Date/place of manufacturing, manufacturing facility, machine used, intended market, payment details, etc. (see Art. 15(2) TPD)
- Recorded events:
  - Application of UI, dispatch, arrival, transloading, and the issuing of order/invoice/payment

# Tracking and tracing

- Recorded data is stored in an independent repository system
  - Decentral repository per each manufacturer/importer
  - Central repository (global copy of all data)
- Provides national authorities with a global view of the legal supply chain in the EU
  - User interfaces with extensive search functions and possibility to configure automatic alerts / reports

# Tracking and tracing



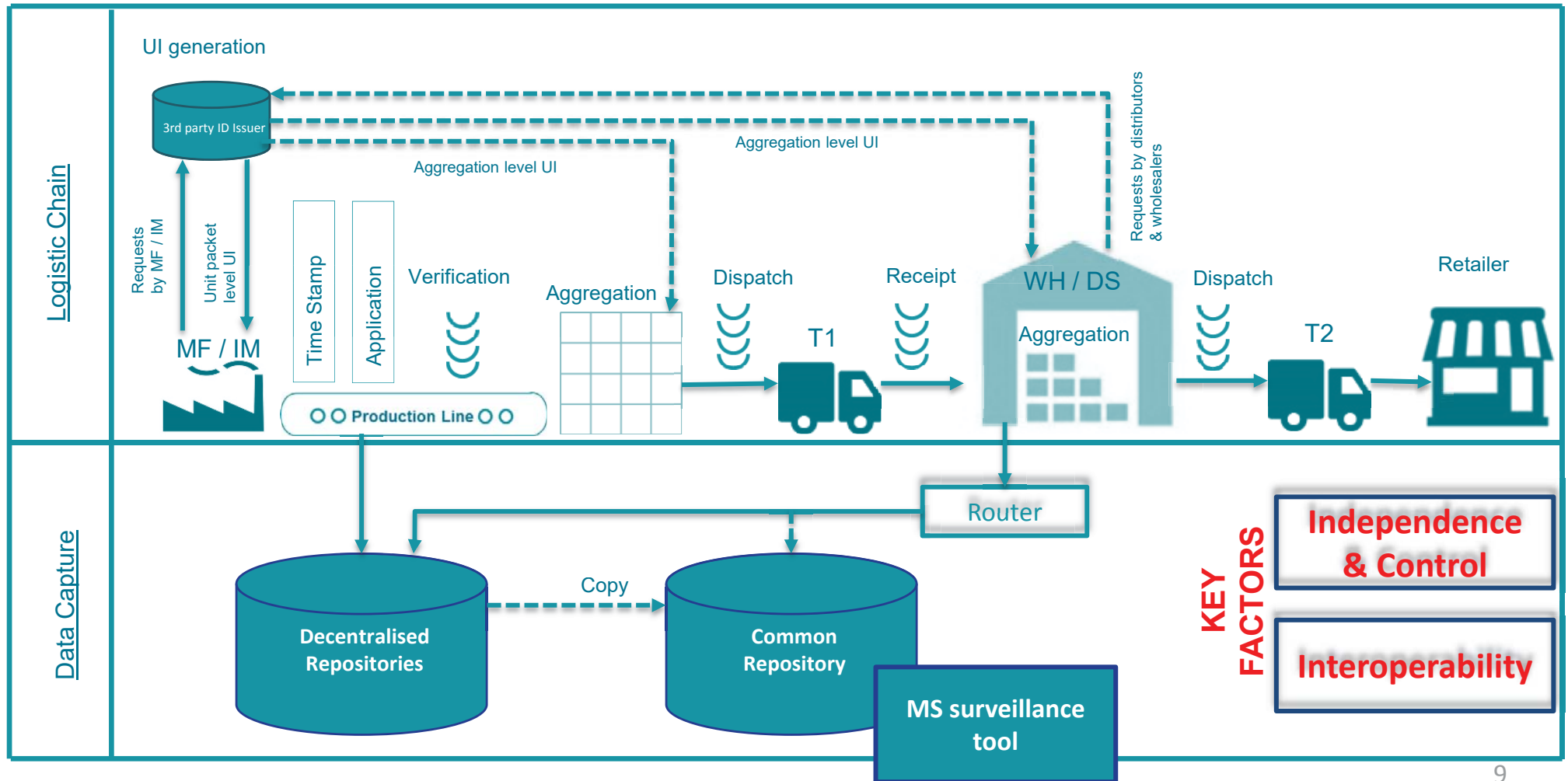
- Use of standard scanning devices allows to read out information embedded in UIs;
- Set of prescribed data carriers based on non-proprietary standards (Data Matrix, QR code, Dot Code)
  - Human readable code (in addition)
- Flat files allow scanning in offline mode





European  
Commission

## Operational system structure



# Security features

- Each unit packet must carry a security feature composed of a minimum of 5 authentication elements (ISO 12931:2012):
  - one overt element
  - one semi-covert
  - one covert
- MS to define the composition of their security feature
- Tax stamp may be used (provided it is compliant)

# Security features

- Independence criteria for at least one provider of an authentication element used in a security feature
- MS may introduce rotation schemes; compromised security features must be replaced and EO informed

# Verifying authenticity

- MS must possess the means necessary to analyse a security feature permitted to be applied to products placed on their market
- MS can require MF/IMP to provide samples of unit packets together with the applied security feature
- Mutual assistance among MS

# Timeline

- Entry into force:
  - Traceability system → 6 May 2018
  - Security features → 16 December 2017
- Systems for traceability and security features will become applicable as of
  - 20 May 2019 to cigarettes/RYO
  - 20 May 2024 to other tobacco products
- Towards a global tracking & tracing regime...

# **Thank you for your attention.**

## **Any questions?**

More information:

[https://ec.europa.eu/health/tobacco/tracking\\_tracing\\_system\\_en](https://ec.europa.eu/health/tobacco/tracking_tracing_system_en)