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COMMISSION OF THE EUROPEAN COMMUNITIES

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2009/0001 (COD)

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of […]

establishing a Community programme to support specific activities in the field of financial services, financial reporting and auditing

{SEC(2009) 54}

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

In the financial services sector and in the field of financial reporting and statutory audit, the Community is expected to financially support activities of certain bodies, both European and international, to ensure the effectiveness of Community policies in these areas. The purpose of this Decision is therefore to establish a new Community programme which will enable direct contributions to the funding of these bodies under the Community budget. These contributions will ensure stable, diversified, sound and adequate funding to enable such bodies to accomplish their mission in an independent and efficient manner.

The Commission has recognised the key role that the Committees of Supervisors, IASCF, EFRAG and PIOB play in the completion and operation of the Internal Market. At the same time, the Commission has identified that the proper implementation of some key Community policies could be at risk because of inadequate funding of these bodies. Such situation currently arises either (i) because of insufficient financial means to carry out certain projects (Committees of Supervisors, EFRAG) or (ii) because of reliance on non-diversified, and voluntary funding from interested parties (IASCF, EFRAG, PIOB). In the latter case, present funding arrangements thus give rise to continuous concerns about the independence of these bodies. In an extensive ex-ante evaluation, the Commission assessed five possible policy options: (1) keeping the status quo; (2) increasing contributions within the existing funding models; (3) setting-up national funding schemes; (4) co-financing under the Community budget; and (5) setting-up dedicated EU agencies (in relation to the Committees of Supervisors and EFRAG). The Commission's assessment was based on academic analysis, on information and statistics provided by the respective bodies themselves and on proposals and assessments from other European institutions. Additionally, the Commission screened the relevant legislative provisions that are currently in force and which create obligations for, or transfer tasks to, these bodies. Based on this assessment, it was concluded that the best way forward is to co-finance the Committees of Supervisors, IASCF, EFRAG and PIOB either by way of action grants (Committees of Supervisors) or by way of an operating grant (IASCF, EFRAG and PIOB). This approach would ensure that (1) the Committees of Supervisors and EFRAG are adequately equipped with the financial means to carry out certain strategic projects, which significantly exceed the current funding arrangements; and that (2) IASCF, EFRAG and PIOB do not only rely on non-diversified and voluntary funding from interested parties thus avoiding concerns as to the independence of their standard-setting related activity.

In the context of the current financial crisis, the aims of the proposed Community programme gain additional importance. EU Member States consider that the enhancement of supervisory convergence and cooperation in the field of financial services and in relation to financial reporting and auditing should be given a high priority.[1] The Commission Communication *"From financial crisis to recovery: A European framework for action"* of 29 October 2008 states that the EU needs to redefine the regulatory and supervisory model of the EU financial

[1] See Declaration on a concerted European Action Plan of the Euro Area countries (14239/08), Summit of the Euro Area countries, Brussels, 12 October 2008, and Conclusions from the October European Council (14368/08), Brussels, 15-16 October 2008, para. 1 et seq.

sector, particularly for the large cross border financial institutions.[2] In this context, several initiatives are under way at EU level to bring substantive improvements within the existing supervisory structures (e.g. the forthcoming amendments to the Commission Decisions establishing the Committees of Supervisors[3] or the introduction of Colleges of Supervisors under the proposal for the revision of the Capital Requirements Directive[4]). These initiatives are carried out in parallel with and without prejudice to the forward-looking reflection on the future European supervisory architecture underway in the high level group, set up by the Commission on 21 October 2008 and chaired by Jacques de Larosière. [5] The Commission Communication of 29 October 2008 states that the crisis has also demonstrated the need to coordinate actions both at a European level and at an international level.[6] In this context, the conclusions of the G20 Summit in Washington on 15 November 2008[7] are crucial, insisting in particular on the need to strengthen international coordination among financial supervisors and international standards to improve the governance of the international financial system. The current political momentum means that change is possible both at EU and international level. The proposed Community programme could contribute to this and strengthen the contribution of the EU to the implementation of the action plan set out in the G20 summit declaration.

1.1. Committees of Supervisors

The Committees of Supervisors are independent advisory bodies set up by the Commission between 2001 and 2004[8] and made up of the national supervisors competent in the field of securities, banking and insurance in each Member State. Their mandate is threefold. First, they act as independent bodies for reflection, debate and advice for the Commission in the above fields. Second, they contribute to the consistent and timely implementation of Community legislation in the Member States. Third, they contribute to the convergence of supervisory practices throughout the Community and promote cooperation in each of the above fields, for instance via the exchange of information. The Committees of Supervisors act independently when carrying out the second and the third aspect of their mandate, the supervision of financial institutions not being an EU competence *per se*. Recent evaluations of the functioning of these Committees by the European Institutions and various consultative groups[9] and the crisis in the financial markets which has unfolded since 2007[10] have demonstrated the need for urgent progress in these areas.

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[2] Commission Communication "From financial crisis to recovery: A European framework for action" (COM(2008) 706 final), Brussels, 29 October 2008, p. 4.

[3] For more information, see: http://ec.europa.eu/internal_market/finances/committees/index_en.htm

[4] For more information, see: http://ec.europa.eu/internal_market/bank/regcapital/index_en.htm#capitalrequire

[5] See Commission Press release of 11 November 2008 (IP/08/1679), available at http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1679&format=HTML&aged=0&language=EN&guiLanguage=en

[6] See Commission Communication "From financial crisis to recovery: A European framework for action" (COM(2008) 706 final), Brussels, 29 October 2008.

[7] Declaration of the Summit on Financial Markets and the World Economy, Washington, 15 November 2008.

[8] Commission Decisions 2001/527/EC, 2004/5/EC and 2004/6/EC establishing the Committee of European Securities Regulators (CESR), the Committee of European Banking Supervisors (CEBS) and the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS), respectively.

[9] See for instance, Commission Communication on the Review of the Lamfalussy process – Strengthening supervisory convergence (COM(2007) 727 final), FSC's Report on Long Term Supervisory Issues ("Ter Haar Report"; FSC 4162/08); European Parliament's Resolution on financial

It is appropriate for the Community to contribute financially to specific actions of the Committees of Supervisors considering that the Committees (i) assume key functions with regard to European supervisory structure, (ii) carry out projects which may be important components in the implementation of EU legislation and, (iii) as networks of national supervisory authorities representing all financial services sectors, build up a European financial supervisory culture.

The three Committees of Supervisors do not have legal personality at the European level. However, to be able to contract with third parties and facilitate the operation and administration of the Committees, the members of each Committee of Supervisors have set up support structures with legal personality in each Member State where these committees are situated, i.e. France, the United Kingdom and Germany[11]. The Community will contribute financially to these support structures by way of action grants. These action grants will be used exclusively by the support structures to finance certain projects relating, in particular, to training of staff of national supervisory authorities and the management of information technology projects. These action grants shall by no means interfere with the scope of the mandates of the Committees as such. In addition, it will be stated in the grant themselves that all liabilities to arise as a result of the Community financing of the Committees of Supervisors will be borne by the recipient, i.e. the legal support structures. The legal support structures to the Committees will also be instructed to make sure that their statutes of incorporation state clearly that their tasks are limited to administrative support functions, including in particular training of staff of national supervisory authorities and management of information technology projects.

1.2. Financial reporting

A single set of high-quality international accounting standards supports the efficient operation of the Community's internal market by ensuring that investors, creditors and other stakeholders have access to timely, reliable and relevant information about the financial conditions of companies.

As in the case of the supervision of financial institutions, the crisis in the financial markets which has unfolded since 2007 has put the issue of accounting standards at the centre of the EU's political agenda[12]. Transparency and global cooperation is needed in order to ensure that cross-border capital flows and operations can be monitored in an internationally consistent manner. At the same time, a level playing field has to be ensured for companies around the world when subjecting them to financial reporting obligations.

Regulation (EC) No 1606/2002 (the "IAS Regulation") provides for the mandatory application of the International Financial Reporting Standards (IFRS) by companies with securities listed on a regulated market in the EU.

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services policy (2007)0338 and Report of the Inter-institutional Monitoring Group (IIMG), available at http://ec.europa.eu/internal_market/finances/committees/index_en.htm#interinstitutional

10 See for instance Conclusions from the Spring European Council (Presidency Conclusions 7652/1/08), Brussels, 13-14 March 2008, para. 30 et seq., available at http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/99410.pdf.

11 “Association Loi 1901” in France for CESR, “eingeschriebener Verein (e.V.) ” in Germany for CEOIPS and “Limited company by guarantee and without share capital” in the UK for CEBS.

12 See for instance Conclusions from the Spring European Council (Presidency Conclusions 7652/1/08), Brussels, 13-14 March 2008, para. 30 et seq., available at http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/99410.pdf.

IFRS are issued by the International Accounting Standards Board (IASB) and related interpretations by the International Financial Reporting Interpretations Committee (IFRIC), two bodies of **the International Accounting Standards Committee Foundation (IASCF)**[13].

The incorporation of IFRS into Community law means that these standards play a major role in the operation of the Single Market and of the EU's economy. The Community therefore has a direct interest in ensuring that the process through which these standards are developed and approved delivers standards that are consistent with the public interest (e.g. financial stability), with the Community's legal framework and with the European business reality.

In particular, independence of the standard-setting process without any undue influence from parties with a stake in the outcome of the IASB's standard-setting process is crucial. The key concern in this respect is to avoid the reliance of the standard-setter on voluntary funding from interested parties (such as auditors or listed companies). The establishment of appropriate funding arrangements of the IASCF is important to put an end to such reliance. This should in turn contribute to guarantee the independence of its standard setting activity and limit concerns about possible conflicts of interest. Considering that IFRS have vocation to be incorporated into Community law, a financial contribution to the IASCF's budget from the Community budget, proportionate to the Community's weight in the global economy and capital market, is necessary to help achieving the above objectives. Long-standing concerns about the IASCF's funding arrangements have been repeatedly highlighted, notably by the ECOFIN Council in its conclusions adopted in July 2006[14] and July 2007[15], as well as by the European Parliament[16].

The reform of the IASCF's funding regime is a necessary but not sufficient condition to enhance the IASCF's independence and the former thus needs to be assessed within the broader context of the IASCF's proposed governance reforms. In the framework of the IASCF's ongoing five-yearly constitutional review, the Commission is also pursuing a number of governance reforms aimed at enhancing the IASCF's accountability, independence, as well as enhancements of the IASB's due process. These reforms should be implemented by the time the Community co-financing is in place.

The **European Financial Reporting Advisory Group** (EFRAG) was founded in 2001 by European organisations representing issuers, investors and the accountancy profession involved in the financial reporting process[17]. In line with the IAS Regulation, EFRAG

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[13] The IASCF is a European standards body within the meaning of Article 162 (a) of the Implementing Regulation of the Financial Regulation applicable to the EU budget, being a body that sets accounting standards which are applicable in the EU pursuant to the provisions of Regulation (EC) No 1606/2002.

[14] 2741st meeting of the Council of the European Union (Economic and Financial Affairs). Brussels, 11 July 2006. Press Release available at http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/90465.pdf

[15] 2813th meeting of the Council of the European Union (Economic and Financial Affairs). Brussels, 10 July 2007. Press Release available at http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/95233.pdf

[16] See paragraph 16 of the EP's Resolution on International Financial Reporting Standards (IFRS) and the Governance of the International Accounting Standards Board (IASB) adopted on 24 April 2008, available at http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A6-2008-0032+0+DOC+XML+V0//EN&language=EN.

[17] Being a European organisation representing a network of non-profit bodies active in the Member States, EFRAG is a body pursuing an aim of general European interest in the meaning of Art 162(b) of the Implementing Rules of the Financial Regulation applicable to the EU budget (Regulation No. 2342/2002).

provides the European Commission with opinions on whether an accounting standard issued by the IASB or an interpretation issued by IFRIC to be endorsed complies with the Community law, in particular, with the requirements of the IAS Regulation as regards the standard's understandability, relevance, reliability and comparability as well as being conducive to public good and the true and fair principle as set out in Council Directives 78/660/EEC and 83/349/EEC. EFRAG's role was formalised in a Working Arrangement concluded with the Commission Services in March 2006.

In addition, EFRAG has been increasingly used as a platform of European stakeholders (both public and private) to provide upstream, technical input to the IASB concerning draft accounting standards.

Nevertheless, this latter aspect of EFRAG's work is constrained by a lack of resources, which means that EU business and economic interests are not sufficiently represented at international level in the course of the discussions with the IASB/IFRIC. In parallel, EFRAG suffers from current reliance on non-diversified, voluntary funding from interested parties (such as auditors), which raises concerns about the independence of standard reviewing activity and about possible conflicts of interest. In its conclusions adopted on 8 July 2008, the ECOFIN Council welcomed the efforts to enhance the role of EFRAG in order to ensure that European concerns are taken into proper consideration in the international accounting standard setting process[18]. The European Parliament took a similar position in an own initiative report adopted in April 2008. In addition, in its opinion dated 10 September 2008, the Committee on Economic and Monetary Affairs of the European Parliament reiterated that "*sufficient funding must be set aside for […] international accounting standard setting, in particular to the International Accounting Standards Committee Foundation, including the International Accounting Standards Board, and its European voice through the European Financial Reporting Advisory Group*"[19]. Numerous private stakeholders also raised these concerns within the framework of the "EFRAG enhancement" project launched by EFRAG in July 2008.[20]

EFRAG is currently undergoing governance reforms in order to increase its accountability, ensure greater transparency, and public oversight over the organisation. These reforms should become effective in the first half of 2009 and ensure that EFRAG's governance structure matches the expectations coupled with its public interest role.

Taking into account EFRAG's key roles in supporting Community legislation and policies and in representing European interests in the standard setting process at international level it is necessary for the Community to contribute to EFRAG's financing to ensure credible and independent advice as well as to enable effective and timely input to the IASB standard setting process.

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[18] 2882nd meeting of the Council of the European Union (Economic and Financial Affairs). Brussels, 8 July 2008. Press Release available at http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/101742.pdf

[19] See suggestion 6 of the opinion on the draft general budget of the European Union for the financial year 2009, available at http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+COMPARL+PE-407.786+02+DOC+PDF+V0//EN&language=EN

[20] For more information, see: http://www.efrag.org/projects/detail.asp?id=134

1.3. Auditing

Community legislation requires a company’s financial statements to be audited by statutory auditors who should provide an independent opinion about a company's financial position, as reflected in the financial statements.

A harmonised approach to statutory auditing based on high-quality standards agreed at international level increases the overall quality of audits, both within the Community and globally, strengthens public confidence in the audit function and hence ensures an efficient functioning of the Community capital market and of the Internal Market.

According to Directive 2006/43/EC, international standards for auditing (ISAs) can be adopted for their application in the European Union provided a number of conditions are met, in particular, that the standards have been developed with proper due process, public oversight and transparency. International standards for auditing are developed and approved by the International Auditing and Assurance Standards Boards (IAASB), which is a Committee set up by the International Federation of Accountants (IFAC).

The Public Interest Oversight Board (PIOB) was created on 28 February 2005 by the Monitoring Group, an international organisation responsible to monitor the governance reform of IFAC[21]. The role of the PIOB is to oversee the process leading to the adoption of ISAs and other public interest activities of the International Federation of Accountants (IFAC). The PIOB is the key body to ensure that the ISAs have been developed and adopted with proper due process, public oversight and transparency as required under Article 26 of the Directive 2006/43/EC. The fact that two, out of ten, members of the PIOB were appointed by the Commission in March 2008 for a period of 3 years demonstrate the EU interest in the good functioning of the PIOB.

The faculty of introduction of ISAs into Community law as contemplated under Directive 2006/43/EC means that the Community has a direct interest in ensuring that the process through which these standards are developed delivers standards that are consistent with the public interest (e.g. financial stability), the Community's legal framework and the European business reality.

In particular, independence of the oversight process without any undue influence is crucial. The key concern in this respect is to avoid the reliance of the PIOB for its funding over non-diversified, voluntary funding from interested parties which have a direct interest in auditing standards. This concern has been voiced, inter alia, by all the public institutions sponsoring the PIOB.

The establishment of appropriate funding arrangements of the PIOB is important to put an end to such reliance. This should in turn contribute to guarantee the independence of its oversight activity and limit concerns about possible conflicts of interest. To achieve this objective, it is therefore necessary for the Community to contribute fairly to the funding of PIOB.

[21] The Monitoring group is made up of the International Organization of Securities Commissions, the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors, the World Bank and the Financial Stability Forum. See for instance First public report of the PIOB, 2005, p5.

1.4. Other possible beneficiaries

The crisis in financial markets which has unfolded since 2007 could have consequences in the field of supervision of financial institutions and markets as well as in the field of financial reporting and statutory audit. One consequence of the crisis could be the setting-up of new bodies at Community or international level in one or several of these fields with a mandate covering similar Community objectives as the abovementioned beneficiaries of the proposed Community programme. Additionally, it might occur that one of the beneficiaries of this Community programme is replaced by a successor, i.e. a new body between the date of adoption of the Decision and the end of the proposed Community programme. It is therefore of utmost importance that the Decision provides for a provision that allows to flexibly adapt the Programme to changes in the institutional framework, while still respecting the overall aim of this Programme. The decision therefore sets out that the Commission by way of an individual decision taken in accordance with Council Decision 1999/468 of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission could include a new or replace an old beneficiary in the Annex. The addition of new beneficiaries or the replacement of old beneficiaries during the period of funding is only possible in one of the two following situations:

1. One of the beneficiaries of the Programme is replaced by a direct successor. The Commission shall decide whether the successor fulfils the eligibility criteria and thus qualifies to take over its predecessors' right of receiving funds in this Community programme. The Annex should be amended accordingly. Such selection should be made in accordance with the regulatory procedure provided for in Article 5 of Decision 1999/468/EC[22].

2. The financial framework as defined in Article 9(1) is not exhausted completely. The Commission may propose an additional beneficiary for an action grant, provided that the latter complies with the eligibility criteria as set out in this Decision. The Commission shall decide whether the proposed beneficiary and its respective actions comply with the criteria set out in this Decision. The Annex should be amended accordingly. Such amendment should be made in accordance with the regulatory procedure provided for in Article 5 of Decision 1999/468/EC[23].

Any new beneficiary must fulfil one of the following criteria:

- it should have a legal form and a mandate similar to the Committees of Supervisors referred to under Section 1.1 above (i.e. they are established under Community law and pursuing activities supporting the implementation of the corresponding Community policies aimed at supervisory convergence and cooperation in the field of financial services);

- it should have a mandate similar to the bodies active in the field of financial reporting and auditing referred to under Section 1.2 and 1.3 above (i.e. they are directly involved in the process of developing, applying, monitoring standards or

[22] OJ L 184, 17.7.1999, p. 23. Decision as amended by Decision 2006/512/EC (OJ L 200, 22.7.2006, p. 11).

[23] OJ L 184, 17.7.1999, p. 23. Decision as amended by Decision 2006/512/EC (OJ L 200, 22.7.2006, p. 11).

overseeing standard setting process in support of the implementation of the corresponding Community policies in the field of financial reporting and auditing).

2. LEGAL ELEMENTS OF THE PROPOSAL

2.1. Legal basis

The Treaty establishing the European Community and especially Article 95.

2.2. Subsidiarity principle

The Community programme provides for the possibility to co-finance activities of certain bodies pursuing aims of a general Community interest on Community-wide issues in the field of financial services and by designing standards, endorsing standards or supervising standard setting processes in the field of financial reporting and auditing. The proposal complies with the subsidiarity principle since, in accordance with Article 5 EC, its objectives cannot be sufficiently achieved by the Member States and can, by reason of the scale and the effect of the action, be better achieved at the Community level.

2.3. Proportionality principle

The proposal complies with the proportionality principle as set out in Article 5 EC. As assessed in the ex-ante evaluation, this Decision does not go beyond what is necessary in order to achieve its objectives. Community funding is proposed for a well defined and limited number of the most important bodies in the field of financial services. Within the current institutional framework, the new funding arrangements will ensure stable, diversified, sound and adequate funding to enable the relevant bodies to carry out their Community-related or Community public interest mission in an independent and efficient manner. Financial support will be granted according to the conditions laid down in the Council Regulation (EC, Euratom) No 1605/2002[24] of 25 June 2002, on the Financial Regulation applicable to the general budget of the European Communities and Commission Regulation (EC, Euratom) No 2342/2002[25] of 23 December 2002, laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002.

3. BUDGETARY IMPLICATION

The total amount to be borne by the Community's budget is EUR 36,2 million for the 2010 – 2013 period. The Programme is a four year programme aligned with the duration of the financial perspectives 2007 – 2013.

[24] OJ L 248, 16.9.2002, p. 1.
[25] OJ L 357, 31.12.2002, p. 1.

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 95 thereof,

Having regard to the proposal from the Commission[26],

Having regard to the opinion of the European Economic and Social Committee[27],

Acting in accordance with the procedure laid down in Article 251 of the Treaty[28],

Whereas:

(1) The financial services sector is a key component of the internal market, crucial for the proper functioning of the European economy and for global competitiveness. A healthy and dynamic financial sector requires a solid framework for regulation and supervision, which is capable to cope with increasingly integrating the financial markets in the Community.

(2) In a global economy, there is also a need to converge standards between jurisdictions or develop international standards. It is therefore important that the Community plays a role in the international standard setting process for financial markets. To ensure that interests of the Community are respected and that global standards are of high-quality and compatible with the Community legislation, it is essential that the interests of the Community are adequately represented in the international standard setting processes.

(3) The financial crisis has put the issue of supervision of financial institutions, notably on a cross-border basis, and of financial reporting at the forefront of the political agenda of the Community. This situation could lead to new proposals for measures for the approximation of the provisions laid down by law, regulation or administrative action in Member States which have as their object the establishment or improved functioning of the internal market.

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[26] OJ C , , p. .
[27] OJ C , , p. .
[28] OJ C , , p. .

(4) It is therefore appropriate to provide a Community programme for the possibility to co-finance activities of the European Financial Reporting Advisory Group (EFRAG), the International Accounting Standards Committee Foundation (IASCF) and the Public Interest Oversight Board (PIOB), which pursue, in accordance with Article 162 of Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002, laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002[29], aims of a general European interest by designing standards, endorsing standards or supervising standard setting processes in the field of financial reporting and auditing.

(5) It is also appropriate to provide action grants to the three legal support structures, whose exclusive aim is to provide administrative support to the Committee of European Securities Regulators, established by Commission Decision 2001/527/EC[30], the Committee of European Banking Supervisors, established by Commission Decision 2004/5/EC[31] and the Committee of European Insurance and Pension Supervisors, established by Commission Decision 2004/6/EC[32], for the carrying out of projects relating to, *inter alia*, training of staff of national supervisory authorities and management of information technology projects.

(6) Bodies working in the field of supervision, accounting and auditing are highly dependent on funding and despite their major roles in the Community, none of the proposed beneficiaries from the Community programme benefit from any financial support from the Community budget, which may affect their capacity to comply with their respective missions which are decisive for the functioning of the Internal Market.

(7) A Community co-financing ensures that these bodies benefit from clear, stable, diversified, sound and adequate funding and that they are able to accomplish their public interest mission in an independent and efficient manner.

(8) In addition to changing their funding patterns, IASCF and EFRAG are currently undergoing governance reforms to make sure that their structure and processes ensure their ability to accomplish their public interest mission in an independent and efficient manner. These reforms should be in place by the time the Community co-financing starts.

(9) The crisis in financial markets could lead to the setting up of new bodies at Community or international level with a mandate covering similar Community objectives as the beneficiaries of the proposed Community programme.

(10) It should be possible to include in the Programme new bodies, provided that they fulfil the strict eligibility criteria of this Decision.

(11) Since the selection of new beneficiaries is a measure of general scope within the meaning of Article 2 of Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the

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[29] OJ L 357, 31.12.2002, p. 1.

[30] OJ L 191, 13.7.2001, p. 43–44.

[31] OJ L 3, 7.1.2004, p. 28–29.

[32] OJ L 3, 7.1.2004, p. 30–31.

Commission[33], that selection should be made by use of the regulatory procedure provided for in Article 5 of that Decision.

(12) Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities[34] (the Financial Regulation) and Regulation (EC, Euratom) No 2342/2002[35], which safeguard the Community financial interests, have to be applied taking into account the principles of simplicity and consistency in the choice of budgetary instruments, a limitation on the number of cases where the Commission retains direct responsibility for implementation and management, and the required proportionality between the level of resources and the administrative burden related to their use.

(13) The proposal provides for the possibility to co-finance activities of certain bodies pursuing aims of a general Community interest on Community-wide issues in the field of financial services and by designing standards, endorsing standards or supervising standard setting processes in the field of financial reporting and auditing. The proposal complies with the subsidiarity principle since, in accordance with Article 5 of the Treaty, its objectives cannot be sufficiently achieved by the Member States and can, by reason of the scale and the effect of the action, be better achieved at the Community level.

(14) The proposal complies with the proportionality principle as set out in Article 5 of the Treaty. As closely assessed in the ex-ante evaluation, this Decision does not go beyond what is necessary in order to achieve its objectives. Community funding is proposed for a well defined and limited number of the most important bodies in the field of financial services. Within the current institutional framework, the new funding arrangements will ensure stable, diversified, sound and adequate funding to enable the relevant bodies to carry out their Community-related or Community public interest mission in an independent and efficient manner. Financial support will be granted according to the conditions laid down in the Council Regulation (EC, Euratom) No 1605/2002[36] of 25 June 2002, on the Financial Regulation applicable to the general budget of the European Communities and Commission Regulation (EC, Euratom) No 2342/2002[37] of 23 December 2002, laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002.

HAVE DECIDED AS FOLLOWS:

Article 1

Establishment of the Programme

A Community programme, hereinafter referred to as "the Programme", is hereby established for the period from 1 January 2010 to 31 December 2013 to support the activities of bodies which contribute to the achievement of the policy objectives of the Community in relation to

33 OJ L 184, 17.7.1999, p. 23.
34 OJ L 248, 16.9.2002, p. 1.
35 OJ L 357, 31.12.2002, p. 1.
36 OJ L 248, 16.9.2002, p. 1.
37 OJ L 357, 31.12.2002, p. 1.

supervisory convergence and cooperation in the field of financial services and in relation to financial reporting and auditing.

Article 2

Objectives

1. The general objective of the Programme is to support the activities or actions of certain bodies in the fields of financial services, financial reporting and auditing.

2. The following activities are covered by the Programme.

   (a) activities supporting the implementation of Community policies aimed at supervisory convergence, in particular by means of training of personnel and management of information technology projects in the field of financial services;

   (b) activities developing or providing input to the development of standards, applying, assessing or monitoring standards or overseeing standard setting processes in support of the implementation of Community policies in the field of financial reporting and auditing.

Article 3

Access to the Programme

To be eligible for Community financing under the Programme, a body shall fulfil the following conditions:

(a) it must be a non-profit-making legal person, with an objective aimed at promoting the public interest and pursuing aims of general European interest as provided for in Article 162 of Regulation (EC, Euratom) No 2342/2002;

(b) it shall not be, at the time of the award of the grant, in one of the situations referred to in Article 93(1), Article 94 and point (a) of Article 96(2) of the Financial Regulation.

Article 4

Beneficiaries of the Programme

The beneficiaries mentioned in the Annex shall benefit from the Programme.

Article 5

Award of grants

1. The Commission shall provide financing under the Programme in the form of grants and only upon the receipt of an appropriate work programme and an estimated overall budget.

2. Community financing to the beneficiaries set out in Section A of the Annex shall only be awarded in the form of operating grants, which shall be used to finance their operating costs and expenses including the running of their secretariats and the remuneration of their employees. In the event of renewal, those operating grants shall not be automatically decreased.

3. Community financing to the beneficiaries set out in Section B of the Annex, shall only be awarded in the form of action grants. Action grants shall only be granted for the activities set out in Article 6 and shall be subject to all the following conditions:

   (a) they shall not cover activities included in the mandates of the Committee of European Securities Regulators, the Committee of European Banking Supervisors and the Committee of European Insurance and Pension Supervisors;

   (b) the administrative support function of the beneficiaries identified in Section B of the Annex shall be clearly set out in their respective statutes. The administrative support function shall be the sole purpose of the beneficiaries referred to in Section B of the Annex and shall include the carrying out of the activities laid down in Article 6 for the benefit of the Committee of European Securities Regulators, the Committee of European Banking Supervisors and the Committee of European Insurance and Pension Supervisors.

4. The Commission shall decide on the amounts and on the maximum percentage of financing. Such decisions of the Commission shall be made public.

Article 6

Eligible activities of beneficiaries for action grants

Without prejudice to Articles 3 and 5, the following activities shall be regarded to be eligible for action grants:

(a) hosting conferences, seminars, training sessions and meetings of experts,

(b) preparing and issuing publications, preparation and execution of other information activities,

(c) carrying out research, preparing studies,

(d) other supporting activities relevant to the Community's legislation or policies in the field of accounting and auditing;

(e) information technology projects regarding, *inter alia*, the exchange of information between national supervisors;

(f) training programs and staff secondment schemes for staff from national supervisors.

Article 7

Selection of new beneficiaries

1. The Commission may, in accordance with the procedure referred to in Article 13(2) select new beneficiaries for the Programme and amend the Annex accordingly.

2. To qualify as a new beneficiary, a body shall fulfil the criteria set out in Article 3, and in addition, one of the following criteria:

(a) it is a direct successor of one of the beneficiaries identified in the Annex;

(b) pursues activities supporting the implementation of Community policies aimed at supervisory convergence and cooperation in the field of financial services;

(c) it is directly involved in the process of developing or providing input to the development of standards, applying, assessing or monitoring standards or overseeing standard setting processes in support of the implementation of Community policies in the field of financial reporting and auditing.

3. Where a body selected by the Commission as a new beneficiary:

(a) fulfils the criteria for eligible activities set out in Article 6 and the criterion set out in point (a) of paragraph 2 of this Article, it may be awarded the grant of its predecessor identified in the Annex; or

(b) fulfils the criteria for eligible activities set out in Article 6 and the criteria set out in point (b) or (c) of paragraph 2 of this Article, it may be awarded an action grant. In that case, the maximum amount of financing available under the action grant shall not exceed on an annual basis the unused credits in the context of the grants awarded for specific actions or operating grants pursuant to Article 9.

Article 8

Transparency

Any beneficiary of funding awarded under the Programme shall indicate in a prominent place, such as a website or an annual report, that it has received funding from the budget of the European Union.

Article 9

Financial provisions

1. The financial reference amount for the implementation of this Decision over the period 2010-2013 is EUR 36,2 million.

2. The appropriations allocated in accordance with this Decision shall be determined each year by the budgetary authority within the limits of the financial framework.

Article 10

Implementation

The measures necessary for the implementation of this Decision shall be adopted by the Commission in accordance with the procedures set out in the Financial Regulation and Regulation (EC, Euratom) No 2342/2002[38].

Article 11

Monitoring

1. The Commission shall ensure that for any action financed by the Programme, the beneficiary submits annually a technical and financial report on the progress of work and that a final report is submitted after the completion of the action. The Commission shall determine the form and content of the reports.

2. Without prejudice to the audits carried out by the Court of Auditors in liaison with the competent national audit bodies or department pursuant to Article 248 of the Treaty, or any inspection carried out pursuant to point (b) of the first subparagraph of Article 279(1) of the Treaty, officials and other staff of the Commission may carry out on-the-spot checks, including sample checks, on actions financed under the Programme and in accordance with Council Regulation (Euratom, EC) No 2185/96[39]. Where necessary, investigation shall be conducted by the European Anti-Fraud Office (OLAF) and these shall be governed by Regulation (EC) No 1073/1999 of the European Parliament and the Council[40].

3. The Commission shall ensure that contracts and agreements resulting from the implementation of the Programme provide in particular for supervision and financial control by the Commission (or any representative authorised by it), if necessary on-the-spot, and for audits by the Court of Auditors.

4. Commission staff and outside personnel authorised by the Commission shall have appropriate right of access, in particular to the beneficiary's offices and to all the information, including information in electronic format, needed in order to conduct such audit.

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[38] OJ L 357, 31.12.2002, p. 1.
[39] OJ L 292, 15.11.1996, p. 2.
[40] OJ L 136, 31.5.1999, p. 1.

5. The Court of Auditors and the European Anti-Fraud Office (OLAF) shall enjoy the same rights, especially of access, as the Commission.

6. The beneficiary of an operating or action grant shall keep available for the Commission all the supporting documents, including the audited financial statement, regarding expenditure incurred during the grant year, for a period of five years following the last payment. The beneficiary of a grant shall ensure that, where applicable, supporting documents in the possession of partners or members are made available to the Commission.

7. On the basis of the results of the reports and sample checks referred to in paragraphs 1 and 2, the Commission shall ensure that, if necessary, the scale or the conditions of allocation of the financial support originally approved and also the timetable for payments are adjusted.

8. The Commission shall ensure that every other step, necessary to verify that the actions financed are carried out properly and in compliance with this Decision and the Financial Regulation, is taken.

Article 12

Protection of the Community's financial interests

1. The Commission shall ensure that, when the activities financed under the Programme are implemented, the financial interests of the Community are protected by the application of preventive measures against fraud, corruption and other illegal activities, by effective checks and by the recovery of amounts unduly paid and, if irregularities are detected, by effective, proportionate and dissuasive penalties, in accordance with Council Regulation (EC, Euratom) No 2988/95[41], Council Regulation (Euratom, EC) No 2185/96[42] and Regulation (EC) No 1073/1999of the European Parliament and of the Council[43].

2. For the Community activities financed pursuant to this Programme, the notion of irregularity referred to in Article 1(2) of Regulation (EC, Euratom) No 2988/95[44] shall mean any infringement of a provision of Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure.

3. The Commission shall ensure that the amount of financial support granted for an action is reduced, suspended or recovered if it finds irregularities, including non-compliance with this Decision, the individual decision or the contract or agreement granting the financial support in question, or if it transpires that, without Commission

[41] OJ L 312, 23.12.1995, p. 1.
[42] OJ L 292, 15.11.1996, p. 2.
[43] OJ L 136, 31.5.1999, p. 1.
[44] OJ L 312, 23.12.1995, p. 1.

approval having been sought, the action has been subjected to a change which conflicts with the nature or implementing conditions of the project.

4. If the time limits have not been observed or if only part of the allocated financial support is justified by the progress made with implementing an action, the beneficiary shall submit observations to the Commission within a specified period. If the beneficiary does not give a satisfactory answer, the Commission may cancel the remaining financial support and may demand the repayment of sums already paid out.

5. The Commission shall ensure that any undue payment is repaid to the Commission. Interest shall be added to any sums not repaid in good time under the conditions laid down by the Financial Regulation.

Article 13

Committee

1. The Commission shall be assisted by a regulatory committee.

2. Where reference is made to this paragraph, the regulatory procedure laid down in Article 5 of Decision 1999/468/EC shall apply, in compliance with Articles 7 and 8 thereof.

   The period provided for in Article 5(6) of Decision 1999/468/EC shall be 3 months.

Article 14

Evaluation

1. No later than 31 December 2014, the Commission shall submit a report based, inter alia, on the annual reports referred to in Article 11(1), to the European Parliament and the Council on the achievement of the Programme's objectives.

   That report shall appraise at least the overall pertinence and coherence of the Programme, the effectiveness of its execution and the overall and individual effectiveness of the various actions in terms of achievements of the objectives as set out in Article 2.

   The report shall also be forwarded to the Economic and Social Committee for information.

2. The European Parliament and the Council shall, in accordance with the Treaty, decide on the continuation of the Programme as from 1 January 2014.

Article 15

Entry into force

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

Done at Brussels,

For the European Parliament	*For the Council*
The President	*The President*

ANNEX

The beneficiaries referred to in the Decision are the following.

Section A

Beneficiaries in the field of financial reporting:

– the European Financial Reporting Advisory Group (EFRAG);

– the International Accounting Standards Committee Foundation (IASCF).

Beneficiaries in the field of auditing:

– the Public Interest Oversight Board (PIOB).

Section B

The following bodies, the aim of which is to provide administrative support to the Committee of European Securities Regulators, the Committee of European Banking Supervisors and the Committee of European Insurance and Pension Supervisors:

– In the case of the Committee of European Banking Supervisors (CEBS), CEBS Secretariat Limited, a UK limited company by guarantee without share capital which registered office is situated in London and which is registered under number 5161108 with Companies House.

– In the case of the Committee of European Securities Regulators (CESR) a French not for profit organisation ("*Association Loi 1901*"), which registered office is situated in Paris and which is registered under number 441545308 with the *"prefecture de Police"*.

– In the case of the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) a German not for profit organisation ("*eingetragener Verein* (e.V.)"), which registered office is situated in Frankfurt and which is registered under number VR 12777 with the "*Amstgericht Frankfurt am Main* ".

LEGISLATIVE FINANCIAL STATEMENT

1. NAME OF THE PROPOSAL:

Community programme to support specific activities in the field of financial services, financial reporting and auditing

2. ABM / ABB FRAMEWORK

Policy Area(s) concerned and associated Activity/Activities:

Policy Area : 12 Internal Market and services

Activity : Corporate Environment, accounting and auditing

Activity : Financial Markets

3. BUDGET LINES

3.1. Budget lines (operational lines and related technical and administrative assistance lines (ex-B..A lines)) including headings:

Heading 1A: competitiveness for growth and employment

12.0401 - new operational budget line to be requested

3.2. Duration of the action and of the financial impact:

Duration of the action: 4 years (2010 – 2013)

Indicative duration of the financial impact including payments: 5 years (2010-2014)

3.3. Budgetary characteristics:

Budget line	Type of expenditure		New	EFTA contribution	Contributions from applicant countries	Heading in financial perspective
12.0401	Non-comp	Diff[45]	YES	NO	NO	No 1A

[45] Differentiated appropriations

4. SUMMARY OF RESOURCES

4.1. Financial Resources

4.1.1. Summary of commitment appropriations (CA) and payment appropriations (PA)

EUR million (to 3 decimal places)

Expenditure type	Section no.		Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Total
Operational expenditure[46]								
Commitment Appropriations (CA)	8.1.	a	5.300	10.300	10.300	10.300		36.200
Payment Appropriations (PA)		b	2.650	7.800	10.300	10.300	5.150	36.200
Administrative expenditure within reference amount[47]								
Technical & administrative assistance (NDA)	8.2.4.	C						
TOTAL REFERENCE AMOUNT								
Commitment Appropriations		a+c	**5.300**	**10.300**	**10.300**	**10.300**		**36.200**
Payment Appropriations		b+c	**2.650**	**7.800**	**10.300**	**10.300**	**5.150**	**36.200**
Administrative expenditure not included in reference amount[48]								
Human resources and associated expenditure (NDA)	8.2.5.	D	1.406	1.406	1.406	1.406	1.406	7.030
Administrative costs, other than human resources and associated costs, not included in reference amount (NDA)	8.2.6.	E	0.020	0.020	0.020	0.020	0.020	0.100
TOTAL CA including cost of Human Resources		a+c +d+ e	6.726	11.726	11.726	11.726	1.426	43.330
TOTAL PA including cost of Human Resources		b+c +d+ e	4.076	9.226	11.726	11.726	6.576	43.330

Co-financing details

The proposal involves co-financing by the beneficiaries using their own funds or funds received from third parties (e.g. member organisations, stakeholders)[49].

46 Expenditure that does not fall under Chapter xx 01 of the Title xx concerned.
47 Expenditure within article xx 01 04 of Title xx.
48 Expenditure within chapter xx 01 other than articles xx 01 04 or xx 01 05.

An estimate of the level of this co-financing is indicated in the table below.

EUR million (to 3 decimal places)

Co-financing body		Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Total
IASCF with its own funds and with funds received from third parties (Beneficiary average co-finance 76%)	f	---	16.000	16.000	16.000	0	48.000
EFRAG with its own funds and with funds received from third parties (Beneficiary average co-finance 50%)	f	3.000	3.000	3.000	3.000	0	12.000
PIOB with its own funds and with funds received from third parties (Beneficiary average co-finance 70%)	f	0.700	0.700	0.700	0.700	0	2.800
CESR, CEBS and CEOIPS (3LC) with its own funds and with funds received by third parties (Beneficiary average co-finance 52%)	f	2.153	2.153	2.153	2.153	0	8.612
TOTAL CA including co-financing	a+c +d+ e+f	12.579	33.579	33.579	33.579	1.426	114.742

4.1.2. *Compatibility with Financial Programming*

X Proposal will entail reprogramming of the relevant heading in the financial perspective.

4.1.3. *Financial impact on Revenue*

X Proposal has no financial implications on revenue

4.2. Human Resources FTE (including officials, temporary and external staff) – see detail under point 8.2.1.

Annual requirements	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014
Total number of human resources	12	12	12	12	12

49 Currently, the bodies are financed as follows: IASCF is financed mainly by means of voluntary contributions from private sector stakeholders; EFRAG is currently financed by a number of European associations (such as BUSINESSEUROPE, Fédération des Experts Comptables Européennes, Comité Européen des Assurances, European Banking Federation, etc) and by private or public National Funding Mechanisms established in certain Member States; PIOB is mainly funded by IFAC which represents the accountancy profession; the Committees of Supervisors (CESR, CEBS and CEIOPS) are financed by their members, consisting of national supervisors competent in the field of securities, banking and insurance in each Member State. For a more detailed overview of the member organisations and stakeholders, please refer to the ex-ante evaluation point 1.1.

5. CHARACTERISTICS AND OBJECTIVES

5.1. Need to be met in the short or long term

Operational objective 1: ensure stable, diversified, sound and adequate funding to enable the relevant bodies to carry out their public interest mission in an independent and efficient way in the field of financial reporting and auditing (International Accounting Standard Committee Foundation (IASCF), European Financial Reporting Advisory Group (EFRAG) and Public Interest Oversight Body (PIOB)) within a reasonable period of time considering the urgency of the EU and international context. **Operational objective 2:** ensure the Committees of Supervisors (3L3C) are adequately equipped with financial means within a reasonable period of time, considering the urgency of the EU and international context.

5.2. Value-added of Community involvement and coherence of the proposal with other financial instruments and possible synergy

- The Community involvement will strengthen the position of the European Union, notably in the context of the current discussions on the governance of these EU and international bodies (IASCF, EFRAG, and PIOB)

- Community funding will demonstrate the EU willingness, in the context of the current financial crisis, to upgrade the issues of supervision of financial institutions and accounting standards (IASCF, EFRAG, and Committees of Supervisors);

- The specific Community funding will signal Community interest to all parties concerned, and it will encourage other EU public bodies and institutions to provide more funds and attention to these organisations;

- Additionally, Community intervention will enhance the general recognition of the beneficiary organisations (particularly EFRAG and PIOB), while providing stable financing for bodies subject to insufficient funding (especially Committees of Supervisors and EFRAG);

- The proposed Community funding will be a key component in the short-term actions towards completion of a single market in the financial markets;

5.3. Objectives, expected results and related indicators of the proposal in the context of the ABM framework

- <u>Objective</u>: avoid reliance of IASCF, EFRAG and PIOB on voluntary private funding from interested parties, thus ensuring independence of their work. <u>Expected result</u>: put an end to continuous concerns about possible conflict of interests and independence in relation to the standard-related activity (standard setting in relation to International Financial Reporting Standards (IFRS) for IASCF, IFRS review in the context of the endorsement process for EFRAG and overview of the International Standards for Auditing (ISA) setting process for PIOB considering that these standards are part or potentially part of the *acquis communautaire*.

- <u>Objective</u>: promote the global acceptance of the IFRS and of the IAS, together with other public authorities in the US and other countries/regions. <u>Expected result</u>:

coordinated international recognition of IFRS and IAS standards, which is a long term objective of the EU.

- Objective: ensure a fairer burden sharing within the EU for the financing of IASCF and EFRAG, as only some EU stakeholders currently bear the cost of funding these institutions, while other Member States or stakeholders do not. Expected result: the Community financial contribution will level the field of EU national participations in the key international and EU standard-setting bodies (IASCF and EFRAG).

- Objective: ensure that Committees of Supervisors and EFRAG are sufficiently equipped in terms of technical and financial resources. Expected result: the Community contribution will secure the existing operations of these bodies, and will co-fund a quality set of new actions that are essential in the overall EU financial policy. Added transparency in the governance of these institutions will also be achieved.

- Objective: to achieve the above within the shortest possible period of time, given the current financial crisis. Expected result: Community co-founding can be available for the beneficiaries within a very short period of time, if the Decision is adopted by the co-legislators in 2009.

- Measurement / indicators: efficiency and quality will be measured by analysing the delivered actions/papers/documents and their practical impact within the objectives of the financial market policies of the European Union.

5.4. Method of Implementation (indicative)

X ***Centralised Management***

X directly by the Commission

6. MONITORING AND EVALUATION

6.1. Monitoring system

The Commission will closely monitor the implementation of the programmes and will evaluate the impact of the proposed funding. To this end, the Commission will:

- Monitor and analyse the annual planning and activity reports of the beneficiaries;

- Evaluate the quality output of the general activities / specific actions to be co-financed by the Communities. Precise feedback mechanisms will be put in place to assure the Community funds are used in accordance to the initial objectives and with the principles of sound financial management;

- Request a specific annual report to be submitted to the Commission, according to the individual objectives of each programme and in line with the guidelines of the Financial Regulations;

- Finally, the European Commission as member of the monitoring/steering groups set up (or to be set up) by the beneficiaries, will ensure they operate efficiently and in the public interest of the EU;

- On-going dialogue with other fund providers and key stakeholders;

6.2. Evaluation

6.2.1. Ex-ante evaluation

One detailed ex-ante evaluation has been carried out prior to the formulation of the draft proposal. It is composed of a general evaluation report and four detailed annexes, each of them devoted to the proposed beneficiaries of the Community funding (Committees of Supervisors, IASCF, EFRAG and PIOB).

6.2.2. Measures taken following an intermediate/ex-post evaluation (lessons learned from similar experiences in the past)

As the proposed initiative is entirely new at DG MARKT, intermediate/ex-post evaluations are not applicable at this stage.

6.2.3. Terms and frequency of future evaluation

An intermediate evaluation will be carried out after two years of the programmes' implementation. An ex-post evaluation is to be organised at the end of the forecasted actions.

7. ANTI-FRAUD MEASURES

- Regular analysis of the beneficiaries' accounts, annual reports and audit certificates;

- Visits to the beneficiaries' premises when deemed necessary to verify budgetary systems and controls;

- All regular controls to grant beneficiaries forecasted in the Financial Regulation

8. DETAILS OF RESOURCES

8.1. Objectives of the proposal in terms of their financial cost

Indicative commitment appropriations in EUR million (to 3 decimal places)

(Headings of Objectives, actions and outputs should be provided)	**Type of output**	**Average cost**	**Year 2010**		**Year 2011**		**Year 2012**		**Year 2013**		**TOTAL**	
			No. outputs (estim.)	Total cost	No. outputs (estim.)	Total cost	No. outputs (estim.)	Total cost	No. outputs (estim.)	Total cost	No. outputs (estim.)	Total cost
OPERATIONAL OBJECTIVE No.1												
Action 1 **Grant IASCF**												
- Output: IASCF	Non-degressive operating grant	---	---	0	---	5.000	---	5.000	---	5.000	---	15.000
Action 2 **Grant EFRAG**												
- Output: EFRAG	Non-degressive operating grant	---	---	3.000	---	3.000	---	3.000	---	3.000	---	12.000
Action 3 **Grant PIOB**												
- Output: PIOB	Non-degressive operating grant	---	---	0.300	---	0.300	---	0.300	---	0.300	---	1.200
Sub-total Objective 1		---	---	3.300	---	8.300	---	8.300	---	8.300	---	28.200
OPERATIONAL OBJECTIVE												

No.2												
Action 1 **Grants Level 3 Committees**[50]												
- Output 1: CEBS, CEIOPS, CESR	Action grant to support the training and secondment activities fostering a common supervisory culture	---	---	1.040	---	1.040	---	1.040	---	1.040	---	4.160
- Output 2: CEBS, CEIOPS, CESR	IT programmes for the supervisory convergence	---	---	0.960	---	0.960	---	0.960	---	0.960	---	3.840
Sub-total Objective 2				2.000		2.000		2.000		2.000		8.000
TOTAL COST				5.300		10.300		10.300		10.300		36.200

50 The mention of the three Committees of Supervisors is for ease of reference only. Legally speaking, the Committees do not have legal personality at the European level. However, to be able to contract with third parties and facilitate the operation and administration of the Committees, the members of each Committee of Supervisors have set up support structures with legal personality in each Member State where these committees are situated, i.e. France, the United Kingdom and Germany . In practice, the Community will thus contribute financially to these support structures, as indicated in Article 5 of the Decision.

8.2. Administrative Expenditure

The needs for human and administrative resources shall be covered within the allocation that can be granted to the managing DG in the framework of the annual allocation procedure in the light of budgetary constraints.

8.2.1. Number and type of human resources

Types of post		Staff to be assigned to management of the action using existing and/or additional resources (**number of posts/FTEs**)				
		Year 2010	Year 2011	Year 2012	Year 2013	Year 2014
Officials or temporary staff[51] (XX 01 01)	A*/AD	5	5	5	5	5
	B*, C*/AST	6	6	6	6	6
Staff financed[52] by art. XX 01 02		1	1	1	1	1
Other staff[53] financed by art. XX 01 04/05		---	---	---	---	---
TOTAL		12	12	12	12	12

8.2.2. Description of tasks deriving from the action

Operational management of action and operating grants

Financial management, monitoring and auditing of the grant agreements

All 12 staff will be partly involved in the development of the actions.

8.2.3. Sources of human resources (statutory)

X Posts to be redeployed using existing resources within the managing service (internal redeployment): **10**

X Posts to be requested in the next APS/PDB procedure: **2**

While 10 staff will be internally redeployed, one AD and one AST officials shall be requested to ensure a correct management of these new grant agreements. These two posts will be essential for the appropriate monitoring (financial, audit, technical tasks) and follow up of certainly large grant allocations, an unprecedented exercise for DG MARKT.

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51 Cost of which is NOT covered by the reference amount

52 Cost of which is NOT covered by the reference amount

53 Cost of which is included within the reference amount

8.2.4. *Other Administrative expenditure included in reference amount (XX 01 04/05 – Expenditure on administrative management)*

EUR million (to 3 decimal places)

Budget line (number and heading)	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	TOTAL
Technical and administrative assistance (including related staff costs)						
Executive agencies[54]	*Not relevant*					
Other technical / administrative assistance						
- *intra muros*						
- *extra muros*						
Total Technical and administrative assistance						

8.2.5. *Financial cost of human resources and associated costs <u>not</u> included in the reference amount*

EUR million (to 3 decimal places)

Type of human resources	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014
Officials and temporary staff (XX 01 01)	1.342	1.342	1.342	1.342	1.342
Staff financed by Art XX 01 02 (auxiliary, END, contract staff, etc.)	0.064	0.064	0.064	0.064	0.064
Total cost of Human Resources and associated costs (NOT in reference amount)	**1.406**	**1.406**	**1.406**	**1.406**	**1.406**

Calculation– ***Officials and Temporary agents***

9 officials in the operational units

1 official in the financial unit

1 official in IAC (Internal Audit Capability of DG MARKT)

54 Reference should be made to the specific legislative financial statement for the Executive Agency(ies) concerned.

Calculation– ***Staff financed under art. XX 01 02***
1 contractual agent in the financial unit

	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	TOTAL
XX 01 02 11 01 – Missions	0.020	0.020	0.020	0.020	0.020	0.100
XX 01 02 11 02 – Meetings & Conferences						
XX 01 02 11 03 – Committees[55]						
XX 01 02 11 04 – Studies & consultations						
XX 01 02 11 05 - Information systems						
2 Total Other Management Expenditure (XX 01 02 11)	0.020	0.020	0.020	0.020	0.020	0.100
3 Other expenditure of an administrative nature (specify including reference to budget line)						
Total Administrative expenditure, other than human resources and associated costs (NOT included in reference amount)	0.020	0.020	0.020	0.020	0.020	0.100

The cost of possible meetings is not included in the present financial statement because it will be part of DG MARKT "global envelope"

Calculation - ***Other administrative expenditure <u>not</u> included in reference amount***
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[55] Specify the type of committee and the group to which it belongs.