



European Securities and  
Markets Authority

# Final Accounts of the European Securities and Markets Authority

Financial Year 2018



## Table of Contents

|   |    |
|---|----|
| Document approval .....                                 | 4  |
| Statement of the Accounting Officer .....               | 5  |
| Presentation of the organisation .....                  | 6  |
| Legal Base for Drawing up the Annual Accounts .....     | 8  |
| 1 Financial Statements .....                            | 9  |
| 1.1 Balance sheet .....                                 | 10 |
| 1.2 Statement of Financial Performance .....            | 12 |
| 1.3 Cash Flow Statement .....                           | 13 |
| 1.4 ESMA – Statement of changes in net assets .....     | 14 |
| 2 Notes to the Financial Statements .....               | 15 |
| 2.1 Accounting Policies .....                           | 15 |
| General .....   | 15 |
| Balance Sheet .....                                     | 16 |
| Statement of Financial Performance .....                | 19 |
| Contingent Assets and Liabilities .....                 | 20 |
| 2.2 Intangible assets .....                             | 21 |
| 2.3 Property, plant and equipment .....                 | 24 |
| 2.4 Exchange Receivable and recoverable .....           | 26 |
| 2.5 Non exchange receivables and recoverable .....      | 26 |
| 2.6 Cash and cash equivalents .....                     | 26 |
| 2.7 Net Assets .....                                    | 27 |
| 2.8 Provision for risks and charges .....               | 27 |
| 2.9 Current Payables .....                              | 27 |
| 2.10 Accrued charges and deferred income .....          | 27 |
| 3 Notes to the Statement of Financial Performance ..... | 29 |
| 3.1 Operating revenue .....                             | 29 |
| 3.2 Administrative expenses .....                       | 29 |
| 3.3 Operating Expenses .....                            | 30 |
| 4 Notes to the Cash Flow Statement .....                | 30 |
| 4.1 Operating Activities .....                          | 30 |
| 4.2 Investing Activities .....                          | 31 |

|       |  |    |
|-------|--|----|
| 5     | Contingent Assets and Liabilities and Other Significant Disclosures..... | 31 |
| 5.1   | Contingent Liabilities .....   | 31 |
| 5.1.1 | Other contingent liabilities .....                                       | 31 |
| 5.1.2 | Contingent liabilities amounts relating to legal cases.....              | 31 |
| 5.2   | Other significant Disclosures .....                                      | 31 |
| 5.2.1 | Operating Leases.....  | 31 |
| 5.2.2 | Outstanding Commitments not yet expensed (Carryovers).....               | 32 |
| 6     | Financial Instruments .....  | 33 |
| 7     | Changes in Accounting Policies .....                                     | 35 |
| 8     | Related Party Disclosure .....   | 35 |
| 9     | Events after the Balance Sheet Date.....                                 | 35 |
|       | Reports on Implementation of the Budget of ESMA.....                     | 36 |
| 1     | Budgetary Structure and Principles .....                                 | 37 |
| 1.1   | Budget result.....   | 39 |
| 1.2   | Reconciliation of Accrual Result with Budget Result.....                 | 40 |
| 1.3   | Comparison of Budget and Actuals .....                                   | 42 |
| 1.3.1 | Appropriations of the current budget – fund source C1.....               | 42 |
| 1.3.2 | Appropriations of the current budget – fund source R0.....               | 45 |
| 1.4   | Budget Implementation .....  | 46 |
| 2     | Annex to the Budget Accounts .....                                       | 47 |
| 2.1   | Budgetary Tables (01.01.2018 – 31.12.2018).....                          | 48 |
| 3     | ESMA’s Management Board Members.....                                     | 57 |
| 4     | Establishment plan 2018 .....  | 58 |



## Document approval

|             | Person              | Role                      | Date       | Signature   |
|-------------|---------------------|---------------------------|------------|---|
| Prepared By | <b>Stefan Meert</b> | Senior Accounting Officer | 02.05.2019 |  |
| Signed by   | <b>Stefan Meert</b> | Senior Accounting Officer | 24.05.2019 |  |
| Signed by   | <b>Verena Ross</b>  | Executive Director        | 24.05.2019 |  |

## Statement of the Accounting Officer

The final accounts of the European Securities and Markets Authority for the year 2018 have been prepared in accordance with the Title IX of the Financial Regulation applicable to the general budget of the European Union, the accounting rules adopted by the Commission's Accounting Officer and the accounting principles and methods adopted by myself.

I acknowledge my responsibility for the preparation and presentation of the final accounts of the European Securities and Markets Authority in accordance with Article 68 of the Financial Regulation and with Article 50 of the Decision on the Financial Regulation of the European Securities and Markets Authority.

I have obtained from the Authorising Officer, who certified its reliability, all the information necessary for the production of the accounts that show the assets and liabilities of the European Securities and Markets Authority and the budgetary implementation.

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts, I have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash-flow of the European Securities and Markets Authority.

A handwritten signature in blue ink, consisting of a large, sweeping loop followed by a vertical stroke and a long horizontal line extending to the right.

Stefan Meert

Senior Accounting Officer

## **Presentation of the organisation**

### **Introduction**

The European Securities and Markets Authority was established by Regulation (EU) n° 1095/2010 of the European Parliament and the Council 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision n° 716/2009/EC and repealing Commission Decision 2009/77/EC.

The accounts of the European Securities and Markets Authority are kept in accordance with the Decision on the Financial Regulation of ESMA as adopted by its Management Board and its Implementing Rules.

In accordance with Article 147 of Council Regulation No 966/2012 (Financial Regulation) and Article 98 of the Decision on the Financial Regulation of the European Securities and Markets Authority, the following final accounts together with the reports on the implementation of the budget of the European Securities and Markets Authority have been drawn up.

### **Legal status and principal office**

The Authority is a body of the Union as referred to in article 208 of The Financial Regulation (EC, Euratom) n°966/2012 of the Council of 25 October 2012. It has legal personality. The Authority is represented by its Chair, Mr Steven MAIJOOR, and its management is entrusted to the Executive Director, Mrs Verena ROSS, both appointed by the Authority's Board of Supervisors.

The Authority's headquarters are located in Paris, France, 103 rue de Grenelle.

The Protocol on the Privileges and Immunities of the European Union applies to the Authority.

### **Governing structure**

ESMA's governing structure consists of a Board of Supervisors and a Management Board.

The Board of Supervisors is composed of the heads of the 28 national authorities competent for the supervision of financial markets participants in each EU Member State. The European Commission, the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Systemic Risk Board are non-voting Members. The heads of the national competent authorities for the supervision of financial markets participants from Iceland, Norway and Liechtenstein are also non-voting members.

The Board of Supervisors gives guidance to the work of the Authority and has key decision-making responsibilities.

The Management Board is composed of the Chair and six members selected from the Board of Supervisors and the Executive Director and the European Commission as non-voting



member. The Vice-Chair is an observer. The Management Board deals with the management of the Authority.

Both the Board of Supervisors and the Management Board are chaired by the Chair while the Executive Director is entrusted with the management of the Authority and participates in Board meetings.

### **Further information sources**

More information on the Authority's administrative and operational activities, organisational chart, applicable legislation, Board of Supervisors and Management Board is available on the Authority's web site <https://www.esma.europa.eu> and in its annual report.

## **Legal Base for Drawing up the Annual Accounts**

The final accounts of ESMA have been established in accordance with the following legislation:

- The Decision on the Financial Regulation of ESMA as adopted by its Management Board and its Implementing Rules (ESMA/2014/MB/38).
- The Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework Financial Regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council.
- The accounting rules, methods and guidelines as adopted and provided by the Accounting Officer of the Commission.



## **PART I**

### **1 Financial Statements**

## 1.1 Balance sheet

|  | Notes<br>n° | 31.12.2018        | 31.12.2017        |
|--|-------------|-------------------|-------------------|
| <b>A. NON CURRENT ASSETS</b>                       |             |                   |                   |
| <b>Intangible assets</b>                           | <b>2.2.</b> | <b>7 482 702</b>  | <b>8 514 713</b>  |
| <b>Property, plant and equipment</b>               | <b>2.3.</b> | <b>1 306 549</b>  | <b>1 954 056</b>  |
| Land and buildings                                 |             | 290 368           | 655 080           |
| Plant and equipment                                |             | 2 784             | 4 259             |
| Computer hardware                                  |             | 446 626           | 570 634           |
| Furniture  |             | 261 338           | 319 403           |
| Other fixtures and fittings                        |             | 305 433           | 404 680           |
| <b>Long term receivables and recoverables</b>      |             | <b>0</b>          | <b>0</b>          |
| <b>TOTAL NON CURRENT ASSETS</b>                    |             | <b>8 789 251</b>  | <b>10 468 769</b> |
|  |             |                   |                   |
| <b>B. CURRENT ASSETS</b>                           |             |                   |                   |
| <b>Exchange receivables and recoverables</b>       | <b>2.4.</b> | <b>1 176 496</b>  | <b>1 139 301</b>  |
| Current receivables                                |             | 39 226            | 35 000            |
| Deferred charges                                   |             | 1 079 446         | 1 057 106         |
| Sundry receivables                                 |             | 57 824            | 27 497            |
| Other receivables                                  |             | 0                 | 19 698            |
| Accrued income with consolidated entities          |             | 0                 | 0                 |
| <b>Non - exchange receivables and recoverables</b> | <b>2.5.</b> | <b>869 963</b>    | <b>1 403 278</b>  |
| Current receivables Member States                  |             | 869 023           | 1 403 228         |
| Other receivables with consolidated entities       |             | 940               | 50                |
| <b>Cash and cash equivalents</b>                   | <b>2.6.</b> | <b>6 849 514</b>  | <b>4 457 873</b>  |
| <b>TOTAL CURRENT ASSETS</b>                        |             | <b>8 895 973</b>  | <b>7 000 452</b>  |
|  |             |                   |                   |
| <b>TOTAL ASSETS</b>                                |             | <b>17 685 224</b> | <b>17 469 221</b> |

|  | Notes<br>n°  | 31.12.2018        | 31.12.2017        |
|--|--------------|-------------------|-------------------|
| <b>A. NET ASSETS</b>   | <b>2.7.</b>  | <b>6 898 837</b>  | <b>7 995 251</b>  |
| Accumulated surplus/deficit  |              | 7 995 251         | 8 065 595         |
| Accrual result of the year – profit+/loss-                                   |              | - 1 096 414       | -70 344           |
| <b>B. NON CURRENT LIABILITIES</b>  |              |                   | <b>0</b>          |
| <b>C. CURRENT LIABILITIES</b>  |              | <b>10 786 387</b> | <b>9 473 970</b>  |
| <b>Current provisions</b>  | <b>2.8.</b>  | <b>400 000</b>    | <b>0</b>          |
| Current provisions   |              | 400 000           | 0                 |
| <b>Current payables</b>  | <b>2.9.</b>  | <b>17 737</b>     | <b>23 560</b>     |
| Current payables – vendors   |              | 2 186             | 1 765             |
| Current payables – member states   |              | 0                 | 0                 |
| Current payables - others  |              | 588               | -388              |
| Current payables with consolidated entities                                  |              | 14 963            | 22 183            |
| <b>Sundry payables</b>   |              | <b>2 475 000</b>  | <b>368 323</b>    |
| Sundry payables  |              | 2 475 000         | 25 071            |
| Sundry payables with consolidated entities                                   |              |                   | 343 252           |
| <b>Account payable with consolidated entities</b>                            |              | <b>329 060</b>    | <b>118 341</b>    |
| Pre-financing received from consolidated entities (EC) – budget outturn 2014 |              | 329 060           | 118 341           |
| <b>Accrued charges and deferred income</b>                                   | <b>2.10.</b> | <b>7 564 590</b>  | <b>8 963 746</b>  |
| Accrued charges  |              | 3 181 170         | 3 150 493         |
| Accrued charges with consolidated entities                                   |              | 0                 | 0                 |
| Other passive accruals & deferrals   |              | 0                 | 0                 |
| Deferred income  |              | 4 383 420         | 5 813 253         |
| <b>TOTAL LIABILITIES</b>   |              | <b>17 685 224</b> | <b>17 469 221</b> |

## 1.2 Statement of Financial Performance

|   | Note       | 2018                | 2017               |
|---|------------|---------------------|--------------------|
| <b>Non-exchange revenue</b>                             |            | <b>30 387 868</b>   | <b>28 321 378</b>  |
| Revenue from consolidated EC entities (EU subsidy)      |            | 11 636 758          | 11 164 544         |
| <b>Contributions NCAs</b>                               |            | <b>18 751 110</b>   | <b>17 156 834</b>  |
| Contributions MS NCAs                                   |            | 18 430 646          | 16 938 947         |
| Contributions non-MS NCAs                               |            | 517 986             | 481 220            |
| Deduction surplus                                       |            | - 197 522           | -263 333           |
| <b>Exchange revenue</b>                                 |            | <b>14 800 507</b>   | <b>12 997 450</b>  |
| <b>Exchange revenue - Fees from Supervised Entities</b> |            | <b>11 409 959</b>   | <b>11 831 783</b>  |
| CRA Fees  |            | 8 861 908           | 9 374 641          |
| TR Fees   |            | 2 548 051           | 2 457 142          |
| <b>Contributions NCAs</b>                               |            | <b>3 380 317</b>    | <b>911 762</b>     |
| Contributions NCAs IT-delegated projects                |            | 2 167 976           | 1 488 790          |
| Deferred income NCAs IT-delegated projects              |            | 1 212 341           | -577 028           |
| <b>Other exchange revenue</b>                           |            | <b>10 231</b>       | <b>253 905</b>     |
| Fixed assets related revenue                            |            | 0                   | -335               |
| Other administrative revenue                            |            | 4 292               | 191 681            |
| Exchange rate differences gains                         |            | 5 939               | 20 812             |
| Revenue from consolidated entities                      |            | 0                   | 41 747             |
| <b>TOTAL OPERATING REVENUE</b>                          | <b>3.1</b> | <b>45 188 375</b>   | <b>41 318 828</b>  |
| <b>Administrative expenses</b>                          | <b>3.2</b> | <b>- 45 201 302</b> | <b>-40 038 210</b> |
| Staff expenses  |            | - 24 543 202        | -22 690 960        |
| Staff expenses with other consolidated entities         |            | -215 388            | -205 403           |
| Fixed asset related expenses                            |            | - 3 679 143         | -2 699 074         |
| Other administrative expenses                           |            | -16 763 569         | -14 442 773        |
| <b>Operational expenses</b>                             | <b>3.3</b> | <b>-1 075 561</b>   | <b>-1 345 501</b>  |
| Other operational expenses                              |            | -1 075 561          | -1 345 501         |
| <b>TOTAL OPERATING EXPENSES</b>                         |            | <b>-46 276 863</b>  | <b>-41 383 711</b> |
| <b>SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES</b>      |            | <b>-1 088 488</b>   | <b>-64 883</b>     |
| Financial revenues                                      |            | 0                   | 0                  |
| Financial expenses                                      |            | -7 926              | -5 461             |
| <b>SURPLUS/ (DEFICIT) FROM NON OPERATING ACTIVITIES</b> |            | <b>-7 926</b>       | <b>-5 461</b>      |
| <b>ECONOMIC RESULT OF THE YEAR</b>                      |            | <b>-1 096 414</b>   | <b>-70 344</b>     |

### 1.3 Cash Flow Statement

|  | 2018               | 2017              |
|--|--------------------|-------------------|
| <b>Cash Flows from ordinary activities</b>                             |                    |                   |
| <b>Economic result of the year</b>                                     | <b>-1 096 414</b>  | <b>-70 344</b>    |
| <b>Operating activities</b>  |                    |                   |
| Amortisation (intangible fixed assets) +                               | 2 882 409          | 2 104 398         |
| Depreciation (tangible fixed assets) +                                 | 793 451            | 592 613           |
| Increase/(decrease) in Provisions for risks and liabilities            | 400 000            | 0                 |
| Increase/(decrease) in Value reduction for doubtful debts              | 0                  | 0                 |
| (Increase)/decrease in Stock   | 0                  | 0                 |
| (Increase)/decrease in Long term Pre-financing                         | 0                  | 0                 |
| (Increase)/decrease in Short term Pre-financing                        | 0                  | 0                 |
| (Increase)/decrease in Long term Receivables                           | 0                  | 0                 |
| (Increase)/decrease in Short term Receivables                          | 496 120            | -983 567          |
| (Increase)/decrease in Receivables related to consolidated EC entities | 0                  | 0                 |
| Increase/(decrease) in Other Long term liabilities                     | 0                  | 0                 |
| Increase/(decrease) in Accounts payable                                | 701 698            | 64 647            |
| Increase/(decrease) in Liabilities related to consolidated EC entities | 210 719            | 141 467           |
| (Gains)/losses on sale of Property, plant and equipment                |                    | 0                 |
| <b>Net cash Flow from operating activities</b>                         | <b>5 484 397</b>   | <b>1 919 558</b>  |
| <b>Cash Flows from investing activities</b>                            |                    |                   |
| Increase of tangible and intangible fixed assets (-)                   | - 2 002 971        | -4 655 013        |
| Proceeds from tangible and intangible fixed assets (+)                 | 6 629              | 6 570             |
| <b>Net cash flow from investing activities</b>                         | <b>- 1 996 342</b> | <b>-4 648 443</b> |
| <b>Increase/(decrease) in Employee benefits</b>                        | <b>0</b>           | <b>0</b>          |
| Net increase/(decrease) in cash and cash equivalents                   | 2 391 641          | -2 799 229        |
| <b>Cash and cash equivalents at the beginning of the period</b>        | <b>4 457 873</b>   | <b>7 257 102</b>  |
| <b>Cash and cash equivalents at the end of the period</b>              | <b>6 849 514</b>   | <b>4 457 873</b>  |

## 1.4 ESMA – Statement of changes in net assets

| Capital  | Reserves              |                   | Accumulated<br>Surplus /<br>Deficit | Economic<br>result of the<br>year | Net assets (total) |
|--|-----------------------|-------------------|-------------------------------------|-----------------------------------|--------------------|
|  | Fair value<br>reserve | Other<br>reserves |                                     |                                   |                    |
| <b>Balance as of 31 December 2017</b>              | 0                     | 0                 | 8 065 595                           | -70 344                           | 7 995 251          |
| Changes in accounting policies                     | 0                     | 0                 | 0                                   | 0                                 | 0                  |
| <b>Balance as of 1 January 2018 (if restated)</b>  | 0                     | 0                 | 8 065 595                           | -70 344                           | 7 995 251          |
| Allocation of the Economic Result of Previous Year | 0                     | 0                 | -70 344                             | 70 344                            | 0                  |
| Economic result of the year                        | 0                     | 0                 | 0                                   | -1 096 414                        | -1 096 414         |
| <b>Balance as of 31 December 2018</b>              | 0                     | 0                 | 7 995 251                           | -1 096 414                        | 6 898 837          |

## 2 Notes to the Financial Statements

### 2.1 Accounting Policies

#### General

In accordance with Article 147 of Council Regulation No 966/2012 and Article 98 of the Decision on the Financial Regulation of ESMA, the final accounts together with the reports on implementation of the budget of European Securities and Markets Authority have been drawn up.

The accounts are drawn up in accordance with the accounting rules and methods adopted by the Accounting Officer of the Commission as stated in article 143 and 208 of the Financial Regulation. These financial statements are prepared on the basis of the EU Accounting Rules as adopted by the Commission's Accounting Officer which adapt the International Public Sector Accounting Standards (and in some cases International Financial Reporting Standards) to the specific environment of the EU, while the reports on implementation of the budget continue to be primarily based on movements of cash.

The objective of the financial statements is to provide information about the financial position, performance and cash-flows of an entity that is useful to a wide range of users.

The accounting system of the European Securities and Markets Authority comprises general accounts and budget accounts. These accounts are kept in euro on the basis of the calendar year. The budget accounts give a detailed picture of the implementation of the budget. They are based on the modified cash accounting principle.<sup>1</sup> The general accounts allow for the preparation of the financial statements as they show all charges and income for the financial year and are designed to establish the financial position in the form of a balance sheet as at 31 December.

The European Securities and Markets Authority financial statements have been drawn up using the methods of preparation as set out in the accounting rules laid down by the European Commission's Accounting Officer.

The accounting principles to be applied in drawing up the financial statements are:

- ✓ Going concern basis
- ✓ Prudence
- ✓ Consistent accounting methods
- ✓ Comparability of information
- ✓ Materiality
- ✓ No netting
- ✓ Reality over appearance

---

<sup>1</sup> This differs from cash-based accounting because of elements such as carryovers.

✓ Accrual-based accounting

The financial statements are presented in euro, the functional and reporting currency. Foreign currency transactions are translated into euro using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the economic outturn account.

## Balance Sheet

Assets are resources controlled by the European Securities and Markets Authority as a result of past events and from which future economic benefits or service potential are expected to flow.

➤ Intangible assets.

Acquired computer software licences are stated at cost less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over their estimated useful life, being 4 years.

With the entry into force of EU accounting rule n° 6 on internally developed intangible assets costs directly linked to an internally developed intangible asset, providing they meet the necessary criteria, must be capitalised as assets under construction. Once the project goes live, the resulting asset will be amortised over its useful life. In addition the amount of research expenses incurred on IT projects and development costs not capitalised (e.g. for small projects below threshold) must be disclosed in the financial statements. It must be noted that the threshold for capitalising these costs has been set at 150 000 EUR for the Authority.

➤ Property, plant and equipment

In compliance with the accounting rules, fixed assets are considered as such when their nominal value is equal or above €420 and their useful life is greater than one year. The assets are reflected in the balance sheet at year end for their net value. The depreciation method used is the straight-line method and pro rata temporis from the month of first use or delivery of the asset in the Authority premises.

The assets registration system, integrated in the Authority's accounting systems, is identical to the one used by the European Commission (ABAC Assets). It is operational since July 2011.

All property, plant and equipment are stated at historical costs less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and its cost can be measured reliably. Repairs



and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

Assets under construction are not depreciated as these assets are not yet available for use. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

## TABLE OF DEPRECIATION RATES

### Intangible assets

|   |     |
|---|-----|
| Software for personal computers and servers | 25% |
| Other intangible fixed assets               | 25% |

### Tangible assets

|   | duration of<br>lease<br>agreement |
|---|-----------------------------------|
| <b><u>Buildings</u></b>                                     |                                   |
| <b><u>Plant and equipment</u></b>                           |                                   |
| Tools for industry and workshops                            | 12,5%                             |
| Specific electric equipment                                 | 25%                               |
| <b><u>Furniture and vehicles</u></b>                        |                                   |
| Office, laboratory and workshop furniture                   | 10%                               |
| Electrical office equipment, printing and mailing equipment | 12,5%/25%                         |
| Furniture for restaurant/cafeteria/bar area                 | 10%/12,5%                         |
| <b><u>Computer hardware</u></b>                             |                                   |
| Computers, servers, accessories, data transfer equipment,   | 25%                               |
| Copying equipment, digitising and scanning equipment        | 25%                               |
| <b><u>Other fixtures and fittings</u></b>                   |                                   |
| Telecommunications equipment                                | 25%                               |
| Audiovisual equipment                                       | 25%                               |
| Computer books, CDs, DVDs                                   | 25% / 33%                         |
| Health and safety equipment                                 | 12,5% /25%                        |
| Other   | 10%                               |
| <b><u>Tangible fixed assets under construction</u></b>      | <b>0%</b>                         |

Gains or losses on disposals are determined by comparing proceeds less selling expenses with the carrying amount of the disposed asset and are included in the statement of financial performance.

➤ Receivables.

Receivables are carried at original amount less write-down for impairment. A write-down for impairment of receivables is established when there is objective evidence that ESMA will not be able to collect all amounts due according to the original terms of receivables. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount. The amount of the write-down is recognised in the statement of financial performance.

➤ Cash and cash equivalents

Cash and cash equivalents are financial instruments and classified as available for sale financial assets. They include cash at hand and deposits held at call with banks.

➤ Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation towards third parties as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date.

➤ Payables

Payables arising from the purchase of goods and services are recognised at invoice reception for the original amount and corresponding expenses are entered in the accounts when the supplies or services are delivered and accepted by the Authority.

➤ Accrued and deferred income and charges

Following the accrual accounting principle, transactions and events are recognised in the financial statements in the period to which they relate. At the end of the accounting period, accrued expenses are recognised based on an estimated amount of the transfer obligation of the period. Revenue is also accounted for in the period to which it relates.

## Statement of Financial Performance

➤ Revenues and expenses

Revenues and expenses are accounted for in accordance with the accrual accounting basis principle.

Non-exchange revenue makes up the vast majority of ESMA's revenue and includes mainly the EU subsidy and the contributions from the National Competent Authorities.

Exchange revenue is the revenue from the sale of goods and services. It is recognised when the significant risk and rewards of ownership of the goods are transferred to the purchaser. Revenue associated with a transaction involving the provision of services is recognised by reference to the stage of completion of the transaction at the reporting date.

Interest income consist of received bank interest

## Contingent Assets and Liabilities

### ➤ Contingent assets

A contingent asset is a possible right that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority. A contingent asset is disclosed when an inflow of economic benefits or service potential is probable

### ➤ Contingent liability

A possible obligation, that arises from past events, and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority or a present obligation that arises from past events but is not recognized either because it is unlikely that the Authority will use its own resources to settle the obligation or because the value of the obligation cannot be measured with sufficient reliability.

A commitment for future funding represents a legal or constructive commitment, usually contractual, that the Authority has entered into and which may require a future outflow of resources.

Guarantees are possible assets or obligations that arise from past events and whose existence will be confirmed by the occurrence or non-occurrence of the object of the guarantee. It can thus be qualified as a contingent asset or liability. A guarantee is settled when the object of the guarantee no longer exists.

## 2.2 Intangible assets

|   |     | Internally generated<br>Computer Software | Other<br>Computer<br>Software | Intangible<br>assets under<br>constructions | Total             |
|---|-----|---|-------------------------------|---|-------------------|
| <b>Gross carrying amounts 01.01.2018</b>                      |     | <b>12 461 079</b>                         | <b>1 088 431</b>              | <b>1 127 015</b>                            | <b>14 676 526</b> |
| Additions   | +   |   |                               | 1 850 398                                   | 1 850 398         |
| Disposals   | -   |   |                               |   |                   |
| Transfer between headings                                     | +/- | 1 039 567                                 |                               | -1 039 567                                  | 0                 |
| Other changes   | +/- |   |                               |   |                   |
| <b>Gross carrying amounts 31.12.2018</b>                      |     | <b>13 500 646</b>                         | <b>1 088 431</b>              | <b>1 937 846</b>                            | <b>16 526 924</b> |
| <b>Accumulated amortisation and impairment</b>                |     | <b>-5 414 268</b>                         | <b>-747 544</b>               | <b>0</b>                                    | <b>-6 161 813</b> |
| Amortisation  | -   | -2 728 101                                | -154 308                      |   | -2 882 409        |
| Write-back of amortisation                                    | +   |   |                               |   |                   |
| Disposals   | +   |   |                               |   |                   |
| Impairment  | -   |   |                               |   |                   |
| Write-back of impairment                                      | +   |   |                               |   |                   |
| Transfer between headings                                     | +/- |   |                               |   |                   |
| Other changes   | +/- |   |                               |   |                   |
| <b>Accumulated amortisation and impairment<br/>31.12.2018</b> |     | <b>-8 142 369</b>                         | <b>-901 852</b>               | <b>0</b>                                    | <b>-9 044 222</b> |
| <b>Net carrying amounts 31.12.2018</b>                        |     | <b>5 358 277</b>                          | <b>186 579</b>                | <b>1 937 846</b>                            | <b>7 482 702</b>  |

### Internally generated computer software

In the course of 2018 the following internally generated intangible fixed assets have been capitalised. Below a detailed breakdown of the systems that went live in 2018 can be found:

| <b>Name of the project</b> | <b>Description</b>  | <b>Development cost capitalised (in €)</b> |
|----------------------------|---|--|
|                            | <b>Balance as per 01.01.2018</b>  | <b>12 461 080</b>                          |
| FIRDS (phase IV)           | Financial Instruments Reference Data System for collection of reference and transparency data from trading venues and NCAs, performing transparency calculations and publication of reference data and calculations results as required by the MIFIR regulation | 911 881                                    |
| PKICS                      | Public Key Infrastructure and Cryptographic Service   | 127 686                                    |
|                            | <b>Balance as per 31.12.2018</b>  | <b>13 500 646</b>                          |

### Intangible assets under constructions

During 2018, the Authority has started/continued the development of a number of IT-systems which are expected to go live in the course of 2019 or beyond. Below an overview can be found of the capitalised internal and external development costs at the end of 2018 for the development of these IT-systems.

| <b>Project Code</b> | <b>Description</b>   | <b>Development cost capitalised (in €) – 2018</b> |
|---------------------|--|---|
| CODER               | System aimed at weekly collection and publication of Commodity Derivatives Position Reports (MIFID II Art. 57) | 885 063   |

|                                  |  |                  |
|----------------------------------|--|------------------|
| RPTCF                            | Registration and publication of third-country firms: system that will enable a third-country firm to request registration with ESMA and ESMA to approve or deny the request. The register shall be publicly accessible on the website of ESMA and shall contain information on the services or activities which the third-country firms are permitted to provide or perform and the reference of the competent authority responsible for their supervision in the third country (Article 46 of MiFIR). | 248 732          |
| CSDRS                            | Central Securities Depositories Regulation: System that should enable CSDs (under Article 7) operating settlement systems across the EU to report specifically on settlement fails and to enable settlement internalisers (under Article 9) to report to its competent authorities the aggregated volume and value of all securities transactions that they settle outside securities settlement systems on a quarterly basis.   | 258 700          |
| BENCH                            | Benchmark Regulation: Public Register of Administrators and third country Benchmarks (articles 30 – 35)  | 253.920          |
| TRACE<br>(Phase 4)               | Access to Trade Repositories for data queries submission by NCAs, distribution of those queries to Trade Repositories (TRs), receiving the queries results from TR and deliver them to NCAs (Phase IV)   | 108 553          |
| MOFUN                            | Money Markets Fund Regulation: a central public register identifying each MMF authorised, the manager of an MMF and the competent authority of the MMF, as well as a central database for MMF reports.   | 72 590           |
| STSRE                            | STS Register and sanctions database to be provided by ESMA following the securitisation regulation that should enter into force in 2019.   | 21 613           |
| PROSP                            | Prospectus III regulation: Amended Register that will provide market participants with easy and free access to a large range of data about public offers and admissions to trading in the EEA as well as to all prospectus documents in one central location.  | 88 675           |
| <b>Balance as per 31.12.2018</b> |  | <b>1 937 846</b> |

In addition in the course of 2018 the Authority has incurred € 396 926 of development costs mainly related to the upgrade of the Transaction Reporting Exchange Mechanism (TREM) and registers. Since these are upgrades of existing systems and the total projected development cost will not exceed € 150 000 no capitalisation of the development cost was done.

### **2.3 Property, plant and equipment**

Tangible (fixed) assets at ESMA consist of leasehold improvements, technical equipment, furniture, kitchen and cafeteria equipment, computer hardware and telecommunication and audio-visual equipment.

In the course of 2018 the Authority has mainly purchased computer tablets, video-conference equipment and furniture for a total amount of € 142 252.



|   |     | Buildings        | Plant and Equipment | Computer hardware | Furniture       | Other Fixtures and Fittings | Total             |
|---|-----|------------------|---------------------|-------------------|-----------------|-----------------------------|-------------------|
| <b>Gross carrying amounts 01.01.2018</b>                  |     | <b>1 225 662</b> | <b>11 791</b>       | <b>1 753 653</b>  | <b>709 153</b>  | <b>1 018 860</b>            | <b>4 719 119</b>  |
| Additions   | +   |                  |                     | 142 252           | 3 363           | 6 958                       | 152 573           |
| Disposals   | -   |                  |                     | -41 352           | -13 165         | -10 845                     | -65 361           |
| Transfer between headings                                 | +/- |                  |                     |                   |                 |                             |                   |
| Other changes   | +/- |                  |                     | 542               |                 |                             |                   |
| <b>Gross carrying amounts 31.12.2018</b>                  |     | <b>1 225 662</b> | <b>11 791</b>       | <b>1 855 095</b>  | <b>699 352</b>  | <b>1 014 973</b>            | <b>4 806 873</b>  |
|   |     |                  |                     |                   |                 |                             |                   |
| <b>Accumulated amortisation and impairment 01.01.2018</b> |     | <b>- 570 582</b> | <b>-7 532</b>       | <b>-1 166 821</b> | <b>-389 750</b> | <b>-614 180</b>             | <b>-2 748 865</b> |
| Amortisation  | -   | -273 608         | -1 475              | -261 511          | -59 774         | -105 980                    | -702 348          |
| Write-back of amortisation                                | +   |                  |                     |                   |                 |                             |                   |
| Disposals   | +   |                  |                     | 20 405            | 11 511          | 10 620                      | 42 535            |
| Impairment  | -   | - 91 104         |                     |                   |                 |                             | -91 104           |
| Write-back of impairment                                  | +   |                  |                     |                   |                 |                             |                   |
| Transfer between headings                                 | +/- |                  |                     |                   |                 |                             |                   |
| Other changes   | +/- |                  |                     | -542              |                 |                             | -542              |
| <b>Accumulated amortisation and impairment 31.12.2018</b> |     | <b>-935 294</b>  | <b>-9 007</b>       | <b>-1 408 469</b> | <b>-438 014</b> | <b>-709 540</b>             | <b>-3 500 324</b> |
| <b>Net carrying amounts 31.12.2018</b>                    |     | <b>290 368</b>   | <b>2 784</b>        | <b>446 626</b>    | <b>261 338</b>  | <b>305 433</b>              | <b>1 306 549</b>  |

## 2.4 Exchange Receivable and recoverable

|                     | 31/12/2018       | 31/12/2017       |
|---------------------|------------------|------------------|
| Current receivables | 39 226           | 35 000           |
| Sundry receivables  | 57 824           | 27 497           |
| Deferred charges    | 1 079 446        | 1 057 106        |
| Other receivables   | 0                | 19 698           |
| <b>TOTAL</b>        | <b>1 176 496</b> | <b>1 139 301</b> |

- The current receivables relates to an unpaid fee from the Deutsche Bundesbank that was issued in December 2018 and therefore only due in January 2019.
- The sundry receivables mainly relate to amounts to be recovered from staff members.
- The deferred charges consist of prepaid rent for the first quarter of 2019.

## 2.5 Non exchange receivables and recoverable

|                   | 31/12/2018     | 31/12/2017       |
|-------------------|----------------|------------------|
| VAT refund        | 869 023        | 1 403 228        |
| Other receivables | 940            | 50               |
| <b>TOTAL</b>      | <b>869 963</b> | <b>1 403 278</b> |

The European Securities and Markets Authority pays the invoices from local suppliers with Value Added Tax (VAT) and claims the VAT refund from the Host State on a quarterly basis. The outstanding amount at year-end amounts to € 869 023. The decrease as compared to 2017 is due to:

- the fact that in 2018 the French government has reimbursed an amount of € 493 373 outstanding at the end of 2017 and relating to VAT on intra-community services by our main IT-supplier for which the VAT exemption certificates were finally delivered.

## 2.6 Cash and cash equivalents

The cash and cash equivalents position of the Authority at 31 December 2018 amounts to € 6 849 514 on the current accounts of ESMA with ING. The increase as compared to 2017 can be explained by the fact that in the course of 2018 ESMA has received € 2 475 000 of fines imposed under the Credit Rating Agency Regulation (Regulation (EC) No 1060/2009). According to this same regulation ESMA is supposed to transfer this money to the European Commission but since the banks involved have made an appeal against the decision of the

ESMA's Board of Supervisors no transfer has been done yet. The corresponding payable can be found on the liabilities side of the balance sheet under the heading sundry payables.

|                           | 2018             | 2017             |
|---------------------------|------------------|------------------|
| Bank account ING – Income | 2 475 000        | 0                |
| Bank account ING Belgium  | 4 374 514        | 4 457 853        |
| <b>Total</b>              | <b>6 849 514</b> | <b>4 457 873</b> |

## 2.7 Net Assets

The equity of the Authority amounts to € 6 898 837 of which:

- € 7 995 251 are the accumulated surplus from previous years;
- € -1 096 414 is the economic result of 2018.

## 2.8 Provision for risks and charges

A provision of € 400 000 has been made to cover for the costs relating to the works to be done in the course of 2019 in order to ensure that ESMA's complies with the provision in its lease agreement stating that ESMA should re-instate the building in its original state at the end of the lease agreement.

## 2.9 Current Payables

- The total amount of current payables as per 31.12.2018 can be broken down as follows € 2 774 representing current payables to third parties and € 14 963 representing current payables to consolidated entities.
- € 2 475 000 representing fines imposed under the Credit Rating Agency Regulation (Regulation (EC) No 1060/2009). According to this same regulation ESMA is supposed to transfer this money to the European Commission but since the banks involved have made an appeal against the decision of the ESMA's Board of Supervisors no transfer has been done yet. Following the appeal by the banks involved, it was decided in 2019 that ESMA will need to reimburse the collected fines.

## 2.10 Accrued charges and deferred income

The total amount of accrued charges and deferred income as per 31.12.2018 can be broken down as follows

- € 2 623 634 representing accrued charges for goods and services provided to the Authority in 2018 but not registered as invoiced at year end. This amount also includes a provision of € 557 536 for untaken leave of staff members.

- € 229 825 representing the reduction on the rental costs to be spread over the remaining years of the rental contract.
- € 4 141 595 representing the deferred income relating to the NCAs contributions received to execute the IT-delegated tasks.
- € 12 000 legal costs claimed back from a former staff member.

| Accrued expenses                              | 31/12/2018       | 31/12/2017       | % change  |
|---|------------------|------------------|-----------|
| <b>Accrued expenses</b>                       | <b>3 181 170</b> | <b>3 150 493</b> | <b>1%</b> |
| Accrued expenses based on carry-over analysis | 2 623 634        | 2 648 740        | -1%       |
| Accrual for untaken holidays                  | 557 536          | 501 753          | 11%       |

| Accrued expenses based on carry-over analysis                | 31/12/2018       | 31/12/2017       | % change   |
|--|------------------|------------------|------------|
| Title 1 – Staff  | 207 501          | 117 266          | 77%        |
| Title 2 – Buildings, equipment and miscellaneous expenditure | 233 208          | 173 240          | 35%        |
| Title 3 – Operational expenditure                            | 1 568 162        | 1 706 784        | -8%        |
| Title 4 – Delegated projects                                 | 614 763          | 651 450          | -6%        |
| <b>Total</b>   | <b>2 623 634</b> | <b>2 648 740</b> | <b>-1%</b> |

Although the level of the total accrued expenses has remained in line with last year some changes are visible within the different titles.

- Title I: Training and staff canteen expenses incurred in 2018 for which the invoice has only been received in January 2019.
- Title II: IT-expenses incurred in 2018 for which part of the work had been done in 2018 but for which the invoice will only be received at the end of the project mid-2019.
- Title III: Quicker reception and processing of the invoices from one IT-supplier with which the contract ended at 31.12.2018.

| Accrual for untaken holidays | 31/12/2018 | 31/12/2017 | % change |
|------------------------------|------------|------------|----------|
| Number of days not taken     | 1 964      | 1 779      | 10%      |
| Accrued amount               | 557 536    | 501 753    | 11%      |

The increase in the accrual for untaken holidays can be explained by an increase in the number of untaken days.

### 3 Notes to the Statement of Financial Performance

#### 3.1 Operating revenue

The total operating revenue of the Authority consists mainly of contributions received from the National Competent Authorities, the Commission and fees received from supervised entities (Credit Rating Agencies (CRA) and Trade Repositories (TR)). As compared to 2017 the total operating revenue of the Authority has increased by 9%. This increase is a combination of an increase in the NCA's contribution and an increase in the funds received from the NCAs specifically to be used for the IT-delegated tasks entrusted to the Authority. In respect to the latter an amount of 1.2 MEUR of the total deferred income has been recognised as revenue in 2018 in line with the depreciation costs relative to the IT-projects (FIRDS and TRACE) concerned.

| Type of revenue | 2018              | 2017              | % change  |
|-----------------|-------------------|-------------------|-----------|
| Non-exchange    | 30 387 868        | 28 321 378        | 7%        |
| Exchange        | 14 800 507        | 12 997 450        | 14%       |
| <b>TOTAL</b>    | <b>45 188 375</b> | <b>41 318 828</b> | <b>9%</b> |

#### 3.2 Administrative expenses

These include staff expenses, costs relating to intangible assets and property, plant and equipment (mainly depreciation) and other expenses.

| Type of Expense               | 2018               | 2017               | % change   |
|-------------------------------|--------------------|--------------------|------------|
| Staff expenses                | -24 758 590        | -22 896 363        | 8%         |
| Fixed asset related expenses  | -3 679 143         | -2 699 074         | 36%        |
| Other administrative expenses | -16 763 569        | -14 442 773        | 16%        |
| <b>TOTAL</b>                  | <b>-45 201 302</b> | <b>-40 038 210</b> | <b>13%</b> |

As compared to 2017 there has been an increase of 13% which can be explained by:

- An increase in staff expenses, which can mainly be explained by the increase in the number of staff (see also table below) and the annual indexation of 1.7% paid out in December 2018.
- An increase of 36% in depreciation of intangible and tangible fixed assets mainly as a result of the amortisation of the capitalised internally generated intangible assets.

- An increase of 16% in other administrative expenses due to an increase in maintenance costs for IT-projects and the provision made for the works to the current building.

#### **Number of employees (posts actually filled as per year-end)**

|                  | 2018       | 2017       |
|------------------|------------|------------|
| Temporary agents | 149        | 146        |
| Contract agents  | 68         | 55         |
| SNE              | 14         | 23         |
| <b>TOTAL</b>     | <b>231</b> | <b>224</b> |

### **3.3 Operating Expenses**

The decrease in operating expenses (€ 1 075 561 in 2018 as compared to € 1 312 109 in 2017) is mainly due to the cost (€ 164 870) of the conference organized in 2017, which did not repeat itself in 2018.

## **4 Notes to the Cash Flow Statement**

Cash flow information is used to provide a basis for assessing the ability of ESMA to generate cash and cash equivalents, and its needs to utilise those cash flows.

The cash flow statement is prepared using the indirect method. This means that the economic result of the financial year is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing cash flows.

Cash flows arising from transactions in a foreign currency are recorded in the EU's reporting currency (euro), by applying to the foreign currency amount the exchange rate between the euro and the foreign currency at the date of the cash flow.

The presented cash flow statement reports cash flows during the period classified by operating and investing activities (ESMA does not have financing activities).

### **4.1 Operating Activities**

Operating activities are the activities of the EU that are not investing activities. These are the majority of the activities performed.

## **4.2 Investing Activities**

Investing activities are the acquisition and disposal of intangible assets and property, plant and equipment and of other investments which are not included in cash equivalents. The objective is to show the real investments made by ESMA.

## **5 Contingent Assets and Liabilities and Other Significant Disclosures**

### **5.1 Contingent Liabilities**

#### **5.1.1 Other contingent liabilities**

These relate to the moving and associated costs that ESMA will need to support in 2019 when it leaves its premises in the last quarter of 2019. At this moment a call for tender is being prepared in order to invite moving companies to submit their offer for the requested moving services. Therefore it is difficult at this stage to estimate the amount of the related moving costs.

#### **5.1.2 Contingent liabilities amounts relating to legal cases**

There are currently 3 pending staff cases, one of which is currently suspended until a decision is rendered by the Court and two of which are still at the stage of the written procedure.

### **5.2 Other significant Disclosures**

#### **5.2.1 Operating Leases**

Assets subject to an operating lease are regarded as rentals.

| Description                              | Charges paid in 2018 | Charges to be paid next year | Charges to be paid later than one year | Total charges to be paid |
|--|----------------------|------------------------------|--|--------------------------|
| Rent 1 (SCI Grenelle – current building) | 4 338 661            | 4 338 661                    | 0                                      | 8 677 322                |
| Rent 2 (Ibox – new building)             |                      |                              | 33 024 434                             | 33 024 434 <sup>2</sup>  |
| <b>Total Rent</b>                        | <b>4 338 661</b>     | <b>4 338 661</b>             | <b>33 024 434</b>                      | <b>41 701 756</b>        |

## 5.2.2 Outstanding Commitments not yet expensed (Carryovers)

Unconsumed budgetary commitments for future funding (C8 + R0 carry-forward) have been registered by the Authority with an amount of € 5 839 574 at year end, of which € 2 638 598 (or 45%) relate to 2018. Additional expenditure of € 3 200 976 is expected for 2019, whereby budgetary commitments have been registered but do not have any impact on the 2018 accruals based accounting.

|   | 2018             | 2017             |
|---|------------------|------------------|
| Automatic carryovers C1                         | 4 678 639        | 4 138 476        |
| Automatic carryovers R0                         | 1 160 935        | 1 676 047        |
| Accrued expenses                                | - 2 638 598      | -2 666 922       |
| <b>Outstanding commitments not yet expensed</b> | <b>3 200 976</b> | <b>3 147 601</b> |

The amount disclosed above is the budgetary RAL ("Reste à Liquider") less related amounts that have been included as expenses in the 2018 statement of financial performance. The budgetary RAL is an amount representing the open commitments for which payments and/or de-commitments have not yet been made.

<sup>2</sup> The lease agreement has been concluded for nine years and foresees in an annual rent of € 4 774 617. In addition a rent-free period representing a total amount of € 9 947 119 has been granted,



## 6 Financial Instruments

Financial instruments comprise cash, current receivables and recoverables, current payables, amounts due to and from consolidated entities. Financial instruments give rise to liquidity, credit, interest rate and foreign currency risks, information about which and how they are managed is set out below (*prepayments, accrued income, accruals and deferred income are not included*).

The carrying amounts of financial instruments are as follows:

|  | 2018             | 2017             |
|--|------------------|------------------|
| <b>Financial assets</b>                          |                  |                  |
| Exchange receivables and recoverables            | 97 990           | 82 195           |
| Non - exchange receivables and recoverables      | 869 023          | 1 403 278        |
| Cash and deposits                                | 6 849 514        | 4 457 873        |
| <b>Total monetary assets (A)</b>                 | <b>7 816 527</b> | <b>5 943 346</b> |
| <b>Financial liabilities</b>                     |                  |                  |
| Current payables                                 | 2 774            | 1 377            |
| Sundry payables                                  | 2 475 000        | 25 071           |
| Accounts payables with consolidated entities     | 344 023          | 483 776          |
| <b>Total monetary liabilities (B)</b>            | <b>2 821 797</b> | <b>510 224</b>   |
| <b>Total net financial instruments (A) – (B)</b> | <b>4 994 730</b> | <b>5 433 122</b> |

### Liquidity risk

Liquidity risk is the risk that arises from the difficulty of selling an asset; for example, the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or meet an obligation. Liquidity risk arises from the ongoing financial obligations, including settlement of payables.

The Authority manages liquidity risk by continually monitoring forecast and actual cash flows.

Bank accounts opened in the name of the Authority may not be overdrawn.

Treasury and payment operations are highly automated and rely on modern information systems. Specific procedures are applied to guarantee system security and to ensure segregation of duties in line with the Financial Regulation, the internal control standards, and audit principles.

EU budget principles ensure that overall cash resources for a given year are always sufficient for the execution of all payments.

### Credit risk

Credit risk is the risk of loss due to a debtor's/borrower's non-payment of a loan or other line of credit (either the principal or interest or both) or other failure to meet a contractual obligation.

The default events include a delay in repayments, restructuring of borrower repayments and bankruptcy.

Treasury resources are kept with commercial banks. Contributions are requested 2 times a year based on cash forecasts.

In addition, specific guidelines are applied for the selection of commercial banks in order to further minimise counterparty risk to which the Authority is exposed:

All commercial banks are selected by call for tenders. The minimum short term credit rating required for admission to the tendering procedures is Moody's P-1 or equivalent (S&P A-1 or Fitch F1). A lower level may be accepted in specific and duly justified circumstances.

The maximum exposure to credit risk is:

|   | 2018             | 2017             |
|---|------------------|------------------|
| Exchange receivables and recoverables     | 97 990           | 82 196           |
| Non-exchange receivables and recoverables | 869 023          | 1 403 278        |
| Cash and deposits                         | 6 849 514        | 4 457 873        |
| <b>Total monetary assets (A)</b>          | <b>7 816 527</b> | <b>5 943 346</b> |
| Impairment (C)                            | 0                | 0                |
| Guarantees (E)                            | 0                | 0                |
| <b>Total credit risk (A+C+E)</b>          | <b>7 816 527</b> | <b>5 943 346</b> |

### Interest rate risk

Interest rate risk is the possibility of a reduction in the value of a security, especially a bond, resulting from an increase in interest rates. In general, higher interest rates will lead to lower prices of fixed rate bonds, and vice versa.

Interest rate risk at the Authority arises from cash. It is recognised that interest rates fluctuate and the Authority accepts the risk and does not consider it to be material.

The Authority's treasury does not borrow any money; as a consequence it is not exposed to interest rate risk. It does, however, earn interest on balances it holds on its banks accounts. The Authority has therefore put in place measures to ensure that interest earned on its bank accounts regularly reflects market interest rates, as well as their possible fluctuation.

Overnight balances held on commercial bank accounts earn interest on a daily basis. This is based on variable market rates to which a contractual margin (positive or negative) is applied. For most of the accounts, the interest calculation is linked to the EONIA (Euro overnight index average) or EURIBOR (Euro Interbank Offer Rate) and is adjusted to reflect any fluctuations of this rate. In case the resulting interest rate to be applied is less than 0, then a fixed rate is applied for a certain period of time. As a result no risk exists that the Authority earns interest at rates lower than market rates.

## Foreign currency risk

Currency risk is the risk that the EU's operations or its investments' value will be affected by changes in exchange rates. This risk arises from the change in price of one currency against another.

Most financial assets and liabilities are in euro, so in these cases the Authority has no foreign currency risk.

When miscellaneous receipts are received in currencies other than euro, they are converted into euro and transferred to accounts held in euro.

At the end of 2018 the Authority had no outstanding receivables in foreign currency and no material outstanding payable balance in foreign currency.

## Fair value

The estimated fair values of all financial instruments of the Authority are equal/approximate to their book values as at 31 Dec 2018. All financial assets and liabilities are receivable or repayable on demand or within one year.

## 7 Changes in Accounting Policies

There have been no changes in accounting policies for the financial year 2018.

## 8 Related Party Disclosure

The related parties of the Authority are the key management personnel. Transactions between the Authority and the key management personnel take place as part of the normal operations and as this is the case, no specific disclosure requirements are necessary for these transactions in accordance with the EU Accounting rules

| Highest grade description | Grade | Number of persons of this grade |
|---------------------------|-------|---------------------------------|
| Chair                     | AD16  | 1                               |
| Executive Director        | AD15  | 1                               |

## 9 Events after the Balance Sheet Date

At the date of issue of the accounts, no material issue came to the attention of the Accounting officer of the Authority or were reported to him/her that would require separate disclosure under that section.

## **Reports on Implementation of the Budget of ESMA**

# 1 Budgetary Structure and Principles

The budgetary accounts are kept in accordance with the Financial Regulation and its rules of application. The budget is the instrument which, for each financial year, forecasts and authorises the revenue and expenditure considered necessary for the implementation of the Authority's Decision.

Every year, the Authority estimates its revenue and expenditure for the year and draws up a draft budget which it sends to the Commission. The Commission then sends it to the budgetary authority. On the basis of this draft budget, the Council draws up its position which is then the subject of negotiations between the two arms of the budgetary authority. The President of the Parliament declares that the joint draft has been finally adopted, thus making the budget enforceable. The task of executing the budget is the responsibility of the Authority.

The budget structure for the Authority consists of administrative and operational appropriations and has non-differentiated appropriations for titles I to III and differentiated appropriations for title IV.

## Origin of Appropriations

The main source of appropriations is the Authority's budget for the current year. However, there are other types of appropriations resulting from the provisions of the Financial Regulation. They come from previous financial years or outside sources:

- **Initial budget appropriations** adopted for the current year can be supplemented with transfers between lines and by amending budgets.
- **Appropriations carried over** from previous year or made available again also supplement the current budget. These are:

(i) non-differentiated payment appropriations which may be carried over automatically for one financial year only;

(ii) appropriations carried over by decision of the Authority in one of two cases: if the preparatory stages have been completed or if the legal base is adopted late.

- **Assigned revenue** which is made up of:

(i) internal assigned revenue such as refunds where the amounts are assigned revenue on the budget line which incurred the initial expenditure and may be carried over for one year only;

(ii) external assigned revenue

## Composition of Appropriations Available

- Initial budget = appropriations voted in year N-1;

- Final budget appropriations = initial budget appropriations adopted + amending budget appropriations + transfers + additional appropriations;
- Additional appropriations = assigned revenue (see above) + appropriations carried over from the previous financial year.

### **Calculation of the Budget Result**

The revenue entered in the accounts is the amount actually received during the course of the year. For the purposes of calculating the budget result for the year, expenditure comprises payments made against the year's appropriations plus any of the appropriations for that year that are carried over to the following year. Payments made against the year's appropriations means payments that are made by the accounting officer by 31 December of the financial year.

The following are added to or deducted from the resulting figure:

- the net balance of cancellations of payment appropriations carried over from previous years and any payments which, because of fluctuations in the euro rate, exceed non-differentiated appropriations carried over from the previous year; and the balance of exchange-rate gains and losses recorded during the year.

Payment appropriations carried over include: automatic carryovers and carryovers by decision. The cancellation of unused payment appropriations carried over from the previous year shows the cancellations on appropriations carried over automatically and by decision. It also includes the decrease in assigned revenue appropriations carried over to the next year in comparison with the previous year.

### **Budgetary principles**

The budget of the Authority has been established in compliance with the principles of unity, budget accuracy, annuality, equilibrium, unit of account, universality, specification, sound financial management and transparency as set out in the Financial Regulation of the Authority.

## 1.1 Budget result

1.1.2018 – 31.12.2018

|  |     | 2018              | 2017              |
|--|-----|-------------------|-------------------|
| <b>REVENUE</b>   |     |                   |                   |
| Contributions from MS NCAs   | +   | 18 233 123        | 16 682 888        |
| Commission subsidy received by the Authority for 2018  | +   | 11 768 296        | 10 843 997        |
| Budgetary surplus  | +   | 197 522           | 438 888           |
| Contributions from Observer NCAs   | +   | 517 986           | 473 946           |
| Fees from Supervised Entities  | +   | 11 444 959        | 11 796 783        |
| NCA contributions for delegated tasks  | +   | 2 128 750         | 1 488 790         |
| Other Fee income   | +   | 0                 | 0                 |
| Other revenue  | +   | 5 476             | 233 292           |
| <b>TOTAL REVENUE (a)</b>   |     | <b>44 296 113</b> | <b>41 958 584</b> |
| <b>EXPENDITURE</b>   |     |                   |                   |
| <b>Title I: Staff</b>  |     |                   |                   |
| Payments   | -   | 25 233 088        | 23 311 743        |
| Appropriations carried over  | -   | 290 873           | 219 579           |
| <b>Title II: Administrative Expenses</b>   |     |                   |                   |
| Payments   | -   | 6 199 643         | 6 171 460         |
| Appropriations carried over  | -   | 967 460           | 618 354           |
| <b>Title III: Operating Expenditure</b>  |     |                   |                   |
| Payments   | -   | 5 821 952         | 6 858 811         |
| Appropriations carried over  | -   | 3 394 778         | 3 302 864         |
| <b>Title IV: Delegated Tasks Expenditure</b>   |     |                   |                   |
| Payments   | -   | 3 293 666         | 2 957 310         |
| Appropriations carried over  | -   | 1 186 562         | 2 142 280         |
| <b>TOTAL EXPENDITURE (b)</b>   |     | <b>46 388 023</b> | <b>45 582 401</b> |
| <b>OUTTURN FOR THE FINANCIAL YEAR (a-b)</b>  |     | <b>-2 091 910</b> | <b>-3 623 817</b> |
| Cancellation of unused payment appropriations carried over from previous year                  | +   | 282 132           | 164 310           |
| Adjustment for carry-over from the previous year of appropriations available at 31.12 arising  | +   | 2 145 425         | 3 590 428         |
| Exchange differences for the year (gain +/-loss -)   | +/- | -6 586            | -12 580           |
| <b>BALANCE OF THE OUTTURN ACCOUNT FOR THE FINANCIAL YEAR</b>                                   |     | <b>329 060</b>    | <b>118 341</b>    |
| Balance year N-1   | +/- | 118 341           | 329 204           |
| Positive balance from year N-1 reimbursed in year N to the                                     | -   | -118 341          | -329 204          |
| <b>Result used for determining amounts in general accounting</b>                               |     | <b>329 060</b>    | <b>118 341</b>    |
| <b>Commission subsidy - Authority registers accrued revenue and Commission accrued expense</b> |     | <b>11 636 758</b> | <b>11 164 544</b> |
| <b>Pre-financing remaining open to be reimbursed by Authority to Commission in year N+1</b>    |     | <b>329 060</b>    | <b>118 341</b>    |

## 1.2 Reconciliation of Accrual Result with Budget Result

|   | 2018              | 2017           |
|---|-------------------|----------------|
| <b>ACCRUAL RESULT OF THE YEAR</b>   | <b>-1 096 414</b> | <b>-70 344</b> |
| <b>Adjustments for accrual items (items included in the accrual result but not in the budget result)</b>              |                   |                |
| Accrual Cut-off (reversal 31.12.N-1)  | - 3 157 713       | -3 460 152     |
| Accrual Cut-off (cut-off 31.12.N)   | 3 181 171         | 3 172 675      |
| Unpaid invoices at year end but booked in charges   | 5 063             | -              |
| Depreciation/amortisation of intangible and tangible assets   | 3 672 243         | 2 687 385      |
| Provisions  | 400 000           | 0              |
| Recovery Orders issued in year N and not yet cashed   | -39 226           | -35 000        |
| Payments made from carry-over of payment appropriations   | 3 855 521         | 4 522 429      |
| Other   | -1 446 655        | 344 270        |
| <b>Adjustments for budgetary items (items included in the budget result but not in the accrual result)</b>            |                   |                |
| Asset acquisitions (less unpaid amounts)  | -1 996 872        | -4 633 696     |
| New prefinancing received in year N and remaining open as at 31.12.2018   | 329 060           | 118 341        |
| Budgetary recovery orders issued before year N and  | 35 000            | 772            |
| Payment appropriations carried over to year N+1   | -5 839 674        | -6 283 077     |
| Cancellation of unused carried over payment appropriations from previous year   | 282 132           | 164 310        |
| Adjustment for carry-over from the previous year of appropriations available at 31.12.N arising from assigned revenue | 2 145 425         | 3 590 428      |
| <b>Total</b>  | <b>329 060</b>    | <b>118 341</b> |
| <b>BUDGET RESULT OF THE YEAR</b>  | <b>329 060</b>    | <b>118 341</b> |

The accrual result of the year is calculated on the basis of accrual accounting principles. The budget result is however based on modified cash accounting rules, in accordance with the Financial Regulation. As the accrual result and the budget result both cover the same underlying operational transactions, it is a useful control to ensure that they are reconcilable.

The actual budgetary revenue for a financial year corresponds to the revenue collected from entitlements established in the course of the year and amounts collected from entitlements established in previous years. Therefore the entitlements established in the current year but not yet collected are to be deducted from the accrual result for reconciliation purposes as they do not form part of budgetary revenue. On the contrary the entitlements established in previous



years and collected in current year must be added to the accrual result for reconciliation purposes.

The net accrued expenses mainly consist of accruals made for year-end cut-off purposes, i.e. eligible expenses incurred by beneficiaries of EU funds but not yet reported to the Agency. While accrued expenses are not considered as budgetary expenditure, payments made in the current year relating to invoices registered in prior years are part of current year's budgetary expenditure.

The net effect of pre-financing is the combination of (1) the new pre-financing amounts paid in the current year and recognised as budgetary expenditure of the year and (2) the clearing of the pre-financing paid in current year or previous years through the acceptance of eligible costs. The latter represent an expense in accrual terms but not in the budgetary accounts since the payment of the initial pre-financing had already been considered as a budgetary expenditure at the time of its payment.

Besides the payments made against the year's appropriations, the appropriations for that year that are carried to the next year also need to be taken into account in calculating the budget result for the year. The same applies for the budgetary payments made in the current year from carry-overs and the cancellation of unused payment appropriations.

The movement in provisions relates to year-end estimates made in the accrual accounts (employee benefits mainly) that do not impact the budgetary accounts. Other reconciling amounts comprise different elements such as asset depreciation, asset acquisitions, capital lease payments and financial participations for which the budgetary and accrual accounting treatments differ.

## 1.3 Comparison of Budget and Actuals

### 1.3.1 Appropriations of the current budget – fund source C1

| BL                                 | BUDGET CHAPTER / LINE   | Initial budget adopted | Amending budgets | Transfers       | Final adopted budget | Actual Committed  | Actual Paid       |
|------------------------------------|---|------------------------|------------------|-----------------|----------------------|-------------------|-------------------|
| <b>TITLE I - STAFF EXPENDITURE</b> |   |                        |                  |                 |                      |                   |                   |
|                                    | <b>11. Staff in active employment</b>                               | <b>24 920 189</b>      |                  | <b>-679 805</b> | <b>24 240 384</b>    | <b>24 240 384</b> | <b>24 232 156</b> |
| 1100                               | Staff salaries, allowances, insurance and                           | 22 625 189             |                  | -407 504        | 22 217 685           | 22 217 685        | 22 214 333        |
| 1120                               | Local salaries  | 150 000                |                  | -114 000        | 36 000               | 36 000            | 31 124            |
| 1133                               | Contribution to the Community pension                               | 2 145 000              |                  | -158 301        | 1 986 699            | 1 986 699         | 1 986 699         |
|                                    | <b>12. Expenditure relating to staff management and recruitment</b> | <b>300 000</b>         |                  | <b>80 200</b>   | <b>380 200</b>       | <b>380 200</b>    | <b>291 524</b>    |
| 1200                               | Expenditure relating to staff management and recruitment            | 300 000                |                  | 80 200          | 380 200              | 380 200           | 291 524           |
|                                    | <b>14. Socio-medical infrastructure</b>                             | <b>530 000</b>         |                  | <b>16 662</b>   | <b>546 662</b>       | <b>546 662</b>    | <b>465 595</b>    |
| 1400                               | Medical service   | 30 000                 |                  | 9 249           | 39 249               | 39 249            | 29 737            |
| 1410                               | Schools and kindergartens   | 100 000                |                  | -44 088         | 55 912               | 55 912            | 55 912            |
| 1420                               | Canteen   | 400 000                |                  | 51 500          | 451 500              | 451 500           | 379 946           |
|                                    | <b>16. Training</b>   | <b>300 000</b>         |                  | <b>57 200</b>   | <b>357 200</b>       | <b>356 846</b>    | <b>240 692</b>    |
| 1600                               | Training  | 300 000                |                  | 57 200          | 357 200              | 356 846           | 240 692           |
|                                    | <b>TOTAL TITLE I</b>  | <b>26 050 189</b>      |                  | <b>-525 743</b> | <b>25 524 446</b>    | <b>25 524 092</b> | <b>25 229 966</b> |

| BL  | BUDGET CHAPTER / LINE  | Initial budget adopted | Amending budgets | Transfers      | Final adopted budget | Actual Committed | Actual Paid      |
|---|--|------------------------|------------------|----------------|----------------------|------------------|------------------|
| <b>TITLE II - INFRASTRUCTURE AND ADMIN. EXPENDITURE</b> |  |                        |                  |                |                      |                  |                  |
|   | <b>20. Rental of building and associated costs</b>           | <b>5 375 000</b>       |                  | <b>634 217</b> | <b>6 009 217</b>     | <b>6 009 163</b> | <b>5 618 862</b> |
| 2000  | Rental of building   | 5 005 000              |                  | 398 600        | 5 403 600            | 5 403 600        | 5 303 617        |
| 2020  | Maintenance, works - refurbishment                           | 50 000                 |                  | -6 459         | 43 541               | 43 541           | 34 244           |
| 2090  | Other expenditure on buildings, security and moving services | 320 000                |                  | 242 076        | 562 076              | 562 022          | 281000           |
|   | <b>21. Information and communication technology</b>          | <b>300 000</b>         |                  | <b>-9 042</b>  | <b>290 958</b>       | <b>290 957</b>   | <b>167 819</b>   |
| 2100  | Internal IT and telecommunications                           | 300 000                |                  | -9 042         | 290 958              | 290 957          | 167 819          |
|   | <b>23. Current administrative expenditure</b>                | <b>850 000</b>         |                  | <b>8 567</b>   | <b>858 567</b>       | <b>858 567</b>   | <b>405 047</b>   |
| 2300  | Facility management services                                 | 335 000                |                  | 46 400         | 381 400              | 381 400          | 252 030          |
| 2304  | Services on administrative matters                           | 450 000                |                  | -36 968        | 413 032              | 413 032          | 92 098           |
| 2305  | Subscriptions  | 60 000                 |                  | 2 853          | 62 853               | 62 853           | 59 636           |
| 2308  | Library Expenditure  | 5 000                  |                  | -3 717         | 1 283                | 1 283            | 1 283            |
|   | <b>27. Representation expenses, receptions and events</b>    | <b>5 000</b>           |                  | <b>1 507</b>   | <b>6 507</b>         | <b>6 507</b>     | <b>6 007</b>     |
| 2700  | Representation expenses, receptions and events               | 5 000                  |                  | 1 507          | 6 507                | 6 507            | 6 007            |
|   | <b>TOTAL TITLE II</b>  | <b>6 530 000</b>       |                  | <b>635 249</b> | <b>7 165 249</b>     | <b>7 165 194</b> | <b>6 197 734</b> |

| BL                                       | BUDGET CHAPTER / LINE                          | Initial budget adopted | Amending budgets | Transfers       | Final adopted budget | Actual Committed | Actual Paid      |
|--|--|------------------------|------------------|-----------------|----------------------|------------------|------------------|
| <b>TITLE III - OPERATING EXPENDITURE</b> |  |                        |                  |                 |                      |                  |                  |
|  | <b>31 Training costs</b>                       | <b>50 000</b>          | <b>0</b>         | <b>-14 635</b>  | <b>35 365</b>        | <b>35 365</b>    | <b>35 365</b>    |
| 3100                                     | Training costs                                 | 50 000                 | 0                | -14 635         | 35 365               | 35 365           | 35 365           |
|  | <b>32 IT project costs</b>                     | <b>7 525 000</b>       | <b>- 222 500</b> | <b>-403 911</b> | <b>6 898 589</b>     | <b>6 893 406</b> | <b>4 091 753</b> |
| 3200                                     | IT project costs                               | 7 525 000              | -222 500         | -403 911        | 6 898 589            | 6 893 406        | 4 091 753        |
|  | <b>34 Studies and legal advice</b>             | <b>100 000</b>         | <b>0</b>         | <b>183 521</b>  | <b>283 521</b>       | <b>283 521</b>   | <b>70 421</b>    |
| 3400                                     | Legal advice                                   | 100 000                | 0                | 183 521         | 283 521              | 283 521          | 70 421           |
|  | <b>35 Access to data for Economic Research</b> | <b>350 000</b>         | <b>0</b>         | <b>-3 883</b>   | <b>346 117</b>       | <b>346 117</b>   | <b>246 169</b>   |
| 3500                                     | Access to data for Economic Research           | 350 000                | 0                | -3 883          | 346 117              | 346 117          | 246 169          |
|  | <b>36 Mission expenses</b>                     | <b>600 000</b>         | <b>0</b>         | <b>-73 245</b>  | <b>526 755</b>       | <b>526 755</b>   | <b>473 727</b>   |
| 3600                                     | Mission expenses                               | 600 000                | 0                | -73 245         | 526 755              | 526 755          | 473 727          |
|  | <b>37 Information and publishing</b>           | <b>346 000</b>         | <b>0</b>         | <b>301 518</b>  | <b>647 518</b>       | <b>647 518</b>   | <b>508 639</b>   |
| 3700                                     | Translation and interpretation                 | 296 000                | 0                | 307 752         | 603 752              | 603 752          | 464 873          |
| 3701                                     | Communication services                         | 50 000                 | 0                | -6 234          | 43 766               | 43 766           | 43 766           |
|  | <b>38 Meeting expenses</b>                     | <b>315 000</b>         | <b>0</b>         | <b>54 509</b>   | <b>369 509</b>       | <b>369 509</b>   | <b>281 338</b>   |
| 3800                                     | General meeting expenses                       | 200 000                | 0                | 28 250          | 228 250              | 228 250          | 175 973          |
| 3810                                     | Stakeholder groups – consultations             | 65 000                 | 0                | 6 010           | 71 010               | 71 010           | 71 010           |
| 3820                                     | Governance                                     | 40 000                 | 0                | -7 751          | 32 249               | 32 249           | 25 608           |
| 3830                                     | Board of Appeal costs                          | 10 000                 | 0                | 28 000          | 38 000               | 38 000           | 8 748            |
|  | <b>39 Services on operational matters</b>      | <b>200 000</b>         | <b>0</b>         | <b>-86 120</b>  | <b>113 880</b>       | <b>113 880</b>   | <b>113 880</b>   |
| 3900                                     | Services on operational matters                | 200 000                | 0                | -86 120         | 113 880              | 113 880          | 113 880          |
|  | <b>TOTAL TITLE III</b>                         | <b>9 486 000</b>       | <b>-222 500</b>  | <b>-42 247</b>  | <b>9 221 253</b>     | <b>9 216 069</b> | <b>5 821 292</b> |

| BL                                | BUDGET CHAPTER / LINE                  | Initial budget adopted | Amending budgets | Transfers      | Final adopted budget | Actual Committed  | Actual Paid       |
|-----------------------------------|--|------------------------|------------------|----------------|----------------------|-------------------|-------------------|
| <b>TITLE IV – DELEGATED TASKS</b> |  |                        |                  |                |                      |                   |                   |
|                                   | <b>40 Single Interface to Trade</b>    | <b>122 061</b>         | <b>0</b>         | <b>-50 379</b> | <b>71 682</b>        | <b>71 682</b>     | <b>58 697</b>     |
| 4000                              | Single Interface to Trade Repositories | 122 061                | 0                | -50 379        | 71 862               | 71 682            | 58 697            |
|                                   | <b>41 Instruments Reference Data</b>   | <b>163 136</b>         | <b>0</b>         | <b>-16 880</b> | <b>146 256</b>       | <b>146 256</b>    | <b>133 614</b>    |
| 4100                              | Instruments Reference Data             | 163 136                | 0                | -16 880        | 146 256              | 146 256           | 133 614           |
|                                   | <b>TOTAL TITLE IV</b>                  | <b>285 197</b>         | <b>0</b>         | <b>-67 259</b> | <b>217 938</b>       | <b>217 938</b>    | <b>192 311</b>    |
|                                   | <b>TOTAL BUDGET 2018 – C1</b>          | <b>42 351 386</b>      | <b>-222 500</b>  | <b>0</b>       | <b>42 128 886</b>    | <b>42 123 294</b> | <b>37 441 303</b> |

### 1.3.2 Appropriations of the current budget – fund source R0

| BL                                | BUDGET CHAPTER / LINE                             | Initial budget adopted | Amending budgets | Not established | Transfers | Final budget available |
|-----------------------------------|---|------------------------|------------------|-----------------|-----------|------------------------|
| <b>TITLE IV – DELEGATED TASKS</b> |   |                        |                  |                 |           |                        |
|                                   | <b>40. Single Interface to Trade Repositories</b> | <b>485 006</b>         |                  |                 |           | <b>485 000</b>         |
| 4000                              | Single Interface to Trade Repositories            | 485 006                |                  |                 |           | 485 000                |
|                                   | <b>41. Instruments Reference Data</b>             | <b>1 644 797</b>       |                  | <b>- 1 053</b>  |           | <b>1 643 744</b>       |
| 4100                              | Instruments Reference Data                        | 1 644 797              |                  | - 1 053         |           | 1 643 744              |
|                                   | <b>TOTAL TITLE IV</b>                             | <b>2 129 803</b>       | <b>0</b>         | <b>- 1 053</b>  |           | <b>2 128 750</b>       |
|                                   | <b>TOTAL BUDGET 2018 C1 + R0</b>                  | <b>44 481 189</b>      | <b>- 222 500</b> | <b>- 1 053</b>  | <b>0</b>  | <b>44 257 636</b>      |

## 1.4 Budget Implementation

### EXPLANATORY NOTES

#### Management Systems

**ABAC** - The accounting and budgetary information is integrated in one system which has SAP as a back-end for the accounting part. The reporting system for ABAC which is used by ESMA is ABAC Datawarehouse. The workflow system in ABAC allows the authorising officer to ensure that the “four eyes” principle has been observed for each transaction. To manage its inventory in accordance with the requirements of the Financial Regulation, the Agency uses ABAC Assets.

#### Nomenclature

The nomenclature of appropriations is as follows:

- C1: Current Appropriations
- C3: Appropriations non automatically carried over
- C4: Appropriations Internal Assigned Revenue
- C5: Appropriations Internal Assigned Revenue (carried over)
- C8: Appropriations automatically carried forward
- IC1: Universal income voted in the budget
- IC4: Internal assigned revenue
- R0: External assigned revenue

## **2 Annex to the Budget Accounts**

## 2.1 Budgetary Tables (01.01.2018 – 31.12.2018)

**BUDGET IMPLEMENTATION CREDIT OF THE YEAR – Fund Source: C1**

**Title I: Staff Expenditure**

| Budget line                       | Description                                  | Commitment & Payment Appropriations (1) | Commitment (2)    | % Committed (2/1) | Paid (3)          | % Paid (3/1)  | R A L (2-3)    |
|-----------------------------------|--|---|-------------------|-------------------|-------------------|---------------|----------------|
| A-1100                            | Basic salaries                               | 22 217 685                              | 22 217 685        | 100.00%           | 22 214 333        | 99.98%        | 3 352          |
| A-1120                            | Local salaries                               | 36 000                                  | 36 000            | 100.00%           | 31 124            | 86.46%        | 4 876          |
| A-1133                            | Contribution to the Community pension scheme | 1 986 699                               | 1 986 699         | 100.00%           | 1 986 699         | 100.00%       | 0              |
| A-1200                            | Expenditure relating to staff management     | 380 200                                 | 380 200           | 100.00%           | 291 524           | 76.68%        | 88 676         |
| A-1400                            | Medical service                              | 39 249                                  | 39 249            | 100.00%           | 29 737            | 75.76%        | 9 513          |
| A-1410                            | Schools and kindergartens                    | 55 912                                  | 55 912            | 100.00%           | 55 912            | 100.00%       | 0              |
| A-1420                            | Canteen                                      | 451 500                                 | 451 500           | 100.00%           | 379 946           | 84.15%        | 71 554         |
| A-1600                            | Training                                     | 357 200                                 | 356 846           | 99.90%            | 240 692           | 67.38%        | 116 154        |
| <b>Title I: Staff Expenditure</b> |  | <b>25 524 446</b>                       | <b>25 524 092</b> | <b>100.00 %</b>   | <b>25 229 966</b> | <b>98.85%</b> | <b>294 125</b> |



## Title II: Infrastructure and Administrative Expenditure

| Budget line  | Description  | Commitment & Payment Appropriations (1) | Commitment (2)   | % Committed (2/1) | Paid (3)         | % Paid (3/1)  | R A L (2-3)    |
|--|--|---|------------------|-------------------|------------------|---------------|----------------|
| A-2000   | Building rental, charges and taxes                           | 5 403 600                               | 5 403 600        | 100.00%           | 5 303 617        | 98.15%        | 99 983         |
| A-2020   | Maintenance, works and refurbishment                         | 43 541                                  | 43 541           | 100.00%           | 34 244           | 78.65%        | 9 297          |
| A-2090   | Other expenditure on buildings, security and moving services | 562 076                                 | 562 022          | 99.99%            | 281 000          | 49.99%        | 281 022        |
| A-2100   | Internal ICT and telecommunications                          | 290 958                                 | 290 957          | 100.00%           | 167 819          | 57.68%        | 123 139        |
| A-2300   | Facility management services                                 | 381 400                                 | 381 400          | 100.00%           | 252 030          | 66.08%        | 129 369        |
| A-2304   | Services on administrative matters                           | 413 032                                 | 413 032          | 100.00%           | 92 098           | 22.30%        | 320 934        |
| A-2305   | Subscriptions  | 62 853                                  | 62 853           | 100.00%           | 59 636           | 94.88%        | 3 217          |
| A-2308   | Library expenditure  | 1 283                                   | 1 283            | 100.00%           | 1 283            | 100.00%       | 0              |
| A-2700   | Representation expenses, receptions and events               | 6 507                                   | 6 507            | 100.00%           | 6 007            | 92.31%        | 500            |
| <b>Title II: Infrastructure and Administrative Expenditure</b> |  | <b>7 165 249</b>                        | <b>7 165 194</b> | <b>100.00 %</b>   | <b>6 197 734</b> | <b>86.50%</b> | <b>967 460</b> |

### Title III: Operating Expenditure

| Budget line                             | Description                       | Commitment & Payment Appropriations (1) | Commitment (2)   | % Committed (2/1) | Paid (3)         | % Paid (3/1)  | R A L (2-3)      |
|---|-----------------------------------|---|------------------|-------------------|------------------|---------------|------------------|
| B3-100                                  | Training costs                    | 35 365                                  | 35 365           | 100.00%           | 35 365           | 100.00%       | 0                |
| B3-200                                  | IT project costs                  | 6 898 589                               | 6 893 406        | 99.92%            | 4 091 753        | 59.31%        | 2 801 652        |
| B3-400                                  | Legal advice                      | 283 521                                 | 283 521          | 100.00%           | 70 421           | 24.84%        | 213 100          |
| B3-500                                  | Access to data for Economic       | 346 117                                 | 346 117          | 100.00%           | 246 169          | 71.12%        | 99 948           |
| B3-600                                  | Mission expenses                  | 526 755                                 | 526 755          | 100.00%           | 473 727          | 89.93%        | 53 028           |
| B3-700                                  | Translation and interpretation    | 603 752                                 | 603 752          | 100.00%           | 464 873          | 77.00%        | 138 879          |
| B3-701                                  | Communication services            | 43 766                                  | 43 766           | 100.00%           | 43 766           | 100.00%       | 0                |
| B3-800                                  | General meeting expenses          | 228 250                                 | 228 250          | 100.00%           | 175 973          | 77.10%        | 52 277           |
| B3-810                                  | Stakeholder group - Consultations | 71 010                                  | 71 010           | 100.00%           | 71 010           | 100.00%       | 0                |
| B3-820                                  | Governance                        | 32 249                                  | 32 249           | 100.00%           | 25 608           | 79.41%        | 6 641            |
| B3-830                                  | Board of Appeal costs             | 38 000                                  | 38 000           | 100.00%           | 8 748            | 23.02%        | 29 252           |
| B3-900                                  | Services on operational matters   | 113 880                                 | 113 880          | 100.00%           | 113 880          | 100.00%       | 0                |
| <b>Title III: Operating Expenditure</b> |                                   | <b>9 221 253</b>                        | <b>9 216 069</b> | <b>99.94%</b>     | <b>5 821 292</b> | <b>63.13%</b> | <b>3 394 778</b> |

#### Title IV: Delegated Tasks Expenditure

| Budget line                                  | Description                            | Commitment & Payment Appropriations (1) | Commitment (2)    | % Committed (2/1) | Paid (3)          | % Paid (3/1)  | R A L (2-3)      |
|--|--|---|-------------------|-------------------|-------------------|---------------|------------------|
| B4-000                                       | Single Interface to Trade Repositories | 71 682                                  | 71 682            | 100.00%           | 58 697            | 81.88%        | 12 985           |
| B4-100                                       | Instruments Reference Data             | 146 256                                 | 146 256           | 100.00%           | 133 614           | 91.36%        | 12 642           |
| <b>Title IV: Delegated Tasks Expenditure</b> |  | <b>217 938</b>                          | <b>217 938</b>    | <b>100.00%</b>    | <b>192 311</b>    | <b>88.24%</b> | <b>25 627</b>    |
| <b>TOTAL FUND SOURCE C1</b>                  |  | <b>42 128 886</b>                       | <b>42 123 294</b> | <b>99.99%</b>     | <b>37 441 303</b> | <b>88.87%</b> | <b>4 681 991</b> |

#### BUDGET IMPLEMENTATION CREDITS OF THE YEAR – Fund Source: C4

| Budget line  | Description                         | Commitment & Payment Appropriations (1) | Commitment (2) | % Committed (2/1) | Paid (3)     | % Paid (3/1)   | R A L (2-3) |
|--|-------------------------------------|---|----------------|-------------------|--------------|----------------|-------------|
| A-1100   | Basic salaries                      | 1 621                                   | 1 621          | 100.00%           | 1 621        | 100.00%        | 0           |
| A-1600   | Training                            | 1 500                                   | 1 500          | 100.00%           | 1 500        | 100.00%        | 0           |
| <b>Title I: Staff Expenditure</b>                              |                                     | <b>3 121</b>                            | <b>3 121</b>   | <b>100 00%</b>    | <b>3 121</b> | <b>100 00%</b> | <b>0</b>    |
| A-2100   | Internal ICT and telecommunications | 1 002                                   | 1 002          | 100.00%           | 1 002        | 100.00%        | 0           |
| A-2304   | Services on administrative matters  | 907                                     | 907            | 100.00%           | 907          | 100.00%        | 0           |
| <b>Title II: Infrastructure and Administrative Expenditure</b> |                                     | <b>1 909</b>                            | <b>1 909</b>   | <b>100 00%</b>    | <b>1 909</b> | <b>100 00%</b> | <b>0</b>    |
| B3-600   | Mission expenses                    | 446                                     | 0              | 0.00%             | 0            | 0.00%          | 0           |
| <b>Title III: Operating Expenditure</b>                        |                                     | <b>446</b>                              | <b>0</b>       | <b>0 00%</b>      | <b>0</b>     | <b>0 00%</b>   | <b>0</b>    |
| <b>TOTAL FUND SOURCE C4</b>                                    |                                     | <b>5 476</b>                            | <b>5 030</b>   | <b>91 86%</b>     | <b>5 030</b> | <b>91 86%</b>  | <b>0</b>    |

**BUDGET IMPLEMENTATION CREDITS OF THE YEAR – Fund Source: C5**

| Budget line                             | Description      | Commitment & Payment Appropriations (1) | Commitment (2) | % Committed (2/1) | Paid (3)   | % Paid (3/1)   | R A L (2-3) |
|---|------------------|---|----------------|-------------------|------------|----------------|-------------|
| B3-600                                  | Mission expenses | 660                                     | 660            | 100.00%           | 660        | 100.00%        | 0           |
| <b>Title III: Operating Expenditure</b> |                  | <b>660</b>                              | <b>660</b>     | <b>100.00%</b>    | <b>660</b> | <b>100.00%</b> | <b>0</b>    |
| <b>TOTAL FUND SOURCE C5</b>             |                  | <b>660</b>                              | <b>660</b>     | <b>100.00%</b>    | <b>660</b> | <b>100.00%</b> | <b>0</b>    |

**BUDGET IMPLEMENTATION CREDITS OF THE YEAR – Fund Source: C8**

**Title I: Staff Expenditure**

| Budget line                       | Description                   | Commitment & Payment Appropriations (1) | Commitment (2) | % Committed (2/1) | Paid (3)       | % Paid (3/1)  | R A L (2-3) |
|-----------------------------------|-------------------------------|---|----------------|-------------------|----------------|---------------|-------------|
| A-1200                            | Expenditure relating to staff | 38 853                                  | 31 915         | 82.14%            | 31 915         | 82.14%        | 0           |
| A-1400                            | Medical Service               | 14 821                                  | 12 643         | 85.30%            | 12 643         | 85.30%        | 0           |
| A-1420                            | Canteen                       | 47 285                                  | 43 043         | 91.03%            | 43 043         | 91.03%        | 0           |
| A-1600                            | Training                      | 118 620                                 | 111 832        | 94.28%            | 111 832        | 94.28%        | 0           |
| <b>Title I: Staff Expenditure</b> |                               | <b>219 579</b>                          | <b>199 433</b> | <b>90.83%</b>     | <b>199 433</b> | <b>90.83%</b> | <b>0</b>    |

## Title II: Infrastructure and Administrative Expenditure

| Budget line  | Description  | Commitment & Payment Appropriations (1) | Commitment (2) | % Committed (2/1) | Paid (3)       | % Paid (3/1)  | R A L (2-3) |
|--|--|---|----------------|-------------------|----------------|---------------|-------------|
| A-200  | Building rental, charges and taxes                           | 255 235                                 | 255 235        | 100.00%           | 255 235        | 100.00%       | 0           |
| A-2020   | Maintenance, works and refurbishment                         | 14 140                                  | 14 140         | 100.00 %          | 14 140         | 100.00 %      | 0           |
| A-2090   | Other expenditure on buildings, security and moving services | 121 285                                 | 100 998        | 83.27%            | 100 998        | 83.27%        | 0           |
| A-2100   | Internal ICT and telecommunications                          | 142 085                                 | 137 514        | 96.78%            | 137 514        | 96.78%        | 0           |
| A-2300   | Facility management services                                 | 39 848                                  | 36 196         | 90.83%            | 36 196         | 90.83%        | 0           |
| A-2304   | Services on administrative matters                           | 43 822                                  | 43 398         | 99.03%            | 43 398         | 99.03%        | 0           |
| A-2305   | Subscriptions  | 318                                     | 311            | 97.94%            | 311            | 97.94%        | 0           |
| A-2308   | Library expenditure  | 1 140                                   | 1 140          | 100.00%           | 1 140          | 100.00%       | 0           |
| A-2700   | Representation expenses, receptions and events               | 482                                     | 31             | 6.33%             | 31             | 6.33%         | 0           |
| <b>Title II: Infrastructure and Administrative</b> |  | <b>618 354</b>                          | <b>588 963</b> | <b>95.25%</b>     | <b>588 963</b> | <b>95.25%</b> | <b>0</b>    |

### Title III: Operating Expenditure

| Budget line                             | Description                          | Commitment & Payment Appropriations (1) | Commitment (2)   | % Committed (2/1) | Paid (3)         | % Paid (3/1)   | R A L (2-3) |
|---|--------------------------------------|---|------------------|-------------------|------------------|----------------|-------------|
| B3-100                                  | Training costs                       | 14 527                                  | 14 207           | 97.80%            | 14 207           | 97.80%         | 0           |
| B3-200                                  | IT project costs                     | 2 805 069                               | 2 629 434        | 93.74%            | 2 629 434        | 93.74%         | 0           |
| B3-400                                  | Legal advice                         | 17 850                                  | 14 125           | 79.13%            | 14 125           | 79.13%         | 0           |
| B3-500                                  | Access to data for Economic Research | 18 604                                  | 17 712           | 95.21%            | 17 712           | 95.21%         | 0           |
| B3-600                                  | Mission expenses                     | 63 064                                  | 53 265           | 84.46%            | 53 265           | 84.46%         | 0           |
| B3-700                                  | Translation and interpretation       | 297 308                                 | 278 618          | 93.71%            | 278 618          | 93.71%         | 0           |
| B3-701                                  | Communication services               | 16                                      | 0                | 0.00%             | 0                | 0.00%          | 0           |
| B3-800                                  | General meeting expenses             | 37 552                                  | 24 166           | 64.35%            | 24 166           | 64.35%         | 0           |
| B3-810                                  | Stakeholder group - Consultations    | 8 784                                   | 1 218            | 13.86%            | 1 218            | 13.86%         | 0           |
| B3-820                                  | Governance                           | 5 270                                   | 4 550            | 86.34%            | 4 550            | 86.34%         | 0           |
| B3-900                                  | Services on operational matters      | 23 760                                  | 23 760           | 100.00%           | 23 760           | 100.00%        | 0           |
| <b>Title III: Operating Expenditure</b> |                                      | <b>3 291 804</b>                        | <b>3 061 054</b> | <b>92.99 %</b>    | <b>3 061 054</b> | <b>92.99 %</b> | <b>0</b>    |

**Title IV: Delegated Tasks Expenditure**

| <b>Budget line</b>                           | <b>Description</b>                     | <b>Commitment &amp; Payment Appropriations (1)</b> | <b>Commitment (2)</b> | <b>% Committed (2/1)</b> | <b>Paid (3)</b>  | <b>% Paid (3/1)</b> | <b>R A L (2-3)</b> |
|--|--|--|-----------------------|--------------------------|------------------|---------------------|--------------------|
| B4-000                                       | Single Interface to Trade Repositories | 6 071  | 6 071                 | 100.00 %                 | 6 071            | 100.00 %            | 0                  |
| B4-100                                       | Instruments Reference Data             | 2 668  | 0                     | 0.00%                    | 0                | 0.00%               | 0                  |
| <b>Title IV: Delegated Tasks Expenditure</b> |  | <b>8 739</b>                                       | <b>6 071</b>          | <b>69.47 %</b>           | <b>6 071</b>     | <b>69.47 %</b>      | <b>0</b>           |
| <b>TOTAL FUND SOURCE C8</b>                  |  | <b>4 138 476</b>                                   | <b>3 855 521</b>      | <b>93.16 %</b>           | <b>3 855 521</b> | <b>93.16 %</b>      | <b>0</b>           |

**BUDGET IMPLEMENTATION CREDITS OF THE YEAR AND PREVIOUS YEARS – Fund Source: R0**

**Title IV: Delegated Tasks Expenditure**

| Budget line                                  | Description                            | Commitment Appropriations carried over from Last year (LY) | Commitment Appropriations Current year (CY) | Total Commitment Appropriations (1) | Commitment CY (2) | % Committed (2/1) | Paid (3)         | % Paid (3 /1) | R A L (1-3)      |
|--|--|--|---|-------------------------------------|-------------------|-------------------|------------------|---------------|------------------|
| B4-000                                       | Single Interface to Trade Repositories | 367 032  | 485 006                                     | 852 038                             | 835 800           | 100.00%           | 415 952          | 49.77%        | 436 085          |
| B4-100                                       | Instruments Reference Data             | 1 766 509  | 1 643 744                                   | 3 410 253                           | 3 410 253         | 100.00%           | 2 685 403        | 78.74%        | 724 850          |
| <b>Title IV: Delegated Tasks Expenditure</b> |  | <b>2 133 541</b>   | <b>2 128 750</b>                            | <b>4 262 291</b>                    | <b>4 246 053</b>  | <b>100.00 %</b>   | <b>3 101 356</b> | <b>73.04%</b> | <b>1 160 935</b> |
| <b>TOTAL FUND SOURCE R0</b>                  |  | <b>2 133 541</b>   | <b>2 128 750</b>                            | <b>4 262 291</b>                    | <b>4 246 053</b>  | <b>100.00 %</b>   | <b>3 101 356</b> | <b>73.04%</b> | <b>1 160 935</b> |



### 3 ESMA's Management Board Members

(December 2018)

|                          |   |                     |
|--------------------------|---|---------------------|
| Steven Maijor            | Chair   | ESMA                |
| Elisabeth Roegele        | Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) | Germany             |
| Sebastian Albella Amigo  | Comisión Nacional del Mercado de Valores                | Spain               |
| Robert Ophèle            | Autorité des Marchés Financiers (AMF)                   | France              |
| Derville Rowland         | Central Bank of Ireland                                 | Ireland             |
| Gabriela Figueiredo Dias | Comissão do mercado de valores mobiliários (CMVM)       | Portugal            |
| Erik Thedéen             | Finansinspektionen (FI)                                 | Sweden              |
| Verena Ross              | Executive Director (non-voting Member )                 | ESMA                |
| Ugo Bassi - Director     | (non-voting Member )                                    | European Commission |
| Anneli Tuominen          | Vice-Chair (observer)                                   | Finland             |

## 4 Establishment plan 2018

| Function group and grade | 2018                           |                 |                         |                 |
|--------------------------|--------------------------------|-----------------|-------------------------|-----------------|
|                          | Authorised under the EU Budget |                 | Filled as at 31/12/2018 |                 |
|                          | Permanent posts                | Temporary Posts | Permanent posts         | Temporary Posts |
| AD16                     |                                | 1               |                         | 1               |
| AD15                     |                                | 1               |                         | 1               |
| AD14                     |                                |                 |                         |                 |
| AD13                     |                                | 2               |                         |                 |
| AD12                     |                                | 6               |                         | 4               |
| AD11                     |                                | 9               |                         | 1               |
| AD10                     |                                | 14              |                         | 9               |
| AD9                      |                                | 28              |                         | 24              |
| AD8                      |                                | 28              |                         | 36              |
| AD7                      |                                | 26              |                         | 26              |
| AD6                      |                                | 14              |                         | 12              |
| AD5                      |                                | 15              |                         | 24              |
| <b>Total AD</b>          |                                | <b>144</b>      |                         | <b>138</b>      |
| AST11                    |                                |                 |                         |                 |
| AST10                    |                                |                 |                         |                 |
| AST9                     |                                |                 |                         |                 |
| AST8                     |                                | 2               |                         |                 |
| AST7                     |                                | 2               |                         |                 |
| AST6                     |                                | 3               |                         |                 |
| AST5                     |                                | 4               |                         | 4               |
| AST4                     |                                | 1               |                         | 4               |
| AST3                     |                                |                 |                         | 1               |
| AST2                     |                                |                 |                         |                 |
| AST1                     |                                |                 |                         | 2               |
| <b>Total AST</b>         |                                | <b>12</b>       |                         | <b>11</b>       |
| <b>Grand total</b>       |                                | <b>156</b>      |                         | <b>149</b>      |