



European Securities and
Markets Authority

ESMA/2014/1090

REPORT ON BUDGETARY AND FINANCIAL MANAGEMENT

FINANCIAL YEAR 2013

Paris, 15th June 2014



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1. Introduction

1.1. Legal framework – Financial Regulation

The presentation of this report on budgetary and financial management has been prepared in accordance with Articles 31 and 76 to 83 of the Financial Regulation applicable to ESMA.

1.2. Budgetary principles (summary)

The establishment and implementation of the Authority's budget shall comply with the principles of unity and budget accuracy, annuality, equilibrium, unit of account, universality, specification, sound financial management and transparency as provided for in the Authority Financial Regulation.

2.1. Principle of unity and budget accuracy

The budget is the instrument which, for each financial year, forecasts and authorises the revenue and expenditure considered necessary for the Authority's activities. No revenue shall be collected and no expenditure effected unless booked to a line in the budget. An appropriation must not be entered in the budget if it is not for an item of expenditure considered necessary. No expenditure may be committed or authorised in excess of the appropriations authorised by the budget.

2.2. Principle of annuality

The appropriations entered in the budget shall be authorised for one financial year which shall run from 1 January to 31 December, inclusive. Commitments shall be entered in the accounts on the basis of the legal commitments entered into up to 31 December. Payments shall be entered in the accounts for a financial year on the basis of the payments effected by the accounting officer by 31 December of that year at the latest.

2.3. Principle of equilibrium

The Authority's budget revenue and payment appropriations must be in balance. Commitment appropriations may not exceed the amount of the voted budget, plus own revenue and any other revenue. The Authority may not raise loans.

2.4. Principle of unit of account

The budget shall be drawn up and implemented in Euro and the accounts shall be presented in Euro.

2.5. Principle of universality

Total revenue shall cover all expenditure. All revenue and expenditure shall be entered in full without any adjustment against each other.

2.6. Principle of specification

The appropriations in their entirety shall be earmarked for specific purposes by title and chapter; the chapters shall be further subdivided into articles and items. The Executive Director may authorise transfers from one article to another within each chapter.

2.7. Principle of sound financial management

Budget appropriations shall be used in accordance with the principle of sound financial management, that is to say, in accordance with the principles of economy, efficiency and effectiveness.

The principle of economy requires that the resources used by the Authority for the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price. The principle of efficiency is concerned with the best relationship between resources employed and results achieved. The principle of effectiveness is concerned with attaining the specific objectives set and achieving the intended results.

2.8. Principle of transparency

The budget shall be drawn up and implemented and the accounts presented in compliance with the principle of transparency. The budget, as finally adopted, shall be published in the Official Journal of the European Communities and amending budgets shall be published in an appropriate way within two months of their adoption.

1.3. Types of appropriations

The Authority makes use of non-differentiated appropriations for both its administrative (title I & II) and operational expenditure (title III).

1.4. Description of the budget accounts

Following the provisions of the Financial Rules and Implementing Rules of the Authority, budget accounts shall provide a detailed record of budget implementation and shall record all budget revenue and expenditure operations (voted appropriations, commitments and payments of the financial year, entitlements established, etc).

The content of the budget accounts – also called budget lines - is adopted annually by the Board of Supervisors, taking into account the general budgetary nomenclature and the Authority Implementing Rules on the structure and presentation of the statement of expenditure.

Title I budget lines are related to staff expenditure: salaries and allowances of the staff members working for the Authority and all other entitlements such as removal expenditures, installation costs. Title I also includes recruitment costs incurred by the Authority. Interim, training, staff perquisites and administrative mission costs are incorporated also under Title I.

Title II budget lines relate to all buildings, equipment and miscellaneous operating administrative expenditure.

Title III budget lines provide for the implementation of all the activities carried out in the frame of the missions and tasks assigned to the Authority by its establishing Regulation. The accounts under this title are grouped per operational activity group and sub-divided into the main activities performed in each area such as organisation of meetings, trainings, coordination missions, supervisory activities etc.

1.5. Financial Systems and Management

The budget accounts are managed by the ABAC system and the general accounts are maintained by the SAP system, which has a direct interface with the General Accounting System of the European Commission. The various budgetary and financial reports are produced using the Business Objects reporting tool.

2. Revenue

The ESMA 2013 budget with a total amount of €28,235,000 was adopted by ESMA's Management Board at the end of December 2012. €8,638,400 was set as contribution to ESMA from the total subsidy of the European Union and €12,909,600 was set as contributions from the National Competent Authorities that are members and observers of ESMA's Board of Supervisors. In addition to fees from Credit Rating Agencies, ESMA started collecting fees from Trade Repositories to also cover the costs of their registration and supervision; €6,687,000 was included in the budget for fees.

Two subsequent amendments were approved for ESMA's 2013 budget; the first being a reduction of ESMA's budget to €27,805,000 due to a decrease of the planned revenues from Trade Repositories fees, the second being an increase of 383,749€ to 28,188,749€ as the final amount of revenues in terms of fees and of the EU contribution were above the foreseen amount in the first amendment¹.

¹ As a result of this second amendment of the budget the total EC contribution was brought to € 8,696,897.

3. Budgetary tables

3.1. Budgetary transfers

BUDGET TRANSFERS AND AMENDMENTS IN 2013 (BALANCE PER BUDGET LINE)

BL	BUDGET CHAPTER / LINE	BUDGET 2013 (€)	Transferred and amended(€)	Amount after Transfers and amendments (€)
TITLE I - STAFF EXPENDITURE				
	11. Staff in active employment	15.827.000,00	-3.725.000,00	12.102.000,00
1100	Basic salaries	9.445.000,00	-3.206.000,00	6.239.000,00
1101	Family allowances	700.000,00	-180.000,00	520.000,00
1102	Expatriation and foreign residence allowances	1.000.000,00	-170.000,00	830.000,00
1110	Seconded national experts	600.000,00	-8.000,00	592.000,00
1111	Contract agents	900.000,00	-160.000,00	740.000,00
1112	Trainees	72.000,00	30.000,00	102.000,00
1120	Local salaries	600.000,00	465.000,00	1.065.000,00
1121	French Social Security System contributions	15.000,00	21.000,00	36.000,00
1130	Insurance against sickness	300.000,00	-70.000,00	230.000,00
1131	Insurance against accidents and occupational disease	45.000,00	0,00	45.000,00
1132	Insurance against unemployment	100.000,00	0,00	100.000,00
1140	Birth and death grants	0,00	3.100,00	3.100,00
1141	Travel expenses for annual leave	150.000,00	0,00	150.000,00
1142	Other allowances and repayments	800.000,00	-403.100,00	396.900,00
1160	Salary weighting	1.100.000,00	-47.000,00	1.053.000,00
	12. Expenditure relating to staff management and recruitment	251.000,00	49.000,00	300.000,00
1200	Expenditure relating to staff management and recruitment	251.000,00	49.000,00	300.000,00
	13. Mission expenses, travel and incidental expenses	1.100.000,00	-285.000,00	815.000,00
1300	Administrative mission expenses	1.100.000,00	-285.000,00	815.000,00
	14. Socio-medical infrastructure	153.000,00	142.000,00	295.000,00
1400	Medical service	15.000,00	0,00	15.000,00
1420	Canteen	138.000,00	142.000,00	280.000,00
	16. Training	123.000,00	247.000,00	370.000,00
1600	Training	123.000,00	247.000,00	370.000,00
	17. Representation expenses, receptions and events	10.000,00	5.000,00	15.000,00
1700	Representation expenses, receptions and events	10.000,00	5.000,00	15.000,00
	TOTAL TITLE I	17.464.000,00	-3.567.000,00	13.897.000,00



BL	BUDGET CHAPTER / LINE	BUDGET 2013 (€)	Transferred and amended(€)	Amount after Transfers and amendments (€)
TITLE II - INFRASTRUCTURE AND ADMIN. EXPENDITURE				
	20. Rental of building and associated costs	2.669.000,00	943.000,00	3.612.000,00
2000	Rental of building	2.330.000,00	55.000,00	2.385.000,00
2010	Taxes	0,00	425.000,00	425.000,00
2020	Maintenance	128.000,00	398.000,00	526.000,00
2030	Works - refurbishment	150.000,00	15.000,00	165.000,00
2090	Other expenditure on buildings	61.000,00	50.000,00	111.000,00
	21. Information and communication technology	980.000,00	793.335,00	1.773.335,00
2100	Internal IT	980.000,00	793.335,00	1.773.335,00
	22. Movable property and associated costs	219.000,00	-69.000,00	150.000,00
2200	Movable property and associated costs	219.000,00	-69.000,00	150.000,00
	23. Current administrative expenditure	554.000,00	-165.000,00	389.000,00
2300	Stationery	40.000,00	10.000,00	50.000,00
2301	Printing and photocopying	95.000,00	-55.000,00	40.000,00
2302	Banking and financial charges	20.000,00	0,00	20.000,00
2303	Insurances	10.000,00	0,00	10.000,00
2304	Services	80.000,00	33.000,00	113.000,00
2305	Newspapers subscriptions	70.000,00	0,00	70.000,00
2306	Other administrative expenditure	239.000,00	-153.000,00	86.000,00
	24. Postage and telecommunications	279.000,00	28.414,00	307.414,00
2400	Postal charges	20.000,00	2.000,00	22.000,00
2401	Telephones	159.000,00	1.000,00	160.000,00
2402	Conference calls	40.000,00	-10.000,00	30.000,00
2403	Internet	60.000,00	35.414,00	95.414,00
	25. Information and publishing	742.000,00	231.000,00	973.000,00
2500	Translation and interpretation	709.000,00	221.000,00	930.000,00
2501	ESMA publications	30.000,00	0,00	30.000,00
2502	Library expenditure	3.000,00	10.000,00	13.000,00
	26. Meeting expenses	382.000,00	34.000,00	416.000,00
2600	General meeting expenses	242.000,00	28.000,00	270.000,00
2610	Stakeholder groups - Consultations	80.000,00	0,00	80.000,00
2620	Governance	30.000,00	6.000,00	36.000,00
2630	Board of Appeal costs	30.000,00	0,00	30.000,00
	TOTAL TITLE II	5.825.000,00	1.795.749,00	7.620.749,00

BL	BUDGET CHAPTER / LINE	BUDGET 2013 (€)	Transferred and amended(€)	Amount after Transfers and amendments (€)
TITLE III - OPERATING EXPENDITURE				
	31. Common Supervisory Culture: training for national supervisors and staff exchanges and secondments	400.000,00	-110.000,00	290.000,00
3100	Training costs	200.000,00	15.000,00	215.000,00
3120	Events	200.000,00	-125.000,00	75.000,00
	32. Collection of information; developing and maintenance of a central European database	3.695.000,00	1.825.000,00	5.520.000,00
3200	IT project costs	3.695.000,00	1.825.000,00	5.520.000,00
	33. On-site inspections CRA	350.000,00	-10.000,00	340.000,00
3300	On-site inspections CRA	50.000,00	50.000,00	100.000,00
3301	Delegation to National Competent Authorities	100.000,00	0,00	100.000,00
3310	Operational mission expenses CRA	50.000,00	0,00	50.000,00
3320	Legal advice on on-going CRA supervision	150.000,00	-60.000,00	90.000,00
	34. Studies and legal advice	301.000,00	-80.000,00	221.000,00
3400	Legal advice	100.000,00	-60.000,00	40.000,00
3401	Legal advice on enforcement	0,00	60.000,00	60.000,00
3402	Studies	201.000,00	-80.000,00	121.000,00
	35. Databases for Economic Research	200.000,00	100.000,00	300.000,00
3500	Databases for Economic Research	200.000,00	100.000,00	300.000,00
	TOTAL TITLE III	4.946.000,00	1.725.000,00	6.671.000,00
	TOTAL BUDGET 2013	28.235.000,00	-46.251,00	28.188.749,00

Following the two budget amendments in 2013 ESMA's budget decreased by €46.251. Moreover, in the course of the year € 3.520.749 was transferred from title I to cover budgetary needs on titles II and III for an amount of respectively € 1.795.749.00 and € 1.725.000.

3.2. Budgetary execution 2013-C1 and 2013-C8

2013-C1	VOTED BUDGET 2013 (after transfers) (1)	COMMITMENTS (2)		PAYMENTS (3)		TO BE CARRY FORWARDED (4)	
TITLE	BUDGET 2013	Committed (Euro)	% (2)/(1)	Paid (Euro)	% (3)/(1)	(2) – (3)	% (4)/(2)
TITLE I	13.897.000,00	13.045.036,10	93,87%	12.267.167,31	88,27%	777.868,79	5.96%
TITLE II	7.620.749,00	6.911.126,01	90,69%	5.557.709,26	72,93%	1.353.416,75	19.58%
TITLE III	6.671.000,00	6.310.532,50	94,60%	2.622.045,33	39,31%	3.688.487,17	58.45%
TOTAL	28.188.749,00	26.266.694,61	93,18 %	20.446.921,90	72,54 %	5.819.772,71	22.16%

By the end of the year ESMA had committed 93% of the total budget and had paid out 73% of the total available payment appropriations. Overall the payment execution rate was relatively high with the exception of title III where it only reached 39,3% due to the running of multi-annual IT projects. In total, the uncommitted budget in 2013 equalled €1.922.054. The main reasons for this were the following:

1) When preparing the 2013 budget it was assumed that the planned 2011/ 2012 salary adjustment would be paid under the 2013 budget. This has not been the case. Therefore and if this element would have been implemented, the total budget execution for 2013 would have increased by an additional amount of €566.795 of committed appropriations.

2) At the end of 2013, ESMA received unplanned registration applications of supervised entities, leading to a budget increase of commitment appropriations in December 2013 of € 383.749 that were not spent.

The above-mentioned two elements were due to external factors that ESMA could not foresee. Without these unforeseen events the uncommitted budget in 2013 would have been EUR 971.510,39, a budgetary execution rate of 96.5%.

3) The remaining uncommitted budget is explained by the fact that at the end of 2013 ESMA's staff numbers were 149 (Temporary Agents, Contract Agents and Seconded National Experts) instead of 160 as initially planned. This was mainly due to recruitment processes for which either internal candidates were selected or which were unsuccessful. This led to a delay in the recruitments of new employees and reduced the salary expenditures accordingly.

The uncommitted budget under Title I was mainly transferred to Title II and Title III. The appropriations of Title II were further increased following the budget amendment in December. Finally, due to the closeness to the end of the year, it was not possible to commit completely the transferred/amended budget appropriations.

In annex I a more detailed overview of the budgetary execution of C1-credits can be found.

2013-C8	CARRY-FORWARD (1)	PAID (2)		TO BE CANCELLED (3)	
TITLE	Committed (Euro)	Paid (Euro)	% (2)/(1)	(1) - (2)	% (3)/(1)
TITLE I	705.124,76	543.842,54	77,13%	161.282,22	22,87%
TITLE II	2.074.849,71	1.926.345,28	92,84%	148.504,43	7,16%
TITLE III	1.458.916,38	1.337.931,46	91,71%	120.984,92	8,29%
TOTAL	4.238.890,85	3.808.119,29	89,84%	430.771,57	10,16%

Out of a total of € 4.238.890,85 C8 payment appropriations almost 90% has been consumed in 2013.

3.3. Carry-forward 2013-2014

	Automatic Carry Forward 2013-2014 to C8	
	Commitments RAL	Payment Credit
TITLE I - Staff Expenditure	777.868,79	777.868,79
TITLE II - Administrative Expenditure	1.353.416,75	1.353.416,75
TITLE III - Operational Expenditure	3.688.487,17	3.688.487,17
TOTAL	5.819.772,71	5.819.772,71

The total amount of commitment and corresponding payment appropriations to be carried-forward to 2014 is € 5.819.772,71. Out of this amount € 2.026.400,02 should cover payment for goods and services that were delivered in 2013 but for which no invoice had been received yet. The remaining amount will be used in the course of 2014 to pay for services and goods to be delivered in that year. A more detailed overview of the amounts to be carry-forwarded per budgetary chapter can be found in annex II.

Finally, in annex III the establishment plan for the period 2012-2013 can be found.

ANNEX I: Budget Execution 2013 (C1-credits)

Chapter	Description	Appropriation (1)	Committed (2)	% Committed (2/1)	Paid (3)	% Paid (3/1)
TITLE I: STAFF EXPENDITURE						
11	Staff in active employment	12.102.000,00	11.513.042,24	95,13%	11.089.237,17	91,63%
12	Expenditure related to recruitment	300.000,00	271.244,39	90,41%	187.845,22	62,62%
13	Administrative Missions and duty travel	815.000,00	641.934,84	78,77%	576.005,60	70,68%
14	Socio Medical Infrastructure	295.000,00	259.151,24	87,85%	223.220,53	75,67%
16	Training	370.000,00	353.382,61	95,51%	185.323,36	50,09%
17	Representation costs	15.000,00	6.280,78	41,87%	5.535,43	36,90%
TOTAL TITLE I		13.897.000,00	13.045.036,10	93,87%	12.267.167,31	88,27%
TITLE II: ADMINISTRATIVE EXPENDITURE						
20	Rental of building and associated costs	3.612.000,00	3.576.158,52	99,01%	3.410.913,98	94,43%
21	Information and communication techn.	1.773.335,00	1.523.255,19	85,90%	857.985,21	48,38%
22	Movable property and associated costs	150.000,00	142.023,19	94,68%	115.826,32	77,22%
23	Current administrative expenditure	389.000,00	279.194,55	71,77%	193.832,59	49,83%

24	Postage and telecommunications	307.414,00	224.054,15	72,88%	176.299,41	57,35%
25	Information and publishing	973.000,00	835.164,53	85,83%	591.142,20	60,75%
26	Meeting expenses	416.000,00	331.275,89	79,63%	211.709,55	50,89%
TOTAL TITLE II		7.620.749,00	6.911.126,01	90,69%	5.557.709,26	72,93%
TITLE III: OPERATIONAL EXPENDITURE						
31	Common Supervisory Culture: training for national supervisors and staff exchanges and secondments	290.000,00	191.883,33	66,17%	126.322,93	43,56%
32	Collection of information: developing and maintenance of a central European database	5.520.000,00	5.512.602,99	99,87%	1.988.153,64	36,02%
33	On-site inspections CRA	340.000,00	237.875,51	69,96%	214.160,78	62,99%
34	Studies and legal advice	221.000,00	73.060,00	33,06%	36.201,66	16,38%
35	Databases for Economic Research	300.000,00	295.110,67	98,37%	257.206,32	85,74%
TOTAL TITLE III		6.671.000,00	6.310.532,50	94,60%	2.622.045,33	39,31%
TOTAL BUDGET 2013		28.188.749,00	26.266.694,61	93,18%	20.446.921,90	72,54%

ANNEX II: Automatic Carry Forward 2013-2014 – C8 credit

The commitment and payment credits carried forward in the change of the year 2013-2014 are detailed in the following table:

		Automatic Carry Forward 2013-2014
CHAPTER/ TITLE	DESCRIPTION	Commitments RAL
11	Staff in active employment	423.805,07
12	Expenditure related to recruitment	83.399,17
13	Administrative missions and duty travel	65.929,24
14	Socio-medical infrastructure, training	35.930,71
16	Training	168.059,25
17	Reception and representation expenses	745,35
TITLE I	STAFF EXPENDITURE	777.868,79
20	Rental of building and associated costs	165.244,54
21	Data processing expenditure and associated costs	665.269,98
22	Movable property and associated costs	26.196,87
23	Current administrative expenditure	85.361,96
24	Postal charges and telecommunications	47.754,74
25	Information and publishing	244.022,32
26	Meeting expenses	119.566,34
TITLE II	ADMINISTRATIVE EXPENDITURE	1.353.416,75
31	Common Supervisory Culture: training for national supervisors and staff exchanges and secondments	65.560,40
32	Collection of information: developing and maintenance of a central European database	3.524.449,35
33	On-site inspections CRA	23.714,73
34	Studies and legal advice	36.858,34
35	Databases for Economic Research	37.904,35
TITLE III	OPERATIONAL EXPENDITURE	3.688.487,17
TOTAL		5.819.772,71

ANNEX III: Establishment Plan

ESTABLISHMENT PLAN OF THE EUROPEAN SECURITIES AND MARKETS AUTHORITY						
POSITIONS/ CATEGORY AND GRADE	2012 FILLED AS AT 31.12.2012		2013 FINAL BUDGET		2013 FILLED AS AT 31.12.2013	
	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
	AD16					
AD15		1		1		1
AD14		1		1		1
AD13						
AD12		2		3		2
AD11		1		5		1
AD10		3		6		4
AD9		5		12		10
AD8		10		24		18
AD7		17		24		24
AD6		13		18		18
AD5		12		12		23
Total AD		65		106		102
AST11						
AST10						
AST9				1		
AST8		1				1
AST7						
AST6				1		
AST5		1		2		1
AST4		3		6		2
AST3		2		2		6
AST2				3		
AST1		3				4
Total AST		10		15		14
Total AD + AST		75		121		116
GRAND TOTAL		75		121		116

In addition to the above mentioned personnel ESMA had 19 contractual agents, 14 SNEs (seconded national experts), 17 temporary workers and 7 trainees at 31/12/2013.