



2013

Annual Activity Report

**DG Internal
Market and
Services**

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INTRODUCTION:

The DG/Service in brief

The Directorate-General's (DG) mission is to develop a dynamic single market in order to secure a prosperous economic future for everyone in the EU. The Directorate-General for the Internal Market and Services (DG MARKET) works for an integrated European single market to enable citizens and businesses to meet the challenges of globalisation by providing a regulatory environment which enhances opportunities and competitiveness, reduces prices and widens citizens' choice, stimulates innovation, and promotes financial stability. The DG strives to inform citizens and businesses about their rights within the Single Market and the benefits available to them.

DG MARKET works to remove obstacles to the free movement of services and capital and to the freedom of establishment. The DG is responsible for proposing legislation and controlling the implementation of a European legal framework in these specific sectors: financial services, public procurement, intellectual property, services, company law, accounting and auditing.

The year in brief

2013 was a year full of hard work and achievements — for DG MARKET, the Commission and Europe as a whole. The DG drafted and successfully concluded negotiations on numerous key initiatives to reboot and enhance the single market, to stimulate creation and innovation, and to make the financial system more resilient.

With 88.3% of staff working on policy activities and an operational budget of EUR 42.5 million¹ DG MARKET has again demonstrated its leading role in the implementation of the Commission's policy priorities.

1. The EU Single Market

The single market is one of Europe's major achievements. An integrated and well-functioning single market brings benefits for citizens and businesses and is conducive to growth and jobs.

Single market integration

The implementation of the single market is one of the pillars of the European Semester. The Commission's second **Single Market Integration report**,² adopted within the framework of the annual growth survey, analyses how the single market is functioning in key areas with the greatest growth potential and finds that while progress has been

¹ 2013 General Budget — Internal Market, OJEU, II/551 of 08.03.2013.

² COM(2013) 785.

made in reforming the financial, digital and transport sectors, there is still work to be done to implement EU legislation on energy and services.

In this regard, the Single Market Scoreboard illustrates Member States' performance on implementation. In July 2013, DG MARKT launched the first version of the **Single Market Scoreboard website**,³ giving an overview of 13 governance tools in the Member States. The Scoreboard is a very efficient, modern and user-friendly tool that shows how single market law works in practice and delivers concrete results for those for whom it was created: individuals and businesses who want to work, shop, travel, invest or do business across borders.

Single Market Month

A major event in the past year was the Single Market Month,⁴ which took place from 23 September until 23 October 2013. Single Market Month brought citizens and policy-makers, experts and EU leaders together online to discuss, in all EU languages, progress made so far, the challenges remaining and ideas for the future of the single market. Over 60 000 people visited the website, and nearly 800 policy ideas were published, attracting over 2000 comments. Over 80 live chats took place, including with a number of Commissioners, President Barroso and Members of the European Parliament. The European Commission will consider carefully all the ideas put forward and identify those that should be taken forward by the Commission.

Stimulating growth and employment through boosting services

Actions in the field of services focused on the free movement of professionals and key service sectors such as retail and the implementation of the e-commerce Communication of 2012.

The European Parliament and the Council reached an agreement on the **modernisation of the Directive on professional qualifications**⁵ — an important Single Market Act I deliverable. The new rules will create a more efficient system for recognition of professional qualifications, will contribute to dealing with the labour shortage in Europe and will come to the aid of highly qualified job seekers.

In order to facilitate access to professions and to encourage mobility of qualified professionals and cross-border provision of professional services, DG MARKT drafted a **Communication on the evaluation of regulated professions**,⁶ which was accompanied by a **Staff Working Document on the peer review on legal form, shareholding and tariff requirements under the Services Directive**.⁷

The **Communication setting up a European Retail Action Plan**⁸ proposes actions to achieve a single market in retail by addressing the key obstacles that hinder the smooth functioning of this sector. The objective is to enhance the economic, environmental and

³ http://ec.europa.eu/internal_market/scoreboard/.

⁴ <http://www.yourideasforeurope.eu/>.

⁵ COM(2011) 883.

⁶ COM(2013) 676.

⁷ SWD(2013) 402.

⁸ COM(2013) 36.

social performance of the retail sector and ensure that it fully contributes to the goals of the Europe 2020 Strategy. The Action Plan was accompanied by a **Green Paper on unfair trading practices in the business-to-business food and non-food supply chain**⁹ which helped the Commission to gather evidence and identify possible next steps in addressing those practices.

As follow-up to the Green Paper on an integrated parcel delivery market, DG MARKT drafted a **Roadmap for Parcel delivery**.¹⁰ The measures in the roadmap will help increase transparency and information, improve availability, quality and affordability of delivery solutions and enhance complaint handling and redress mechanisms for consumers.

Promoting innovation and improving competitiveness through protection of Intellectual Property Rights (IPRs)

The protection and regulation of intellectual property is key to providing high-value and highly qualified jobs for the future. The DG's actions covered all aspects of IPR.

As regards the European Patent, all Member States except Croatia, Poland and Spain signed the international agreement establishing a Unified Patent Court in 2013, the third element of the European patent package¹¹ after the adoption of the two regulations in December 2012. Once the ratification process by national parliaments is completed, it will be possible to obtain a **European patent with unitary effect** — a legal title ensuring uniform protection for an invention across 25 Member States on a one-stop shop basis, providing huge cost advantages and reducing administrative burdens.

DG MARKT drafted a **package of initiatives to modernise the trade mark system in the EU**.¹² The package includes a revision of the Regulation on the Community Trade Mark and a recast of the Trade Mark Directive. The proposed reform aims to make trade mark systems in Europe more consistent, accessible and efficient for businesses. It would improve conditions for businesses to innovate and to benefit from more effective trade mark protection against counterfeits, including fake goods in transit through the EU's territory.

The DG prepared a **Directive on protection against the misappropriation of trade secrets**¹³ to enhance cross-border collaborative innovation with trusted partners across the single market. The current fragmentation in civil redress possibilities against their misappropriation leads to their sub-optimal exploitation and undermines the development of open innovation within the single market. The Commission proposal sets out a common definition of trade secrets, and harmonises civil remedies for victims of trade secret misappropriation.

In the area of copyright, as announced in the 2012 Communication on 'Content in the

⁹ COM(2013) 37.

¹⁰ COM(2013) 886.

¹¹ COM(2011) 215; COM(2011) 216.

¹² COM(2013) 161; COM(2013) 162.

¹³ Trade secrets are not exclusive rights but they complement IPRs and are key IP assets that companies rely on for incremental innovation and to exploit first mover advantages.

Digital Single Market¹⁴, a stakeholder dialogue ‘**Licences for Europe**’¹⁵ was held in 2013, jointly led by Commissioners Michel Barnier, Neelie Kroes and Androulla Vassiliou. In four working groups, stakeholders worked together over 10 months to develop practical industry-led solutions to improve licensing and availability of content online. The implementation of the results of this dialogue (‘ten pledges to bring more content online’) will be monitored by the Commission so that they bring real added value in practical terms.

A political agreement on the **Collective rights management proposal**¹⁶ was reached in trilogue in November 2013. The new Directive, which was formally adopted in February 2014, will modernise the functioning of collecting societies across Europe and facilitate multi-territorial music licensing for online use.

On the international front, important progress was made on two new copyright treaties of the World Intellectual Property Organisation (WIPO). The **WIPO Beijing Treaty on the protection of audio-visual performances**¹⁷ was signed by the European Union in June 2013. The **WIPO Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled**¹⁸ was adopted in June 2013 as the outcome of a diplomatic conference in which the EU played an active role to facilitate access to protected works by visually impaired persons within the existing international copyright framework.

Public procurement, concessions and defence

The Commission adopted an important Single Market Act II deliverable — the proposal for a **Directive on e-invoicing**,¹⁹ accompanied by a **Communication setting out its vision for the full digitisation of the public procurement process**,²⁰ so-called ‘end-to-end e-procurement’. E-invoicing is an important step towards paperless public administration (e-government) in Europe — one of the priorities of the Digital Agenda — and offers the potential for significant economic as well as environmental benefits. The Commission estimates that the adoption of e-invoicing in public procurement across the EU could generate savings of up to EUR 2.3 billion.

The public procurement directives²¹ and **the new directive on the award of concessions**²² were agreed by the co-legislators in 2013, and adopted by the European Parliament and the Council in January and February 2014 respectively. These directives constitute one of the 12 priorities of the Single Market Act I. This reform delivers a radical simplification of procurement processes to the benefit of Europe’s public authorities and SMEs and also provides for the opportunity to spend public money in a better way, including in support of innovation, social inclusion and green growth. There

¹⁴ COM(2012) 789.

¹⁵ <http://ec.europa.eu/licences-for-europe-dialogue/en/content/about-site>.

¹⁶ COM(2012) 372.

¹⁷ http://www.wipo.int/treaties/en/text.jsp?file_id=295837.

¹⁸ http://www.wipo.int/treaties/en/text.jsp?file_id=301016.

¹⁹ COM(2013) 449.

²⁰ COM(2013) 453.

²¹ COM(2011) 896.

²² COM(2011) 897.

is also secondary legislation for the award of service concessions for the first time ever — a huge step forward to ensure transparency and equal treatment in these important markets.

The **Communication ‘Towards a more competitive and efficient defence and security sector’**,²³ drafted jointly with DG ENTR, contains an action plan to enhance the efficiency and competitiveness of Europe’s defence and security sector. The measures contained in the Communication are designed to strengthen the single market for defence, promote a more competitive defence industry and foster synergies between civil and military research.

External dimension of the single market

DG MARKT’s involvement in international affairs continued to increase in 2013. The DG has played a decisive role in important trade negotiations with strategic partners such as Canada, the US and Japan. The DG’s expertise was also sought in negotiations with neighbouring countries such as Moldova and Georgia, with whom the Commission initialled Deep and Comprehensive Free Trade Agreements. In addition, regulatory dialogues were organised in 2013 with the US, China, Russia, Brazil and Switzerland. These dialogues allowed us to exchange information and best practices, to better coordinate positions on global issues — including the G20 — and to strengthen mutual trust as a fundamental basis to achieve global financial reforms.

2. Financial Services Policy Reform

The financial crisis has had a major impact on the capacity of European businesses and governments to finance investment and innovation projects. To achieve the Europe 2020 objectives, the EU needs a regulatory environment that ensures effective, secure financial markets and innovative instruments to finance the necessary investments. Since the credit crisis unfolded in the summer of 2007, DG MARKT has prepared a number of legislative proposals to create long-lasting financial stability: a pre-condition to banks’ lending to the real economy. Most of the proposed rules are either now already in force or in the final stages of negotiation between the Council and the European Parliament.

Creating a banking union to strengthen the euro

In 2013, the Commission took decisive steps to establish the **banking union**. The banking union is one of the four building blocks towards a genuine Economic and Monetary Union. It aims to overcome market fragmentation and break the link between sovereigns and banks in order to safeguard financial stability and minimise the costs of bank failures.

The European Union legislation establishing the **Single Supervisory Mechanism**,²⁴ the

²³ COM(2013) 542.

²⁴ COM(2012) 511.

first pillar of the banking union, entered into force in November 2013. The supervisory powers of the European Central Bank will be fully effective and operational in November 2014.

The **Single Resolution Mechanism**²⁵ was proposed in July 2013 to complement the Single Supervisory Mechanism and complete the banking union. It is set to centralise key competences and resources to manage the failure of any bank in the euro area and in other Member States participating in the banking union. Negotiations between the Council and the European Parliament started in early 2014 to allow for its adoption before the end of the Parliament's current legislature (May 2014).

Building new rules for the EU and the global financial system

On 17 July 2013, the legislation on capital requirements for the banking sector (the so-called **CRD IV package**²⁶) entered into force. It transposes — via a Regulation and a Directive — the new global standards on bank capital (the Basel III agreement) into EU law. The new rules which apply from 1 January 2014 tackle some of the vulnerabilities shown by the banking institutions during the crisis, namely the insufficient level of capital, both in quantity and in quality. This new framework is a major step forward in the creation of a single rule book in banking.

In December 2013 trilogue agreements were reached on two other major proposals that will improve the stability of the banking system: the **EU framework for bank recovery and resolution**,²⁷ which will better prevent and manage banking crises with minimum recourse to taxpayers, and the **Directive on Deposit Guarantee Schemes**²⁸ which improves protection for bank account holders through better funding requirements, reduced payment deadlines and better information for the depositor. Both Directives underpin the single rulebook on crisis management on which the banking union's Single Resolution Mechanism will rest.

Following the entry into force of the Regulation on over-the-counter (OTC) derivatives, central counterparties (CCPs) and trade repositories (EMIR) in 2012, the Commission proposed **nine regulatory and implementing technical standards to finalise requirements for the mandatory clearing and reporting of transactions**. The entry into force of these technical standards in March 2013 allows EMIR to be implemented in line with the G20 commitments made in Pittsburgh in September 2009.

Another important achievement of DG MARKT in 2013 was the **Communication on shadow banking**²⁹ which was accompanied with a legislative proposal for **new rules for money market funds**³⁰ (MMFs). The shadow banking system plays an important role in providing finance and liquidity to the economy. But it must also be regulated and supervised properly to avoid accumulating risks, in part because new banking rules could be pushing certain banking activities towards this less regulated sector. The

²⁵ COM(2013) 520.

²⁶ COM(2011) 452; COM(2011) 453.

²⁷ COM(2012) 280.

²⁸ COM(2010) 368.

²⁹ COM(2013) 614.

³⁰ COM(2013) 615.

Communication outlines the priorities on which the Commission intends to take action. The new rules for money market funds, which are an important source of short-term financing for financial institutions, aim to improve their liquidity profile and stability.

Enhancing the stability and efficiency for markets

Following the manipulation of the London Interbank Offered Rate (LIBOR) system, the Commission adopted a proposal for a **Regulation to help restore confidence in the integrity of benchmarks**.³¹ The new rules will enhance the robustness and reliability of benchmarks, make it easier to prevent them being manipulated and clarify responsibility for and the supervision of benchmarks by the authorities. They complement the Commission's proposals for a **Regulation on market abuse**³² and a **Directive on criminal sanctions for market abuse**,³³ which prohibit market abuse, provide for strict administrative and criminal penalties and were politically agreed by the co-legislators in 2013. Negotiations on the proposed **updated rules for markets in financial instruments (MiFID II)**,³⁴ whose aim is to improve the way capital markets function to the benefit of the real economy, advanced tremendously in 2013, paving the way for the political agreement reached in early 2014.

At the end of the year, a trilogue agreement was reached on the proposal for a **Regulation on central securities depositories**³⁵ (CSDs) which will make securities markets safer and more efficient and is important for the financing of the real economy.

In addition, a final agreement was reached at the end of 2013 on the **new regulatory framework for statutory audits**³⁶ that will help increase the quality of audits and re-establish investor confidence in financial information in the EU.

In 2013, DG MARKT prepared two important proposals to reinforce the EU's existing rules on anti-money laundering and fund transfers. The package, which complements other actions taken or planned by the Commission in respect of the fight against crime, corruption and tax evasion, includes a **Directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing**,³⁷ and a **regulation on information accompanying transfers of funds**³⁸ to secure 'due traceability' of these transfers.

The DG drafted **amendments to the existing accounting legislation in order to improve the transparency of certain large companies on social and environmental matters**.³⁹

The aim is to provide useful information for companies, investors and society at large. Companies that already publish information on their financial and non-financial performances take a longer-term perspective in their decision-making. This is important

³¹ A benchmark is an index, calculated from a representative set of underlying data, which is used as a reference price for a financial instrument or financial contract or to measure the performance of an investment fund.

³² COM(2012) 421.

³³ COM(2012) 420.

³⁴ COM(2011) 656; COM(2011) 652.

³⁵ COM(2012) 73.

³⁶ COM(2011) 779; COM(2011) 778.

³⁷ COM(2013) 45.

³⁸ COM(2013) 44.

³⁹ COM(2013) 207.

for Europe's competitiveness and the creation of more jobs.

The **new Accounting and Transparency Directives**⁴⁰ were also adopted by the co-legislators in 2013, obliging large extractive companies to disclose full details of their payments to national governments for every project that they operate. One of their aims is to make companies dealing with strategic resources and governments more accountable. In addition, the new rules cut administrative costs by ensuring that Member States have comparable definitions of small companies, and by limiting the amount of financial information to be provided by these companies.

The **new regulatory framework on credit rating agencies (CRA III)**⁴¹ entered into force in June 2013. The new rules reduce reliance on external credit ratings, make rating agencies more accountable for their actions and help boost competition in the credit rating industry. This matters because accurate ratings have a direct impact on the functioning of the financial markets and the wider economy.

The Council and the Parliament reached a political agreement on the '**Omnibus II**' **Directive**.⁴² This agreement is a very important step towards the introduction of a modern and risk-based solvency regime for the insurance industry in Europe as of 1 January 2016, making it both safer and more competitive.

Enhancing consumer protection

Trilogues are ongoing for the proposal for a **Regulation on key information documents for packaged retail investment products (PRIIPs)**.⁴³ The new rules will improve the quality of information that is provided to consumers when considering investments.

To allow citizens to fully participate in society, and to provide additional incentives to the financial services industry to offer products cross-border and enter new markets, DG MARKT drafted a proposal for a **Directive on the transparency and comparability of payment account fees, payment account switching and access to a basic payment account**.⁴⁴ The measures contained in the proposal would give all European citizens, irrespective of their financial situation, access to a basic bank account, and would make it easier to compare fees and change bank accounts.

In order to adapt the EU payments market to the opportunities of the single market and to support the growth of the EU economy, the DG prepared a legislative package including a **new Payment Services Directive**⁴⁵ ('PSD2') and a proposal for **Regulation of interchange fees for card-based payment transactions**.⁴⁶ The aim is to establish a modern and comprehensive set of rules applicable to all payment services in the European Union, and to make cross-border payments as easy, efficient and secure as payments within a Member State. The proposed changes to interchange fees will remove an important barrier between national payment markets and finally put an end

⁴⁰ COM(2011) 683; COM(2011) 684.

⁴¹ COM(2011) 747.

⁴² COM(2013) 680.

⁴³ COM(2012) 352.

⁴⁴ COM(2013) 266.

⁴⁵ COM(2013) 549.

⁴⁶ COM(2013) 550.

to the unjustified high level of these fees.

A political compromise on the main provisions of the **Mortgage Credit Directive's**⁴⁷ emerged between the European Parliament and the Council in April 2013. The Directive, which entered into force in March 2014 will foster responsible lending practices across the EU and will, in the long run, contribute to the establishment of a single European mortgage market. Consumers will also be better protected and will enjoy more rights.

Financing of the European economy

DG MARKT drafted a **Regulation on European Long-term Investment Fund**,⁴⁸ an investment vehicle that will allow professional investors and individuals to invest long-term in European non-listed companies and in long-term assets such as real estate and infrastructure projects. This measure was announced in the Single Market Act II and the **Green paper on long-term financing of the European economy**,⁴⁹ launched in March 2013. Long-term finance is relevant for the delivery of EU 2020 objectives, as it concerns the ability of financial markets to complement the public sector towards reaching those goals. Following the consultation, and also based on the analysis of the long-term needs of the European economy, in 2014 the Commission will draw up an action plan that will list a number of initiatives to improve the conditions for long-term financing in the EU.

In March 2013, the European Parliament and the Council adopted the proposals to create **Europe-wide funds for venture capital and social business**.⁵⁰ These new EU initiatives will increase opportunities for innovative start-ups or social businesses to find capital.

⁴⁷ COM(2011) 142.

⁴⁸ COM(2013) 462.

⁴⁹ COM(2013) 150.

⁵⁰ COM(2011) 860; COM(2011) 862.

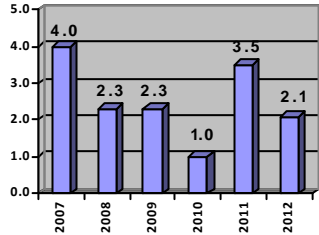
EXECUTIVE SUMMARY

5 Key Performance Indicators from the 2013 Management Plan

DG MARKT aims to develop a dynamic single market in order to secure a prosperous economic future for everyone in the EU. DG MARKT does this by restoring confidence and stability in the financial sector and stimulating growth and creativity in our social market economy.



Result/Impact indicator (description)	Target	Latest known results as per Annual Activity Report						
<p>Percentage of procurement procedures (tender submission) completed online</p> <p><i>Source: TED (Tenders Electronic Daily), study carried out by IDC Italia and Capgemini</i></p>	<p>Mandatory e-submission of all procurement procedures (with limited exceptions) by mid-2016 as per the proposal to modernise the public procurement directives-currently under negotiation.</p> <p>NB: This target was set at the end of 2012. The public procurement directives, adopted by the European Parliament and the Council in January 2014, state that mandatory e-submission of all procurement procedures is to be achieved by mid-2018.</p>	<p>Percentage of procurement procedures completed online</p> <table border="1"> <caption>Percentage of procurement procedures completed online</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>9.3</td> </tr> <tr> <td>2011</td> <td>10.6</td> </tr> </tbody> </table>	Year	Percentage	2010	9.3	2011	10.6
Year	Percentage							
2010	9.3							
2011	10.6							

<p>Number of fully-functional Points of Single Contact (PSCs)</p> <p>Source: Single Market Scoreboard</p>	<p>Increase in the number of fully-functional Points of Single Contact (second-generation PSCs), going beyond the obligations of the Services Directive to cover the whole business cycle and serve the needs of businesses, especially SMEs.</p> <p><i>The Points of Single Contact (PSCs) are one of the most tangible benefits of the Services Directive for businesses. They are meant to become fully fledged e-government portals allowing future entrepreneurs and existing businesses to easily obtain online all relevant information relating to their activities (applicable regulations, procedures to be completed, deadlines, etc.) and to complete electronically the relevant administrative procedures. The services offered by the PSCs need to be accessible not only to local businesses but also to businesses from other countries, across borders. The PSCs thus increase transparency for service providers when they want to provide services in the single market, and facilitate their expansion. This is of specific relevance to SMEs which can be deterred by administrative complexity.</i></p>	<p>In 2013, PSC Charter criteria were adopted for the future evaluation of the second generation PSCs (to take place in 2014). Internal analysis (carried out via user testing in 2013) shows that some Member States improved their performance (e.g. SI, EL, BG), but most of them cannot still be considered second generation PSCs. Analysis of the PSCs is included in the Single Market Scoreboard.</p> <p><u>Performance categories as measured in the 2013 Single Market Scoreboard:</u></p> <ul style="list-style-type: none"> - number of Member States in low performance category: 2 - number Member States in high performance category: 7 - number of Member States in middle performance category: 18
<p>Intra-EU 27 Foreign Direct Investment (FDI) intensity</p> <p>Source: Eurostat (latest data update on 17.12.2013, extracted on 28.01.2014)</p>	<p>Year-on-year increase in intensity of foreign direct investment within the European Union</p>	<p style="text-align: center;">Intra-EU 27 Direct Investment flows in % of EU GDP</p>  <p style="text-align: center;">EU-27 FDI is still affected by the global economic and financial turmoil.</p>
<p>Progress in the implementation of financial reform</p> <p>Source: MARKT</p>	<p>All financial services legislative proposals to be in force by the end of 2013</p>	<p>Since 2008 the European Commission has tabled around 30 proposals to create a sounder and more effective financial sector. Better regulated and supervised banks will be stronger, more resilient, and operate to benefit the economy at large.</p> <p>Most of the proposed rules are either already in force or in the final stages of negotiation between the Council and the European Parliament.</p> <p>An overview of the proposed measures can be found at:</p> <p>http://europa.eu/rapid/press-release MEMO-14-57 en.htm</p>

<p>Percentage of transactions in accordance with the financial circuits</p> <p>Source: 2013 Internal Audit Capability's financial review and ex-post controls performed by the Accounting Correspondent.</p>	<p>Keeping the 100% target every year.</p>	<p>As in the last few years, 100% of transactions were completed in accordance with the financial circuits and <u>no materiality</u> was identified in the errors found.</p> <p>This was concluded by the Internal Audit Capability of DG MARKT who performed a financial review (consultancy engagement) and checked ex-post a sample of 50 transactions (22 commitments and 28 payments), representing 6% in absolute terms and 21% in monetary terms of the total transactions processed on DG MARKT budget lines in the period between 1 January and 31 December 2013.</p> <p>Furthermore DG MARKT's Accounting Correspondent performed ex- post checks of 201 sample transactions (20.8% of total commitments and 21.3% of total payments) processed during the year 2013. The errors detected were related to technical issues.</p>
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Policy highlights of the year (executive summary of part I)

DG MARKT aims to provide a regulatory environment that enhances economic growth and employment, stimulates innovation, and promotes financial stability. The actions help to deepen and promote the single market, so that it brings benefits for citizens and businesses. However, the results of the DG's work depend to a large extent on the final texts adopted by the European Parliament and the Council, and on the proper transposition, implementation and enforcement of single market rules by the Member States. To ensure that citizens and businesses reap the benefits of the single market, the DG monitors closely, in cooperation with the Member States, how EU law is being applied in practice, and control whether it is being respected.

The DG cannot, therefore, be held solely responsible for achieving results as measured against the chosen indicators. A range of other factors outside the control of the DG also affects outcomes.

DG MARKT played a leading role in many of the Commission's top priorities as set out in the 2013 Commission Work Programme. The DG delivered four Commission Work Programme priority initiatives, which represents 25% of the 'strategic initiatives' of the Commission: 1) **Directive on the transparency and comparability of payment account fees, payment account switching and access to a basic payment account** to give all European citizens access to a basic bank account, 2) **Directive on e-invoicing** to support paperless public administration (e-government) in Europe, 3) **legislative package including a new payment Services Directive ('PSD2') and a proposal for Regulation of interchange fees for card-based payment transactions** to establish a modern and comprehensive set of rules applicable to all payment services in the European Union, and 4) **Communication on shadow banking** which outlines the priorities on which the Commission intends to take action.

A key project in financial services in 2013 was the building of a truly integrated EU **banking union**. The European Union legislation establishing the Single Supervisory market_aar_2013_final

Mechanism, the first pillar of the banking union, entered into force in November 2013. The supervisory powers of the European Central Bank will be fully effective and operational in November 2014. In July 2013, DG MARKT put forward a proposal for a Single Resolution Mechanism for the banking union, and already in December, the Council agreed on a general approach on the proposal. The Commission is aiming for adoption by the co-legislators before the end of the current legislative period. As stressed by President Barroso in his 2012 and 2013 State of the Union addresses, the banking union is the first and most urgent phase of deeper economic and monetary union.

In 2013, DG MARKT delivered **52 policy initiatives** in total, most of them of great political importance. These included proposals for a Regulation on Money Market Funds, a Regulation on indices used as benchmarks in financial instruments and financial contracts, a revision of the Community Trade Mark Regulation and of the Directive approximating national trade mark laws, a revision of the Third Anti-Money Laundering Directive, a Directive on the protection of trade secrets, and a Regulation on European Long-term Investment Funds.

A huge amount of work in 2013 went into the negotiations of the proposals pending in co-decision and in the effective implementation of proposals already agreed.

The 'Year in brief' section gives an overview of DG MARKT's main policy achievements in 2013.

Key conclusions on resource management and internal control effectiveness (executive summary of parts 2 and 3)

In accordance with the governance statement of the European Commission, DG MARKT conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

The Commission has adopted a set of internal control standards, based on international good practice, to ensure that policy and operational objectives are achieved. As required by the Financial Regulation, the Director-General has put in place the organisational structure and the internal control systems suited to the achievement of the policy and control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

DG MARKT has assessed the effectiveness of its key internal control systems during the reporting year and has concluded that the internal control standards are effectively implemented.

In addition, DG MARKT has systematically examined the available control results and indicators, including those whose purpose is to supervise entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Please refer to Part 2 for

markt_aar_2013_final

further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and the necessary improvements and reinforcements are being implemented. The Director-General, in his capacity as Authorising Officer by Delegation, has signed the Declaration of Assurance.

Information to the Commissioner

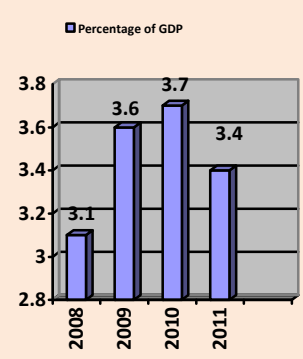
The Annual Activity Report is a management report of the Director-General of DG MARKT to the College of Commissioners. It is the main instrument of management accountability within the Commission and constitutes the basis on which the Commission takes its responsibility for the management of resources and the achievement of objectives.

On 25 March 2014, the main elements of this report and assurance declaration were brought to the attention of Commissioner Barnier, responsible for the Internal Market and Services Directorate General which works for the benefit of greater European market integration and the removal of obstacles to the free movement of [services](#) and [capital](#) and to the freedom of [establishment](#).

1. POLICY ACHIEVEMENTS

1.1 Achievement of general and specific objectives

1.1.1 Policy area: Single Market Policy

Policy Area: Single Market Policy		<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending											
General objective	Impact indicator	Target	Current situation										
Create an effective regulatory framework, on the basis of sound evidence, in order to benefit consumers and businesses.	Value of public procurement advertised in the Official Journal in absolute figures and as a percentage of GDP. Source: DG MARKT C4	Year on year increase in level of openly advertised public procurement in the Official Journal	 <p>Percentage of GDP</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Percentage of GDP</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>3.1</td> </tr> <tr> <td>2009</td> <td>3.6</td> </tr> <tr> <td>2010</td> <td>3.7</td> </tr> <tr> <td>2011</td> <td>3.4</td> </tr> </tbody> </table> <p>- 2008: EUR 392 billion (i.e. 3.1% of GDP); - 2009: EUR 420 billion (i.e. 3.6% of GDP); - 2010: EUR 447 billion (i.e. 3.7% of GDP). - 2011: EUR 428.04 billion (i.e. 3.4% of EU27 GDP)</p> <p>NB: No recent data available caused by modifications in the methodology to impute missing observations that needs to pass various robustness and fitness checks. These quality checks are still ongoing.</p>	Year	Percentage of GDP	2008	3.1	2009	3.6	2010	3.7	2011	3.4
Year	Percentage of GDP												
2008	3.1												
2009	3.6												
2010	3.7												
2011	3.4												

Policy Area: Single Market Policy			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending																				
General objective	Impact indicator	Target	Current situation																				
	Average transposition deficit ⁵¹ Source: DG MARKT B3; Single Market Scoreboard, May 2013	Average transposition deficit of 1% for all Member States (target agreed by the European Heads of State and Government in 2007)	<table border="1"> <caption>Transposition deficit in %</caption> <thead> <tr> <th>Date</th> <th>Transposition deficit in %</th> </tr> </thead> <tbody> <tr><td>05/2009</td><td>1.0</td></tr> <tr><td>11/2009</td><td>0.7</td></tr> <tr><td>05/2010</td><td>0.9</td></tr> <tr><td>11/2010</td><td>0.9</td></tr> <tr><td>05/2011</td><td>1.2</td></tr> <tr><td>11/2011</td><td>1.2</td></tr> <tr><td>05/2012</td><td>0.9</td></tr> <tr><td>11/2012</td><td>0.6</td></tr> <tr><td>05/2013</td><td>0.6</td></tr> </tbody> </table>	Date	Transposition deficit in %	05/2009	1.0	11/2009	0.7	05/2010	0.9	11/2010	0.9	05/2011	1.2	11/2011	1.2	05/2012	0.9	11/2012	0.6	05/2013	0.6
Date	Transposition deficit in %																						
05/2009	1.0																						
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11/2011	1.2																						
05/2012	0.9																						
11/2012	0.6																						
05/2013	0.6																						
		<p>In May 2013, the EU average transposition deficit stood at 0.6%. Only two Member States (Belgium and Poland) exceeded the 1.0% target. 14 Member States had a transposition deficit at or below 0.5%, which was the target proposed by the European Commission in the Single Market Act in 2011.</p> <p>The ultimate goal that all Member States transpose single market rules within the deadline they have imposed on themselves obviously remains. However, Member States and their authorities should be praised for their dedication to maintaining their good results in the context of the current economic crisis.</p>																					
	Transposition delays Source: DG MARKT B3; Single Market Scoreboard, May 2013	Reduce transposition delays	<table border="1"> <caption>Transposition delay in months</caption> <thead> <tr> <th>Date</th> <th>Transposition delay in months</th> </tr> </thead> <tbody> <tr><td>11/2009</td><td>9.0</td></tr> <tr><td>05/2010</td><td>7.1</td></tr> <tr><td>11/2010</td><td>5.8</td></tr> <tr><td>05/2011</td><td>5.5</td></tr> <tr><td>11/2011</td><td>7.9</td></tr> <tr><td>05/2012</td><td>9.1</td></tr> <tr><td>11/2012</td><td>9.6</td></tr> <tr><td>05/2013</td><td>8.0</td></tr> </tbody> </table>	Date	Transposition delay in months	11/2009	9.0	05/2010	7.1	11/2010	5.8	05/2011	5.5	11/2011	7.9	05/2012	9.1	11/2012	9.6	05/2013	8.0		
Date	Transposition delay in months																						
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05/2013	8.0																						

⁵¹ The transposition deficit refers to the percentage of single market directives not yet communicated to the Commission as having been transposed, over the total number of single market directives that should have been transposed.

Policy Area: Single Market Policy		<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending	
General objective	Impact indicator	Target	Current situation
		<p>Long delays in transposing EU directives seriously impair the proper functioning of the single market. The longer the delay, the more serious the consequences can be for individuals and businesses.</p> <p>From November 2012 to May 2013, 17 Member States managed to reduce their delays after the transposition deadline has passed. This has had a positive impact on the average transposition delay, from 9.6 extra months to transpose in November 2012 to 8 months in May 2013. However, these results are still far from the 5.5 extra months reached in May 2011.</p> <p>While the 'fastest' Member State (Slovakia) has an average extra delay of 3.7 months, Belgium takes 15.3 extra months to transpose directives. The average delays also went up in Sweden, Finland, Austria, Estonia, Lithuania, Ireland, Romania, Spain, the Czech Republic and Latvia.</p>	
Increase the EU's economic potential by opening up markets and improving their functioning	Intra-EU 27 foreign direct investment intensity (FDI) Source: Eurostat (latest data update on 17.12.2013, extracted on 28.01.2014)	Year-on-year increase in intensity of foreign direct investment within the European Union	<p>EU-27 FDI is still affected by the global economic and financial turmoil.</p>
	Trade integration in services Source: Eurostat (latest data update on 26.06.13, extracted on 06.02.2014)	Annual increase in intra-EU trade in services	
Promote regulatory convergence and international standards through cooperation and agreement with international partners	State of play of negotiations of trade agreements and regulatory dialogues focusing on market access, regulatory convergence and equivalence decisions granted to third country regimes Source: DG MARKT B.4	International consistency of single market rules through negotiation of trade agreements and regulatory dialogues focusing on market access, regulatory convergence and equivalence decisions granted to third country regimes	Trade negotiations were started with two third countries (Moldova and Georgia). Two negotiations are awaiting the final signature (Canada, Ukraine) and six negotiations are on-going. Several regulatory dialogues took place in 2013 and three specific equivalence decisions have been adopted by the Commission in the field of accounting and auditing. These activities have contributed to greater regulatory convergence and market access worldwide.

1.1.2 Policy area: Financial Services Policy

Policy Area: Financial Services Policy		<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending																									
General objective	Impact indicator	Target	Current situation																								
Improve the regulation and supervision of financial markets to achieve stability and integration leading to sustainable growth	Level of cross border bank lending to corporates and/or governments as a share of total bank lending Source: European Central Bank	Increase the level of cross-border bank lending which is a sign of an integrated European banking system	<div style="text-align: center;"> <p>The Euro area (Share in %)</p> <table border="1"> <caption>The Euro area (Share in %)</caption> <thead> <tr> <th>Year</th> <th>Share (%)</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>33</td> </tr> <tr> <td>2010</td> <td>28</td> </tr> <tr> <td>2011</td> <td>24</td> </tr> <tr> <td>2012</td> <td>23</td> </tr> <tr> <td>Sep-13</td> <td>24</td> </tr> </tbody> </table> </div> <div style="text-align: center;"> <p>Rest of the EU (Share in %)</p> <table border="1"> <caption>Rest of the EU (Share in %)</caption> <thead> <tr> <th>Year</th> <th>Share (%)</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>6.5</td> </tr> <tr> <td>2010</td> <td>5</td> </tr> <tr> <td>2011</td> <td>5</td> </tr> <tr> <td>2012</td> <td>4</td> </tr> <tr> <td>Sep-13</td> <td>3.5</td> </tr> </tbody> </table> </div>	Year	Share (%)	2009	33	2010	28	2011	24	2012	23	Sep-13	24	Year	Share (%)	2009	6.5	2010	5	2011	5	2012	4	Sep-13	3.5
	Year	Share (%)																									
2009	33																										
2010	28																										
2011	24																										
2012	23																										
Sep-13	24																										
Year	Share (%)																										
2009	6.5																										
2010	5																										
2011	5																										
2012	4																										
Sep-13	3.5																										
Robustness of the supervisory and resolution structures in the EU (including in the Banking Union) Source: DG MARKT 02	A more effective supervisory and resolution structure promoting stability and efficiency at EU level and in the area covered by the Single Supervisory Mechanism	<p>The three ESAs, together with the European Systemic Risk Board, have completed their third year of operation, showing good results (EBA's significant contributions to banking single rule book, ESMA's technical advice and drafting on level 2 measures and guidelines, and supervision of CRAs; EIOPA's extensive advice provision on Omnibus II file). The ongoing review has shown that the ESAs have performed well overall with some areas for further improvement. The final report on the review is expected to be adopted by the Commission in Q1 2014.</p> <p>The establishment of a Banking Union and notably of the Single Supervisory Mechanism (SSM), with a core role for the ECB, will further enhance finance stability and growth in the euro area. The SSM will be fully operational in November 2014.</p>																									

1.1.3 ABB activity: Internal Market Policy

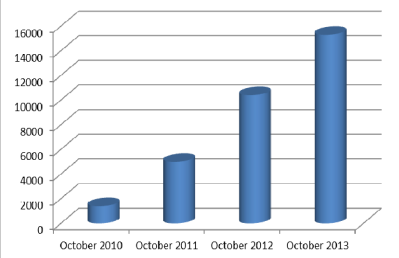
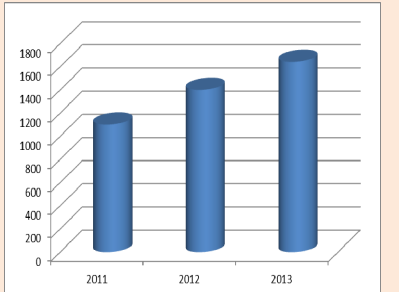
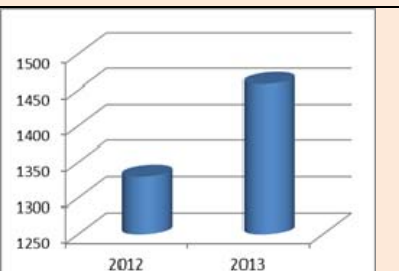
ABB activity: Single Market Policy			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending
Specific objective	Result indicator	Target	Current situation
Deliver on the Single Market Act II and promote the development of social business	Delivery of Single Market Act II (SMA II) commitments, in particular the 12 key priorities for growth and jobs Source: DG MARKT 01	Adoption by the Commission of the legislative proposals on the 12 key priorities in SMA II by spring 2013 and the non-legislative proposals by end 2013	Commission delivered all legislative proposals that require adoption by the European Parliament and the Council by the end of June 2013.
	Adoption of SMA I key priorities by co-legislator Source: DG MARKT 01	Co-legislator to adopt the remaining 11 key priorities in SMA I in 2013 at the latest	By the end of 2013 the co-legislator had adopted 8 of the 12 key priorities in SMA I. The remaining 4 are to be adopted before the end of the European Parliament term.
Promote choice and opportunity for business and individuals by providing them with information on how to exercise their single market rights	Number of visits to the Your Europe website Source: DG MARKT B1	Further increase the use of the Your Europe website by at least 20% by end 2013	
	Number of enquiries submitted to Your Europe Advice (YEA) Source: DG MARKT B1	Consolidate the use of Your Europe advice at the current high level, while further increasing the quality of replies through more training and a new feedback system	
	Number of enquiries submitted to SOLVIT Source: DG MARKT B1	Increase the use of SOLVIT: number of enquiries submitted to SOLVIT to increase by 10% by end 2013	

ABB activity: Single Market Policy			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending
Specific objective	Result indicator	Target	Current situation
	Use of SOLVIT to handle complaints received by the Commission Source: DG MARKT B1	At least double the use of SOLVIT to handle complaints received by the Commission by end 2013	In 2012 approx. 1% of the cases were introduced by EC services. Since the switch to the new database in February 2013 it has not been possible to extract this information. A technical solution is being developed and will probably be available as of May 2014.
	Number of Commission services cooperating on Your Europe Source: DG MARKT B1	Increased use by the Commission of Your Europe as a tool to communicate to individuals and businesses about their rights and how to make use of them	In 2013 YE Citizens contained information managed by policy units in 10 Directorates General, up from 7 in 2012. Cooperation with ENER was launched at the end of 2013.
Promote the 'Smart Regulation' agenda by ensuring that single market policy proposals are based on sound economic and legal reasoning, and active stakeholder involvement	Percentage of impact assessments cleared by the Impact Assessment Board (IAB) at first reading. Source: DG MARKT B2	80% of IA cleared by the Impact Assessment Board at first reading by end 2013	In 2013, 42% of DG MARKT's impact assessments were cleared at first reading (5 out of 12), compared to a Commission average of 57%.
	Number of in-depth economic analyses conducted before the impact assessment process is started. Source: DG MARKT B2	In 2013, launch 10 new in-depth economic analyses before starting the impact assessment process	In 2013 12 such projects were launched.
	Number of countries covered by the Country Knowledge project. Source: DG MARKT B2	Extend the Country Knowledge project to other Member States of interest for the DG	Since the beginning of the project (2012, with 3 pilot countries) 7 countries have been covered by all Directorates involved (B/C/D/E). Another 13 are covered by at least one Directorate.

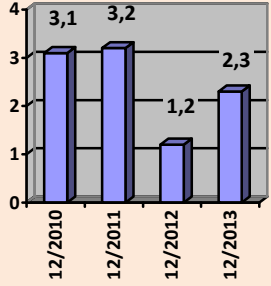
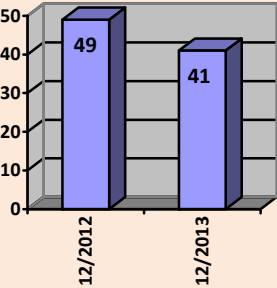
ABB activity: Single Market Policy			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending										
Specific objective	Result indicator	Target	Current situation										
	Number of impact assessments analysed by a member of staff in their capacity as Member of the IAB (Board Assessors Team). Source: DG MARKT B2	Continue to analyse an average of 50 impact assessments per year in the capacity of Member of the IAB to strengthen the single market perspective in the IAB's deliberations.	26 in the first 9 months of 2013 (in the last 3 months of 2013 not involved in this activity as the Board Member from DG MARKT retired and was replaced by a new Board Member from DG ELARG).										
Ensure the rule of law and correct implementation of MARKET legislation in Member States	Average transposition deficit for DG MARKET directives Source: DG MARKET B3	Maximum of 1% transposition deficit for all Member States	Transposition deficit in %  <table border="1"> <caption>Transposition deficit in %</caption> <thead> <tr> <th>Year</th> <th>Deficit (%)</th> </tr> </thead> <tbody> <tr> <td>12/2010</td> <td>3,1</td> </tr> <tr> <td>12/2011</td> <td>3,2</td> </tr> <tr> <td>12/2012</td> <td>1,2</td> </tr> <tr> <td>12/2013</td> <td>2,3</td> </tr> </tbody> </table>	Year	Deficit (%)	12/2010	3,1	12/2011	3,2	12/2012	1,2	12/2013	2,3
	Year	Deficit (%)											
12/2010	3,1												
12/2011	3,2												
12/2012	1,2												
12/2013	2,3												
Number of MARKET complaints still open in CHAP 12 months after their registration Source: DG MARKET B3	Steady decrease in the number of complaints still open in CHAP 12 months after their registration	Number of complaints  <table border="1"> <caption>Number of complaints</caption> <thead> <tr> <th>Year</th> <th>Number of complaints</th> </tr> </thead> <tbody> <tr> <td>12/2012</td> <td>49</td> </tr> <tr> <td>12/2013</td> <td>41</td> </tr> </tbody> </table>	Year	Number of complaints	12/2012	49	12/2013	41					
Year	Number of complaints												
12/2012	49												
12/2013	41												

ABB activity: Single Market Policy			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending								
Specific objective	Result indicator	Target	Current situation								
	Number of MARKET infringement cases still open three years after the sending of a letter of formal notice Source: DG MARKT B3	Steady decrease in the number of infringements cases still open three years after the sending of a letter of formal notice	<p>Number of cases</p> <table border="1"> <tr><th>Year</th><th>Number of cases</th></tr> <tr><td>2012</td><td>26</td></tr> <tr><td>2013</td><td>23</td></tr> </table>	Year	Number of cases	2012	26	2013	23		
Year	Number of cases										
2012	26										
2013	23										
	Number of Commission decisions on formal MARKET infringement cases Source: DG MARKT B3	On average, more than 12% of pending cases subject to Commission decision each month	<p>Percentage of cases</p> <table border="1"> <tr><th>Year</th><th>Percentage of cases</th></tr> <tr><td>2012</td><td>10,4</td></tr> <tr><td>2013</td><td>9,5</td></tr> </table>	Year	Percentage of cases	2012	10,4	2013	9,5		
Year	Percentage of cases										
2012	10,4										
2013	9,5										
Develop the full potential of the Internal Market Information system (IMI) to support improved implementation of single market legislation*	Number of authorities within IMI active in the Professional Qualifications area Source: DG MARKT B1	10% annual increase in number of authorities within IMI active in the Professional Qualifications area by September 2013	<p>Oct 2011 — Sept 2012: 428 Oct 2012 — Sept 2013: 501 + 17%</p> <table border="1"> <tr><th>Period</th><th>Number of authorities</th></tr> <tr><td>Oct 2010-Sept 2011</td><td>428</td></tr> <tr><td>Oct 2011-Sept 2012</td><td>480</td></tr> <tr><td>Oct 2012-Sept 2013</td><td>501</td></tr> </table>	Period	Number of authorities	Oct 2010-Sept 2011	428	Oct 2011-Sept 2012	480	Oct 2012-Sept 2013	501
	Period	Number of authorities									
Oct 2010-Sept 2011	428										
Oct 2011-Sept 2012	480										
Oct 2012-Sept 2013	501										
Number of information exchanges within IMI concerning Professional Qualifications Source: DG MARKT B1	25% annual increase in the number of information exchanges within IMI concerning Professional Qualifications by September 2013	<p>Oct 2011 — Sept 2012: 2842 Oct 2012 — Sept 2013: 4094 + 44%</p> <table border="1"> <tr><th>Period</th><th>Number of exchanges</th></tr> <tr><td>Oct 2010-Sept 2011</td><td>2842</td></tr> <tr><td>Oct 2011-Sept 2012</td><td>3200</td></tr> <tr><td>Oct 2012-Sept 2013</td><td>4094</td></tr> </table>	Period	Number of exchanges	Oct 2010-Sept 2011	2842	Oct 2011-Sept 2012	3200	Oct 2012-Sept 2013	4094	
Period	Number of exchanges										
Oct 2010-Sept 2011	2842										
Oct 2011-Sept 2012	3200										
Oct 2012-Sept 2013	4094										



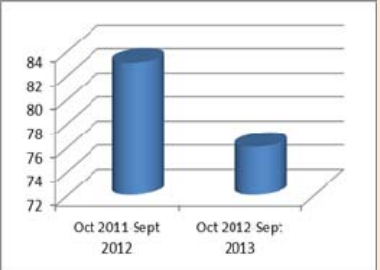

ABB activity: Single Market Policy			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending
Specific objective	Result indicator	Target	Current situation
	Number of authorities within IMI active in the Services area Source: DG MARKT B1	10% annual increase in number of authorities within IMI active in the Services area by September 2013	Oct 2011 — Sept 2012: 299 Oct 2012 — Sept 2013: 257 — 14% 
	Number of information exchanges within IMI concerning Services Source: DG MARKT B1	25% annual increase in number of information exchanges within IMI concerning Services by September 2013	Oct 2011 — Sept 2012: 376 Oct 2012 — Sept 2013: 440 + 17% 
	Number of active authorities within IMI for the Posting of Workers Directive (pilot project launched in May 2011) Source: DG MARKT B1	10% annual increase in number of active authorities within IMI for the Posting of Workers Directive by September 2013	Oct 2011 — Sept 2012: 83 (pilot project launched in May 2011) Oct 2012 — Sept 2013: 76 — 8% 

ABB activity: Single Market Policy			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending						
Specific objective	Result indicator	Target	Current situation						
	Number of information exchanges within IMI for the Posting of Workers Directive (pilot project launched in May 2011) Source: DG MARKT B1	25% annual increase in number of information exchanges within IMI for the Posting of Workers Directive by September 2013	Oct 2011 — Sept 2012: 772 (pilot project launched in May 2011) Oct 2012 — Sept 2013: 895 + 15%  <table border="1"> <caption>Information Exchanges Data</caption> <thead> <tr> <th>Period</th> <th>Number of Exchanges</th> </tr> </thead> <tbody> <tr> <td>Oct 2011-Sept 2012</td> <td>772</td> </tr> <tr> <td>Oct 2012-Sept 2013</td> <td>895</td> </tr> </tbody> </table>	Period	Number of Exchanges	Oct 2011-Sept 2012	772	Oct 2012-Sept 2013	895
Period	Number of Exchanges								
Oct 2011-Sept 2012	772								
Oct 2012-Sept 2013	895								

* Notes regarding the IMI indicators:

An IMI authority is considered active in a given area if during the reporting period it was involved in at least one information request, either as a sender or as a recipient.

Detailed statistics about the usage of the IMI system are available on the IMI website:

http://ec.europa.eu/internal_market/imi-net/index_en.htm

1.1.4 ABB activity Public Procurement

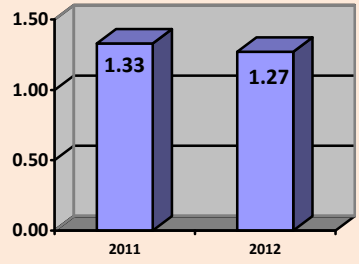
ABB activity: Public Procurement			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending					
Specific objective	Result indicator	Target	Current situation					
Prepare a modern framework for public procurement giving better access to public contracts on an EU-wide basis	Number of bids for procedures published in Tenders Electronic Daily Source: DG MARKT C	Sustain level of competition (i.e. number of bids) for public procurement opportunities covered by the directives	<p>In 2012 there were on average 4.9 bids submitted for open procedures published in Tenders Electronic Daily (compared to 5.6 in 2011).</p> <p>NB: No recent data available caused by modifications in the methodology to impute missing observations that needs to pass various robustness and fitness checks. These quality checks are still ongoing.</p>					
	Percentage of contracts awarded to SMEs Source: DG MARKT C	Sustain percentage of contracts above the directive's thresholds awarded to SMEs	<p>In 2006-2008 60% of contracts above the directive's thresholds were awarded to SMEs (or 34% of the total value of contracts secured). More recent data will be available in Q2 2014, once the study on SME access to public procurement markets and aggregation on demand is completed.</p>					
	Percentage of contracts advertised in Tenders Electronic Daily awarded to suppliers established in another Member State Source: DG MARKT C	Increase cross-border contract awards to promote integration of procurement markets	<p>Percentage of cross-border contract awards</p>  <table border="1"> <caption>Percentage of cross-border contract awards</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>1.33</td> </tr> <tr> <td>2012</td> <td>1.27</td> </tr> </tbody> </table> <p>NB: No recent data available caused by modifications in the methodology to impute missing observations that needs to pass various robustness and fitness checks. These quality checks are still ongoing.</p>	Year	Percentage	2011	1.33	2012
Year	Percentage							
2011	1.33							
2012	1.27							

ABB activity: Public Procurement			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending															
Specific objective	Result indicator	Target	Current situation															
	Percentage of procurement procedures (tender submission) completed online Source: DG MARKT C	Mandatory e-submission of all procurement procedures (with limited exceptions) by mid-2016 as per the proposal to modernise the public procurement directives, currently under negotiation NB: This target was set at the end of 2012. The public procurement directives, adopted by the European Parliament and the Council in January 2014, state that mandatory e-submission of all procurement procedures is to be achieved by mid-2018.	<p>Percentage of procurement procedures completed online</p> <table border="1"> <caption>Percentage of procurement procedures completed online</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>9.3</td> </tr> <tr> <td>2011</td> <td>10.6</td> </tr> </tbody> </table> <p>NB: No recent data available caused by modifications in the methodology to impute missing observations that needs to pass various robustness and fitness checks. These quality checks are still ongoing.</p>	Year	Percentage	2010	9.3	2011	10.6									
	Year	Percentage																
2010	9.3																	
2011	10.6																	
	Ratio of contract notices published in Tenders Electronic Daily (TED) to all contract notices advertised EU-wide. Source: DG MARKT C	In the medium term, all contract notices for the purchase of arms, ammunition and war material (and related services and works) that are published EU-wide should be published in TED	In 2012, 1227 notices for the purchase of arms, ammunition and war material (and related services and works) were awarded following the procedures of Directive 2009/81 and published in OJ/TED by EU Member States (compared to 125 publications in 2011).															
Implement and enforce EU legislation to promote transparency and competition in public procurement markets (including	Average transposition deficit for all relevant directives Source: DG MARKT B3	Maximum of 1% transposition deficit for all Member States	<p>Transposition deficit in % and number of directives</p> <table border="1"> <caption>Transposition deficit in % and number of directives</caption> <thead> <tr> <th>Year</th> <th>Transposition deficit (%)</th> <th>Number of directives</th> </tr> </thead> <tbody> <tr> <td>12/2010</td> <td>0,4</td> <td>9 directives</td> </tr> <tr> <td>12/2011</td> <td>5,9</td> <td>10 dir.</td> </tr> <tr> <td>12/2012</td> <td>1,1</td> <td>10 dir.</td> </tr> <tr> <td>12/2013</td> <td>0,0</td> <td>11 dir.</td> </tr> </tbody> </table>	Year	Transposition deficit (%)	Number of directives	12/2010	0,4	9 directives	12/2011	5,9	10 dir.	12/2012	1,1	10 dir.	12/2013	0,0	11 dir.
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ABB activity: Public Procurement			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending										
Specific objective	Result indicator	Target	Current situation										
defence procurement markets)	Number of complaints still open in CHAP 12 months after their registration Source: DG MARKET B3	Steady decrease in the number of complaints still open in CHAP 12 months after their registration	<p>Number of complaints</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Number of complaints</th> </tr> </thead> <tbody> <tr> <td>12/2010</td> <td>3</td> </tr> <tr> <td>12/2011</td> <td>11</td> </tr> <tr> <td>12/2012</td> <td>3</td> </tr> <tr> <td>12/2013</td> <td>7</td> </tr> </tbody> </table>	Year	Number of complaints	12/2010	3	12/2011	11	12/2012	3	12/2013	7
	Year	Number of complaints											
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Year	Number of cases												
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2013	47												

1.1.5 ABB activity Knowledge-Based Economy

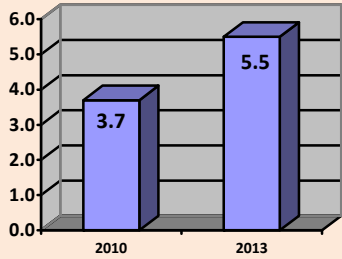
ABB activity: Knowledge-Based Economy			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending
Specific objective	Result indicator	Target	Current situation
Improve the quality and accessibility of protection of intellectual property rights and access to copyright protected works	Number of on-demand services available Sources: EAO (European audiovisual observatory) and IFPI (International Federation of the Phonographic Industry)	10% increase in number of video-on-demand services by 2015. Attain at least 8 online music services per Member State by 2016	Video on demand (VoD) services available in the EU Baseline: 366 (2008) Current situation: 1300 (2013), i.e. +255 % Online music services: 2013: at least 4 per Member State in all Member States 2011: at least 1 per Member State
	Cultural heritage available online (in particular print and audiovisual) Source: DG MARKT D	Industry to reach voluntary licensing agreements for 6 audiovisual portals; and 8 agreements with public or private institutions to make print works available online by 2015	At least one national audiovisual heritage portal exists ('Images for the Future', NL). In the print sector, at least two national laws backing the MoU on out-of-commerce works (FR and DE) and at least two agreements to make print works available online (NL royal library and National library of Norway)
	The availability of content services cross-border Source: DG MARKT D	50% of broadcasters provide cross-border access to part of their online services; 5 music services are available cross-border; there are 8 multi-territorial VoD platforms; and 75% of services are portable across border by 2015	The stakeholder dialogue Licences for Europe showed that the situation as regards cross border availability of content online differs depending on the sectors and the type of contents. For example, by 2012 50% of broadcasters provided cross border access to part of their online services. The offer of music online is increasing and a growing proportion of the music repertoire is available to consumers in most Member States. Cross border portability is already a reality in most of music and e-books/magazines services and efforts are being made in the AV sector.

ABB activity: Knowledge-Based Economy			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending
Specific objective	Result indicator	Target	Current situation
	Meaningful incentives for creation and for content production Sources: OHIM (Office of Harmonisation for the Internal Market), EPO (European Patent Office), FEP (Federation of European Publishers), IFPI, EAO	Copyright-based industries are able to monetise content in the digital environment, at least maintaining revenues at current levels.	By 2013: Copyright-based creative industries contribute 4.2% to the EU GDP (on average in 2008-2010). Book publishing is worth approximately EUR 24 billion, the music market EUR 6 billion, and the audiovisual sector EUR 132 billion.
	Number of enterprises (predominantly SMEs) making use of IPRs Source: DG MARKT D	Further increase in number of IPRs granted and wider investment in innovation. Europe 2020 set a target of 3% of the EU's GDP to be invested in R&D.	A second phase study on the impact of IP-intensive industries on the EU's economy is currently being carried out. The first phase of this study showed that IPR-intensive sectors account for around 39% of EU GDP and up to 35% of all jobs.
Enhance the fight against counterfeiting and piracy in order to maintain competitiveness and jobs in Europe and to protect citizens' health and safety	Level of dissuasive, successful EU cross-border civil actions against commercial-scale infringers Source: DG MARKT D	Increase level of dissuasive successful EU cross-border civil actions against commercial-scale infringers from the current (expected) very low level over the coming three to four years which would then stabilise to have the required dissuasive effect on IP infringements.	The Observatory on IP infringements will start collecting data in 2014 as will the proposed Member State Expert Group on IP enforcement. (The Observatory postponed this collection to 2014 instead of starting in 2013 as initially planned due to reticence of industry to provide data and the consequent need to design alternative estimation methodologies.)

ABB activity: Knowledge-Based Economy			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending												
Specific objective	Result indicator	Target	Current situation												
	Level of cross-border cooperation in anti-counterfeiting and piracy actions by national enforcement bodies Source: DG MARKT D	Increase level of cross-border cooperation in anti-counterfeiting and piracy actions by national enforcement bodies	The EU observatory on IP infringements has already established one cooperation network between national enforcement authorities to conduct awareness campaigns. It has also undertaken a number of training programmes on IP infringements in the pharma, automotive and pesticide areas for national enforcement authorities. The number of such thematic cooperation frameworks is expected to increase over time as the Observatory and the Expert Group on IP enforcement come on stream.												
	Number of signatories to EU MoUs (Memoranda of Understanding) seeking to fight against counterfeiting and piracy. Source: DG MARKT D	More signatories joining the existing MoU in 2013 and some 15 to 20 further companies and organisations getting involved in preventive measures against counterfeiting regarding payments and advertising brokers	MoU on counterfeit sales on line involves 18 companies and 16 trade associations. In 2013 the European Federation of Pharmaceutical Industries and associations decided to join this MoU and formally became a signatory in January 2014.												
	Number of stakeholder dialogues seeking to fight against counterfeiting and piracy. Source: DG MARKT D	Launch at least 2 stakeholder dialogues in 2013	A stakeholder dialogue preceded the MoU in 2011. NB: The launch of the dialogues has been postponed since the Commission will announce this in a general action plan against IP infringements in early 2014.												
Ensure correct implementation and effective enforcement of EU rules on intellectual property	Average transposition deficit for all relevant Directives Source: DG MARKT B3	Maximum of 1% transposition deficit for all Member States	<p>Transposition deficit in % and number of directives</p> <table border="1"> <caption>Transposition deficit in % and number of directives</caption> <thead> <tr> <th>Period</th> <th>Transposition deficit in %</th> <th>Number of directives</th> </tr> </thead> <tbody> <tr> <td>12/2011 12 dir.</td> <td>0,0</td> <td>12</td> </tr> <tr> <td>12/2012 12 dir.</td> <td>0,0</td> <td>12</td> </tr> <tr> <td>12/2013 13 dir.</td> <td>4,4</td> <td>13</td> </tr> </tbody> </table>	Period	Transposition deficit in %	Number of directives	12/2011 12 dir.	0,0	12	12/2012 12 dir.	0,0	12	12/2013 13 dir.	4,4	13
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ABB activity: Knowledge-Based Economy			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending																
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2013	0																		

1.1.6 ABB activity Internal Market for Services

ABB activity: Internal Market for Services			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending						
Specific objective	Result indicator	Target	Current situation						
Contribute to the Europe 2020 strategy by enhancing and consolidating the single market for services on the basis of the Services Directive	Share of consumers using cross-border services Source: Consumer Scoreboard, 3rd edition and DG SANCO's 2009 Study by YouGovPsychonomics No more recent data available	Year on year increase in share of consumers using cross-border services, in particular with regards to e-commerce	Only 12% of consumers shopping online buy from a website in another country, while 60% of cross-border internet orders are refused because the retailer does not offer means of cross-border payment or does not sell or deliver in the consumer's country of residence.						
	Number of fully-functional Points of Single Contact (PSCs) Source: Single Market Scoreboard	Increase in the number of fully-functional Points of Single Contact (second-generation PSCs), going beyond the obligations of the Services Directive to cover the whole business cycle and serve the needs of businesses, especially SMEs	In 2013, PSC Charter criteria were adopted for the future evaluation of the second generation PSCs (to take place in 2014). Internal analysis (carried out via user testing in 2013) shows that some MS improved their performance (e.g. SI, EL, BG), but most of them cannot still be considered second generation PSCs. Analysis of the PSCs is included in the Single Market Scoreboard. <u>Performance categories as measured in the 2013 Single Market Scoreboard:</u> - number of Member States in low performance category: 2 - number Member States in high performance category: 7 - number of Member States in middle performance category: 18						
Promote the innovative, online and safe supply of services in the single market	Share of e-commerce in total retail Source: DG MARKT E	6.8% share of e-commerce in total retail by 2015	<p>Share of e-commerce in total retail (in %)</p>  <table border="1"> <caption>Share of e-commerce in total retail (in %)</caption> <thead> <tr> <th>Year</th> <th>Share (%)</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>3.7</td> </tr> <tr> <td>2013</td> <td>5.5</td> </tr> </tbody> </table>	Year	Share (%)	2010	3.7	2013	5.5
	Year	Share (%)							
2010	3.7								
2013	5.5								
Contribution of the internet economy to EU GDP Source: DG MARKT E	6% contribution of the internet economy to EU GDP by 2015	Last available data: 2010: 3%							

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ABB activity: Internal Market for Services			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending																								
Specific objective	Result indicator	Target	Current situation																								
Facilitate free movement of qualified professionals within the EU	Ratio of positive decisions on recognition of qualifications against the total number of recognition requests Source: DG MARKT E	Maintain a high percentage of positive decisions on recognition of professional qualifications requests	<p>Percentage of successful recognition requests</p> <table border="1"> <caption>Percentage of successful recognition requests</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>83</td> </tr> <tr> <td>2011</td> <td>79</td> </tr> <tr> <td>2012</td> <td>83</td> </tr> </tbody> </table>	Year	Percentage	2010	83	2011	79	2012	83																
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Ensure correct implementation and effective enforcement of EU rules on services and the free movement of qualified professionals	Average transposition deficit for all relevant directives Source: DG MARKT B3	Maximum of 1% transposition deficit for all Member States	<p>Services: Transposition deficit in % and number of directives</p> <table border="1"> <caption>Services: Transposition deficit in % and number of directives</caption> <thead> <tr> <th>Year</th> <th>Deficit (%)</th> <th>Number of directives</th> </tr> </thead> <tbody> <tr> <td>12/2011</td> <td>1,9</td> <td>6 directives</td> </tr> <tr> <td>12/2012</td> <td>3,7</td> <td>6 dir.</td> </tr> <tr> <td>12/2013</td> <td>0,5</td> <td>7 dir.</td> </tr> </tbody> </table> <p>Regulated Professions: Transposition deficit in % and number of directives</p> <table border="1"> <caption>Regulated Professions: Transposition deficit in % and number of directives</caption> <thead> <tr> <th>Year</th> <th>Deficit (%)</th> <th>Number of directives</th> </tr> </thead> <tbody> <tr> <td>12/2011</td> <td>0,0</td> <td>6 directives</td> </tr> <tr> <td>12/2012</td> <td>0,0</td> <td>7 dir.</td> </tr> <tr> <td>12/2013</td> <td>9,1</td> <td>7 dir.</td> </tr> </tbody> </table>	Year	Deficit (%)	Number of directives	12/2011	1,9	6 directives	12/2012	3,7	6 dir.	12/2013	0,5	7 dir.	Year	Deficit (%)	Number of directives	12/2011	0,0	6 directives	12/2012	0,0	7 dir.	12/2013	9,1	7 dir.
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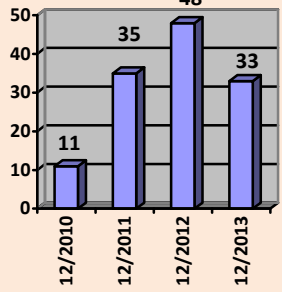
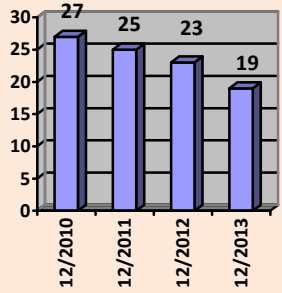
ABB activity: Internal Market for Services			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending										
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ABB activity: Internal Market for Services			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending
Specific objective	Result indicator	Target	Current situation
	% of postal items delivered within the time limit D+3 Source: IPC (International Post Corporation)	85% of postal items of the fastest standard category delivered within the time limit of D+3 to international destinations across the EU	94.3% in 2012 (+0.2 versus 2011) <i>figures for EU27 without Bulgaria, but including Iceland, Norway and Switzerland</i>
	% of postal items delivered within the time limit D+5 Source: IPC	97% of all postal items delivered within the time limit D+5 to international destinations across the EU	98.9% in 2012 (+0.2 versus 2011) <i>figures for EU27 without Bulgaria, but including Iceland, Norway and Switzerland</i>

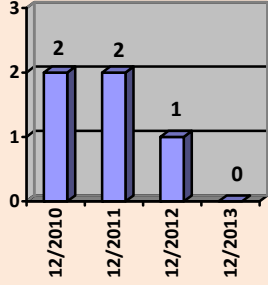
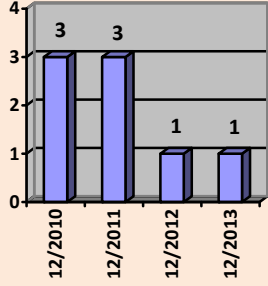
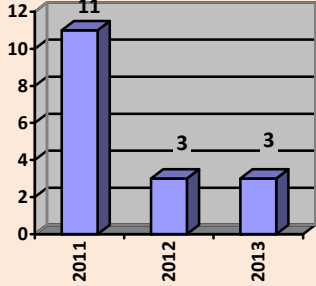
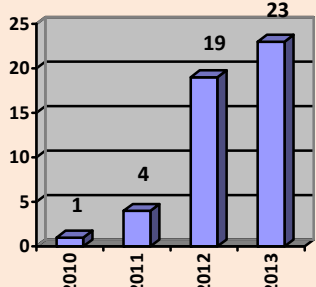
1.1.7 ABB activity: FREE MOVEMENT OF CAPITAL, COMPANY LAW AND CORPORATE GOVERNANCE

ABB activity: Free Movement of Capital, Company law and Corporate governance			<input checked="" type="checkbox"/> Spending programme <input type="checkbox"/> Non-spending
Specific objective	Result indicator	Target	Current situation
Contribute to the competitiveness of business, in particular SMEs, by developing efficient EU company law and corporate governance rules and by providing a sound framework to combat money laundering	Reduction in administrative burdens in the area of company law Source: DG MARKT F2 DG MARKT F3	Further reduction by 10% in administrative burdens in company law once the Business Registers Directive is implemented (at the latest by mid-2017)	Reduction of 32% of administrative burdens in 2009. (The figure is based on a high level of aggregation of effects of several directives on financial reporting and company law.) The new Accounting Directive 2013/34 is to be implemented at the latest by mid-2015 and will bring about further savings for small companies. NB: As stated in the 2012 Final Report on the Action Programme for Reducing Administrative Burdens in the EU, ⁵² the policy area of Company Law, in combination with that of annual accounts, has been one of the three areas where the biggest reductions have taken place in the period 2007-2012 (total potential reduction of EUR 6631.3 million). 91% of this amount has been secured by reducing administrative costs on financial reporting, especially for micro and small companies, thanks to successive initiatives of DG MARKT amending the Accounting Directive in 2006, 2012 and 2013. On 16 April 2013, the Commission adopted a draft directive on disclosure of non-financial information in order to improve the transparency of certain large companies on social and environmental matters. Under the proposal, large companies with more than 500 employees would be required to disclose relevant and material environmental and social information in their annual reports. The approach taken ensures administrative burdens are kept to a minimum.

⁵² COMMISSION STAFF WORKING DOCUMENT Action Programme for Reducing Administrative Burdens in the EU Final Report, page 8.

ABB activity: Free Movement of Capital, Company law and Corporate governance			<input checked="" type="checkbox"/> Spending programme <input type="checkbox"/> Non-spending							
Specific objective	Result indicator	Target	Current situation							
Ensure comparability and transparency of company accounts throughout the EU	Number of companies using International Financial Reporting Standards (IFRS) in the EU Source: DG MARKT F3	Improve comparability and transparency of company accounts by increased number of EU companies using IFRS	In 2012 approximately 9000 companies used IFRS in the EU.							
	Number of countries using IFRS Source: DG MARKT F3	Improve comparability and transparency of company accounts by increased number of countries using IFRS	<p>Number of countries using IFRS</p> <table border="1"> <caption>Number of countries using IFRS</caption> <thead> <tr> <th>Year</th> <th>Number of countries</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>120</td> </tr> <tr> <td>2012</td> <td>125</td> </tr> <tr> <td>2013</td> <td>128</td> </tr> </tbody> </table>	Year	Number of countries	2011	120	2012	125	2013
Year	Number of countries									
2011	120									
2012	125									
2013	128									
<p>This objective is linked to the Community programme to support financial services, financial reporting and auditing for the period 2010-2013 (Decision No 716/2009/EC). The objective of the programme was to improve the conditions for the functioning of the single market by supporting the operation, activities or actions of certain bodies in the fields of financial services, financial reporting and auditing. As far as financial reporting and auditing are concerned, the programme covered activities of developing or providing input to the development of standards, applying, assessing or monitoring standards or overseeing standard setting processes in support of the implementation of Community policies in these fields. The programme only started in 2010, which makes it difficult to draw definitive conclusions on the achievements of objectives of the programme over this short period. Nevertheless, the EU funding provided to the IFRS Foundation, EFRAG and PIOB has enabled these organisations to carry out their public mission tasks in the fields of financial services, financial reporting and auditing. In this respect, the EU financing under the programme has contributed to improving conditions for the functioning of the single market. An evaluation will be carried out in 2014.</p>										

ABB activity: Free Movement of Capital, Company law and Corporate governance			<input checked="" type="checkbox"/> Spending programme <input type="checkbox"/> Non-spending															
Specific objective	Result indicator	Target	Current situation															
Ensure a competitive market in audit and in credit rating agencies, improve quality of audit and ratings and contribute to an effective regulatory and supervisory framework for credit rating agencies	Number of EU countries applying the International Auditing Standards (ISAs) Source: DG MARKT F4	Promote convergence and high quality international standards for auditing in all Member States by further increasing the number of Member States applying the ISAs	Currently 20 Member States have fully endorsed the clarified ISAs (16 in 2011, 20 in 2012).															
	<p>In 2013, in order to restore confidence in the statutory audits carried out in the EU, substantial efforts were made by DG MARKT to help the European Parliament and the Council to reach an agreement on the new regulatory framework for statutory audits proposed by the Commission in November 2011. The compromise texts agreed in December 2013 — still subject to the final approval by the co-legislators in 2014 — will confer new competences on the European Commission to adopt the ISAs via delegated acts and make the application of the ISAs binding in all 28 Member States.</p> <p>No change in the number of EU countries applying ISAs can be reported end 2013 because the 8 EU Member States which have not yet endorsed the Clarified ISAs have decided to await the final adoption of the new regulatory framework for statutory audits.</p>																	
Ensure correct implementation and effective enforcement of EU rules on company law, free movement of capital and statutory audit by all Member States	Average transposition deficit for all relevant directives Source: DG MARKT B3	Maximum of 1% transposition deficit for all Member States	<p>Transposition deficit in % and number of directives</p> <table border="1"> <caption>Transposition deficit in % and number of directives</caption> <thead> <tr> <th>Date</th> <th>Deficit (%)</th> <th>Number of directives</th> </tr> </thead> <tbody> <tr> <td>12/2010</td> <td>0,7</td> <td>29</td> </tr> <tr> <td>12/2011</td> <td>3,4</td> <td>32 dir.</td> </tr> <tr> <td>12/2012</td> <td>0,0</td> <td>30 dir.</td> </tr> <tr> <td>12/2013</td> <td>0,2</td> <td>32 dir.</td> </tr> </tbody> </table>	Date	Deficit (%)	Number of directives	12/2010	0,7	29	12/2011	3,4	32 dir.	12/2012	0,0	30 dir.	12/2013	0,2	32 dir.
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Specific objective	Result indicator	Target	Current situation																	
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2013	23																			

1.1.8 ABB activity FINANCIAL SERVICES POLICY AND FINANCIAL MARKETS

ABB activity: Financial services policy and financial markets			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending
Specific objective	Result indicator	Target	Current situation
Promote stability and integrity in financial markets through proper supervision, robust market infrastructures and a high level of transparency	Number of centrally cleared standardised OTC derivative trades compared to the total number of OTC derivative trades in the EU Source: DG MARKT G2, FSB (Financial Stability Board), BIS (Bank for International Settlements)	Central clearing of all standardised over-the-counter (OTC) derivative trades in the EU	<p>Interest rate derivatives: notional outstanding of centrally cleared interest rate derivatives across all market participants: End-2011: 35-40% August 2012: 40% June 2013: 42%</p> <p>Credit derivatives: Across all market participants, as of end-June 2013 around 40% of the total notional outstanding of OTC credit derivatives offered for clearing by a CCP had been centrally cleared. Across all credit derivatives (both offered for clearing by CCPs and not), around 14% were centrally cleared in June 2013, up from 10% in August 2012.</p> <p>Credit Default Swaps: 1st half 2013: 43% of notional amounts of CDS outstanding were centrally cleared. This was unchanged compared to 2nd half 2012.</p>
	Number of prospectuses approved and passported throughout the EU Source: DG MARKT G3 / ESMA	Annual increase in prospectuses approved and passported throughout the EU	Data collection from ESMA shows that, in the first half of 2013, a number of 1931 prospectuses were approved throughout the EU, of which 538 were passported (sent) while, for the first half of 2012 2320 prospectuses had been approved throughout the EU, of which 722 were passported (sent). The percentage of the prospectuses approved and passported fell slightly (from 31% to 27%) while the number of prospectuses only approved dropped by almost 17%. One could argue that this trend reflects one of the effects of the crisis which reduces the demand of financing including on capital markets (lack of growth perspective specifically for corporates). The full report of ESMA is available at http://www.esma.europa.eu/system/files/2013-1943_report_prospectuses_jan-jun_2013.pdf .

ABB activity: Financial services policy and financial markets			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending
Specific objective	Result indicator	Target	Current situation
	<p>The European Supervisory Authorities for banking, insurance and securities (ESAs) carry out their tasks successfully</p> <p>Source: DG MARKT 02 / DG MARKT G3</p>	<p>ESAs must deliver draft technical standards in time, exercise their decision-making powers and carry out all their other tasks efficiently and in the sole interest of the Union</p>	<p>The three ESAs, together with the European Systemic Risk Board, have completed their third year of operation, showing good results (EBA's significant contributions to banking single rule book, ESMA's technical advice and drafting on level 2 measures and guidelines, and supervision of CRAs; EIOPA's extensive advice provision on Omnibus II file). The ongoing review has shown that the ESAs have performed well overall with some areas for further improvement. The final report on the review is expected to be adopted by the Commission in Q1 2014.</p> <p>In the field of securities markets, ESMA successfully delivered in due time the final reports expected in 2013 for adoption by the Commission of delegated acts and technical standards required by the Prospectus Directive. ESMA also delivered Q&As, guidelines, recommendations, reports and opinions in relation to issues raised by the national competent authorities in course of the enforcement of the provisions of the Prospectus Directive.</p>
	<p>Single Supervisory Mechanism (SSM) carries out its tasks successfully</p>	<p>Regulation creating SSM in force in 2013 and SSM functioning</p>	<p>The Regulation creating SSM entered in force in November 2013. The supervisory powers of the European Central Bank will be fully effective and operational in November 2014.</p>
	<p>Source: http://ec.europa.eu/internal_market/finances/banking-union/</p>		
<p>Progress in the implementation of financial reform</p> <p>Source: DG MARKT</p>	<p>All financial services legislative proposals to be in force by the end of 2013</p>	<p>Since 2008 the European Commission has tabled around 30 proposals to create a sounder and more effective financial sector. Better regulated and supervised banks will be stronger, more resilient, and operate to benefit the economy at large.</p> <p>Most of the proposed rules are either now already in force or in the final stages of negotiation between the Council and the European Parliament.</p> <p>An overview of the proposed measures can be found at: http://europa.eu/rapid/press-release_MEMO-14-57_en.htm</p>	

ABB activity: Financial services policy and financial markets			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending															
Specific objective	Result indicator	Target	Current situation															
Ensure effective investor protection through strict conduct-of-business and disclosure rules	Number of complaints from investors concerning infringements by Member States in the application of the Investor Compensation Schemes Directive (ICSD) Source: DG MARKT H4	Reduction in the number of complaints from investors concerning infringements by Member States in the application of the Investor Compensation Schemes Directive (ICSD)	2011: 4 2012: 0 2013: 0															
Ensure effective implementation and enforcement of EU rules by all Member States	Average transposition deficit for all relevant directives Source: DG MARKT B3	Maximum of 1% transposition deficit for all Member States	Transposition deficit in % and number of directives <table border="1"> <caption>Transposition deficit in % and number of directives</caption> <thead> <tr> <th>Year</th> <th>Transposition deficit (%)</th> <th>Number of directives</th> </tr> </thead> <tbody> <tr> <td>12/2010</td> <td>3,4</td> <td>25</td> </tr> <tr> <td>12/2011</td> <td>10,3</td> <td>23 dir.</td> </tr> <tr> <td>12/2012</td> <td>4,5</td> <td>23 dir.</td> </tr> <tr> <td>12/2013</td> <td>3,3</td> <td>24 dir.</td> </tr> </tbody> </table>	Year	Transposition deficit (%)	Number of directives	12/2010	3,4	25	12/2011	10,3	23 dir.	12/2012	4,5	23 dir.	12/2013	3,3	24 dir.
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	Number of cases closed using alternative problem solving mechanisms (e.g. SOLVIT, EU PILOT) Source: DG MARKT B1 and B3	Increase in number of cases solved using alternative redress mechanisms, year on year	<p>SOLVIT 2011 — 2013: 0</p> <p>NB: SOLVIT deals only with problems caused by public authorities, not by financial institutions.</p> <p>EU Pilot 2010 — 2013: 0</p> <p>NB: There were very few complaints in this area and any complaints were answered without the need to discuss with the Member State concerned. The work focused on non-communication cases which remain out of the scope of the EU Pilot.</p>										

1.1.9 ABB activity FINANCIAL INSTITUTIONS

ABB activity: Financial Institutions		<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending	
Specific objective	Result indicator	Target	Current situation
Improve the stability and soundness of the banking, insurance and pensions sectors	Percentage of credit institutions passing the EU stress tests successfully Source: EBA	Increase in the percentage of resilient credit institutions in the 2013 stress test compared to the 2011 stress test	July 2011 Stress test: out of 90 participating credit institutions, 82 (91%) successfully passed the EBA stress test, with another 16 in the danger zone. There were no EU stress tests in 2012 and 2013. The next test will take place in 2014.
	<p>However, other indicators are available which point to a major improvement in the capital strength of EU banks since the start of the global financial crisis.</p> <p>This was possible mainly due to two factors: the regulatory response to the crisis and recapitalisation measures. The regulatory response by EU institutions to the crisis resulted in a raft of new legislation, including the adoption of the Capital Requirements Regulation and Directive package (CRDIV), the Single Supervisory Mechanism (SSM) and the Bank Recovery and Resolution Directive (BRRD).</p> <p>At the same time, since 2008 EU banks have substantially strengthened their capital positions, through public capital injections and issuing new equity to private stakeholders. Other direct capital measures (retained earnings, improved liability management) and measures impacting the Risk Weighted Assets have further contributed to bolstering the capital position of EU banks. Some of these initiatives were taken within the framework of the EBA recapitalisation exercise of 2011.</p> <p>All the measures mentioned above have helped substantially reinforce EU banks' capital position. Over the period 2009-2012 EU banks increased their total equity by EUR 492 billion.</p>		
	Average impact of costs related to banks' capital positions on lending standards to enterprises, as measured by four quarterly observations of the diffusion index Source: ECB	Limit the impact of costs related to banks' capital positions on bank lending standards (result for 2013 at or below that for 2012)	Based on the ECB's Bank Lending Survey, the average of four quarterly observations of the diffusion index that measures the impact of costs related to banks' capital positions on lending standards to enterprises during 2011 was 6. The yearly average for 2012 was 5.75. The average for 2013 was 1.75, indicating a further decrease in the negative impact of bank capital costs on lending standards.

ABB activity: Financial Institutions			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending
Specific objective	Result indicator	Target	Current situation
	Percentage of insurance and reinsurance companies passing the stress tests organised by EIOPA (European Insurance and Occupational Pensions Authority) in 2013 Source: EIOPA	Increase the percentage of resilient insurance and reinsurance undertakings (i.e. percentage of undertakings passing the stress test)	The July 2011 exercise showed that 116 insurance and reinsurance undertakings out of 129 (i.e. 90%) passed successfully the EIOPA stress tests, while the remaining 13 are considered to be in the danger zone. No stress tests were performed in 2012 or 2013.
	Ratio of gross premiums to GDP Source: EIOPA	Maintain or increase EU insurance coverage ratio, taking into account the maturity of different markets.	The December 2013 EIOPA Financial Stability Report (Statistical Annex) reported EUR 1198 billion gross insurance premiums in 2012 in the EU. According to Eurostat the total GDP of the EU was EUR 12927 billion in 2012. Hence, the insurance coverage ratio in the EU was at 9.26%.
	Total investment assets held by insurers Source: EIOPA	Maintain or increase the role of insurers in the financing of the economy (i.e. amount of investment)	According to the December 2013 EIOPA Financial Stability Report (Statistical Annex), insurers in the EU held EUR 7825 billion total investment assets at the end of 2012. This constitutes 91% of all assets (EUR 8608 billion) in the insurance sector in 2012. (According to the 2005-2012 Statistical Annex total investment assets held in the EU at the end of 2011 by insurers in the EU were EUR 7090 billion.)
Develop a sound crisis management framework for the financial sector	State aid to financial institutions (% of GDP) Source: DG MARKT H	State aid measures as approved by the Commission not exceeding 3% of the EU GDP on the annualised basis (after the transposition of the Directive into the national law — expected from 2015)	Between October 2008 and October 2012, the Commission approved EUR 5086 trillion (equivalent to 40.3% of EU GDP; i.e. an increase of EUR 0.58 trillion. Between October 2011 and October 2012 there was an increase of 4.9% of EU-27 GDP.

ABB activity: Financial Institutions			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending								
Specific objective	Result indicator	Target	Current situation								
Improve consumer access to high-quality retail financial and payment services throughout the EU	Level of SEPA Credit Transfers (SCT) within the EU Source: ECB (European Central Bank)	Critical mass in SEPA transactions (SCT & SEPA direct debits (SDD)) in 2013 in order to achieve full migration in 2014, where and when required under the SEPA end-date regulation	SCT: 64.1% (ECB statistics, November 2013) (According to the Eurosystem's euro area SCT indicator, in 2009 5.3% of all euro area credit transfers were processed in the SCT format. In 2010 the level of SCT had reached 9.3%. In September 2011 this indicator rose to 21% and to 35.57% in January 2013). SDD: 26% in November 2013 (compared to 2.51% in January 2013, ECB statistics)								
	Number of EU citizens without a bank account Source: World Bank	Gradual reduction in number of EU citizens without a bank account (on the basis of surveys/ Eurobarometers) as of 2015	In 2011: 58 million citizens (World Bank — no historical data)								
Contribute to financial stability by introducing the banking union	10 year sovereign bond spreads between Member States Source: annual European Financial Stability and Integration report issued by DG MARKT; weekly Credit Market Pulse issued by DG ECFIN	By end-2015, 10 year sovereign bond spreads do not exceed 100 basis points	<p>10 years sovereign bond spreads</p> <table border="1"> <caption>10 years sovereign bond spreads</caption> <thead> <tr> <th>Date</th> <th>Spread (basis points)</th> </tr> </thead> <tbody> <tr> <td>04/10/2012</td> <td>551</td> </tr> <tr> <td>05/10/2013</td> <td>285</td> </tr> <tr> <td>10/01/2014</td> <td>233</td> </tr> </tbody> </table>	Date	Spread (basis points)	04/10/2012	551	05/10/2013	285	10/01/2014	233
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Number of Member States taking part in the Europe-wide recovery and resolution mechanism Source: DG MARKT H	By end 2015, at least 17 Member States will take part in the Europe-wide recovery and resolution mechanism	Currently no Member State is taking part in the Europe-wide recovery and resolution mechanism									

ABB activity: Financial Institutions			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending															
Specific objective	Result indicator	Target	Current situation															
Ensure correct implementation and effective enforcement of EU rules on financial services by all Member States in order to allow citizens to benefit from innovative and competitive financial services	Average transposition deficit for all relevant Directives Source: DG MARKT B3	Maximum of 1% transposition deficit for all Member States	<p>Transposition deficit in % and number of directives</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Deficit (%)</th> <th>Number of directives</th> </tr> </thead> <tbody> <tr> <td>12/2010</td> <td>5.1</td> <td>48</td> </tr> <tr> <td>12/2011</td> <td>0.7</td> <td>48 dir.</td> </tr> <tr> <td>12/2012</td> <td>0.2</td> <td>51 dir.</td> </tr> <tr> <td>12/2013</td> <td>2.4</td> <td>44 dir.</td> </tr> </tbody> </table> <p>NB: A number of new directives had to be transposed in 2013 (3). As most of the Member States did not send their transposition measures on time, the effect of the delays was felt in 2013. The Commission works closely with Member States to help them transpose EU directives into national law.</p>	Year	Deficit (%)	Number of directives	12/2010	5.1	48	12/2011	0.7	48 dir.	12/2012	0.2	51 dir.	12/2013	2.4	44 dir.
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12/2013	0																	
Number of infringement cases still open three years after the sending of a letter of formal notice Source: DG MARKT B3	No infringements cases still open three years after the sending of a letter of formal notice	<table border="1"> <thead> <tr> <th>Year</th> <th>Number of cases</th> </tr> </thead> <tbody> <tr> <td>12/2010</td> <td>1</td> </tr> <tr> <td>12/2011</td> <td>3</td> </tr> <tr> <td>12/2012</td> <td>0</td> </tr> <tr> <td>12/2013</td> <td>2</td> </tr> </tbody> </table>	Year	Number of cases	12/2010	1	12/2011	3	12/2012	0	12/2013	2						
Year	Number of cases																	
12/2010	1																	
12/2011	3																	
12/2012	0																	
12/2013	2																	

ABB activity: Financial Institutions			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending										
Specific objective	Result indicator	Target	Current situation										
	Number of cases closed using alternative problem-solving mechanisms (e.g. SOLVIT, EU PILOT) Source: DG MARKT B1 and B3	Increase in number of cases solved using alternative redress mechanisms, year on year	<p>SOLVIT 2011 – 2013: 0</p> <p>NB: SOLVIT was not used in this area as it deals only with problems caused by public authorities, not by financial institutions.</p> <p style="text-align: center;">EU Pilot</p> <table border="1"> <caption>EU Pilot Data</caption> <thead> <tr> <th>Year</th> <th>Number of Cases</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>13</td> </tr> <tr> <td>2011</td> <td>12</td> </tr> <tr> <td>2012</td> <td>3</td> </tr> <tr> <td>2013</td> <td>3</td> </tr> </tbody> </table>	Year	Number of Cases	2010	13	2011	12	2012	3	2013	3
Year	Number of Cases												
2010	13												
2011	12												
2012	3												
2013	3												

1.1.10 ABB activity: EXTERNAL DIMENSION OF THE SINGLE MARKET

ABB activity: External Dimension Of The Single Market			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending
Specific objective	Result indicator	Target	Current situation
Offer EU companies greater opportunities in the global economy by promoting EU interests in bilateral and multilateral negotiations and in regulatory dialogues	Degree of progress in various key negotiations (Canada, Singapore, Japan, US, etc.) Source: DG MARKT B4	Achieve progress in key negotiations: negotiations with Canada to be concluded by 2013; negotiations with US and Japan to start by spring 2013	Political agreement on CETA (EU-Canada) announced in October 2013. Final signature around summer 2014. FTA negotiations started with the US and Japan, and progressed with Singapore, Vietnam and Thailand. Several regulatory dialogues took place in 2013 in Brussels (Russia, Switzerland, India) or abroad (China, US, Brazil). They provided a good opportunity for the DG to present recent progress in financial reforms and to monitor and re-state the importance of the implementation and enforcement of the G20 commitments to the most important partner countries. Three specific equivalence decisions have been adopted by the Commission in the field of accounting and auditing. These activities have contributed to greater regulatory convergence and market access worldwide, to increase opportunities for EU businesses in third countries.
Promote single market rules in non-EU countries	Degree of compliance with EU <i>acquis</i> in Croatia Source: DG MARKT B4	Acceding country: Croatia Full compliance with EU <i>acquis</i> by 1 July 2013	Screening completed. Some issues are still pending but those are not in DG MARKT's remit.

ABB activity: External Dimension Of The Single Market			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending
Specific objective	Result indicator	Target	Current situation
	<p>Progress in accession process as reported in the Progress Reports (e.g. number of opening/ closing benchmarks met, number of chapters opened/ closed)</p> <p>Source: DG MARKT B4</p>	<p>Candidate countries: successful outcome of technical negotiations or further preparation for accession negotiations</p>	<p><u>Montenegro</u>: screening meetings took place until June 2013. Chapters 5 and 6 provisionally opened in December 2013</p> <p><u>Iceland</u>: negotiations put on hold indefinitely by new government.</p> <p><u>Turkey</u>: process stalled — four chapters open, two frozen</p> <p><u>Former Yugoslav Republic of Macedonia (FYROM)</u>: no negotiations due to the name dispute</p> <p><u>Serbia</u>: candidate status since March 2012. Negotiations opened in January 2014, screenings planned for the rest of the year.</p>
	<p>Degree of implementation of agreements and action plans and <i>acquis</i> alignment by the countries concerned as reported in the Progress Reports</p> <p>Source: DG MARKT B4</p>	<p>Potential candidate countries</p> <p>Maximum possible convergence with the <i>acquis</i> and its application</p>	<p>Varying degrees of progress in DG MARKT's field.</p> <p><u>Albania</u>: peer review mission on IPR undertaken in Nov 2013. Candidate status proposed.</p> <p><u>Kosovo</u>: Negotiations for a Stabilisation and Association Agreement started.</p> <p><u>Bosnia and Herzegovina</u>: little progress</p>
	<p>Degree of implementation of agreements and action plans by the countries concerned as reported in the Progress Reports</p> <p>Source: DG MARKT B4</p>	<p>Neighbourhood Policy Countries</p> <p>Maximum possible convergence with the <i>acquis</i> and its application in the context of the European Neighbourhood Policy. Development of appropriate enforcement and monitoring tools.</p>	<p>Varying degrees of progress as reported in the European Neighbourhood Policy (ENP) Report.</p> <p>Deep and Comprehensive Free Trade Agreements (DCFTAs) with Moldova and Georgia were negotiated and initialled. DCFTA with Ukraine was completed but eventually not signed.</p> <p>DCFTA negotiations with Morocco were launched and are ongoing.</p>

ABB activity: External Dimension Of The Single Market			<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending
Specific objective	Result indicator	Target	Current situation
	Number of third countries which adopt independent oversight on auditors and audit firms Source: DG MARKT F4	17 third countries to adopt oversight rules on auditors and audit firms equivalent to EU rules in the medium term	By the end of 2013: 20 third countries have oversight rules in place on auditors and audit firms equivalent to the EU rules.

1.2 Specific efforts to improve the ‘economy’ and ‘efficiency’ of spending and non-spending activities.

According to the financial regulation (art 30), the principle of economy requires that the resources used by the institution in the pursuit of its activities be made available in due time, in appropriate quantity and quality and the best price. The principle of efficiency concerns the best relationship between resources employed and results achieved.

The respect of these principles is continuously pursued through the implementation of internal procedures and predefined practices. These procedures ensure that activities are executed in an efficient manner (e.g. the different workflows contribute to efficient cooperation between staff, units, etc....) and according to the principle of economy (e.g. the procurement rules ensure procurement under optimal conditions).

DG MARKT continuously fine-tunes its internal arrangements to improve the efficiency and economy of its operations. The following examples show how these principles are implemented in the DG.

1.2.1 Example 1

Financial management: economies and efficiencies made in managing DG MARKT procurement procedures and grants

In 2013 DG MARKT:

- launched 26 new procurement procedures⁵³ and one call for expressions of interests for the purpose of acquiring specialised input, expertise, research data and information to produce more robust impact assessments and evaluations of our policy proposals and implement our initiatives in the course of the year. The estimated total value of such purchases⁵⁴ was EUR 5 887 972. By applying the most appropriate award criteria to each call for tender — either the ‘most economically advantageous offer’ or ‘the cheapest offer’- DG MARKT was able to save 6.28% on the original budget estimations.
- provided operating grants for a) the functioning of European financial expertise centres to the benefit of European end-users and non-industry stakeholders in the financial services and b) to specific organisations in the field of financial services supervisory convergence and in relation to financial reporting and auditing. In this context DG MARKT performed on-the spot checks to verify the eligibility of costs declared by the grant beneficiaries and to evaluate the adequacy of their internal control systems. As a consequence, a total amount of EUR 603 000 was recovered in 2013. Additional savings of a total of EUR 16 309 were made by reducing the EU eligible grant. These control activities were efficient since the costs⁵⁵ of the on-the-spot checks represented only 0.84% of the savings made.

⁵³ 18 Open calls for tenders; 2 Re-openings of competition within two established framework contracts; 6 Negotiated procedures of which 5 for low value contracts .

⁵⁴ Financed by different budget lines.

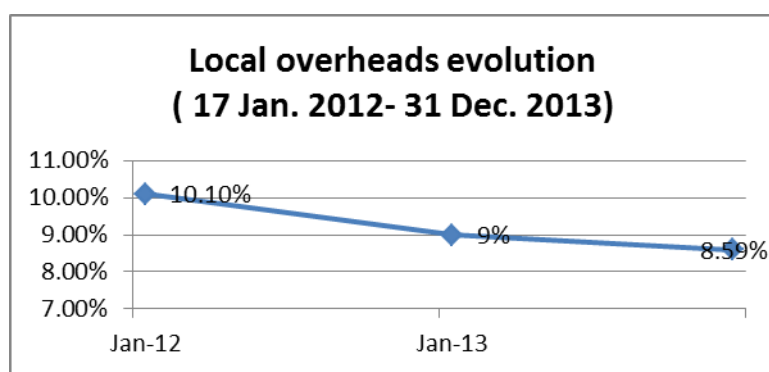
⁵⁵ Only personnel costs were considered since no costs for travels and subsistence costs to the beneficiary work place incurred.

1.2.2 Example 2

a. Human resources management: efficiencies made by allocating resources to the most relevant objectives

In 2013 DG MARKT continued a screening exercise of the ‘overhead’ functions in the domains of information technology, human resources, document management, logistics and communication for the purpose of redeploying resources to the prioritised policy objectives (economic analysis and policy making).

Job descriptions were reviewed per category in consideration of the required tasks across the whole Directorate-General. The diagram below shows the trend of overheads (administrative support and coordination staff) from January 2012 until December 2013.



Source: Sysper2- HR Reporting (13/12/2013 and 21/01/2014)

b. IT rationalisation: examples of efficiencies within existing information systems

Policy-related information systems	Main efficiencies in 2013
<u>Internal Market Information System</u> ⁵⁶ (IMI)	<p>Already used for 5 different policy areas,⁵⁷ IMI included the information exchange requests for the cross-border healthcare Directive (Patients' rights).</p> <p>In addition, since February 2013 IMI serves as IT platform for the SOLVIT centres. This integration ensures the established informal working methods of SOLVIT, but makes new functionality available to SOLVIT users and reduces maintenance and hosting costs.</p>

⁵⁶ Multilingual web-based application supporting EU Public Administrations to exchange information in accordance with EU single market legislation.

⁵⁷ Professional Qualifications; Services; Posting of Workers; Euro-cash in transportation; E-commerce.

⁵⁸ By comparison, the development costs for any new medium-sized information system would be between EUR 200 000 and EUR 1 million, annual maintenance would cost 10% of the development costs and hosting costs would amount to about EUR 50 000.

	<p><i>Savings were made in terms of new development,⁵⁸ maintenance and hosting costs. Compared to last year, in 2013 the IMI's expenditure decreased by 36%.</i></p>
<p><i><u>Your Europe (YE) Supporting Tool (YEST).</u>⁵⁹</i></p>	<p><i>In line with the Commission's strategy to rationalise sources of information and enhance digital communication, Your Europe content of Your Europe Citizens migrated to YEST.</i></p> <p><i>Before YEST, the management of Your Europe Citizens required around EUR 780 000 on an annual basis. In 2013 the IT development was taken over from a contractor and carried out by a team of 3 external staff coordinated by 1 Commission official. Costs were reduced by 48% in 2013. The time needed⁶⁰ to publish content online was reduced by 20%.</i></p> <p><i>As part of the Europa Web rationalisation exercise, the developments of Your Europe and YEST are done in collaboration with the Directorate-General for Communication (DG COMM).</i></p>

⁵⁹ YEST is the back-office of Your Europe portal which informs citizens and businesses about rights and opportunities in the EU single market. .

⁶⁰ Calculated from the drafting phase.

2. MANAGEMENT OF RESOURCES

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes. This examination is carried out by the management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Director-General. The reports produced are:

- the reports by the Authorising Officer on the use of the budget received in cross-sub- delegation;
- the reports by Authorising Officers by Sub-delegation on the legality and regularity of the transactions implemented under their responsibility;
- the contribution of the Internal Control Coordinator, including the results of internal control monitoring at DG level;
- the European Court of Auditors' and the Internal Audit Service (IAS)'s opinions and observations resulting from their audits;
- the Internal Audit Capability (IAC)'s opinions and observations following its audits;
- the reports of the annual ex-post financial review performed by DG MARKT's Internal Audit Capability; and
- the reports following the on-the spot checks of grant beneficiaries.

This section reports the control results and other relevant elements that support managements' assurance on the achievement of the internal control objectives.⁶¹ It is structured in three separate sections: (1) the DG's assessment of its own activities for the management of its resources; (2) the assessment of the activities carried out by other entities to which the DG has entrusted budget implementation tasks; and (3) the assessment of the results of internal and external audits, including the implementation of audit recommendations.

In 2013 DG MARKT managed seven operational budget lines with a total amount of EUR 20.3 million (commitment appropriations) earmarked for the Internal Market Policy chapter and a specific programme in the financial services area. This budget was mainly

⁶¹ Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 32).

implemented (98%) by direct procurement and grant management:

- to finance the implementation of the Internal Market Governance Tools and procure study/service contracts for collecting information on the state of transposition of EU legislation, or market information and data across various markets in the EU to feed into impact assessments and evaluations;
- to give financial support to specific organisations listed under [EU Decision 716/2009/EC](#) in the field of financial services supervisory convergence, and in relation to financial reporting and auditing;
- to continue financing a pilot project 'Capacity building of end-users and non-industry stakeholders in Union policy making in the area of financial services' whose aim is to give policy makers a counterbalance to the financial sector lobbies and inform the wider public (consumers, end users and retail investors) of the issues at stake in the regulation of financial markets.

Six budget lines with a total amount of EUR 22 million (commitment appropriations) were allocated to the three European Supervisory Authorities (EBA- the European Banking Authority; EIOPA- the European Insurance and Occupational Pensions Authority; and ESMA- the European Securities and Markets Authority) which, since their establishment, have been funded for 60% of their costs by national supervisory authorities and the remaining part by the EU.

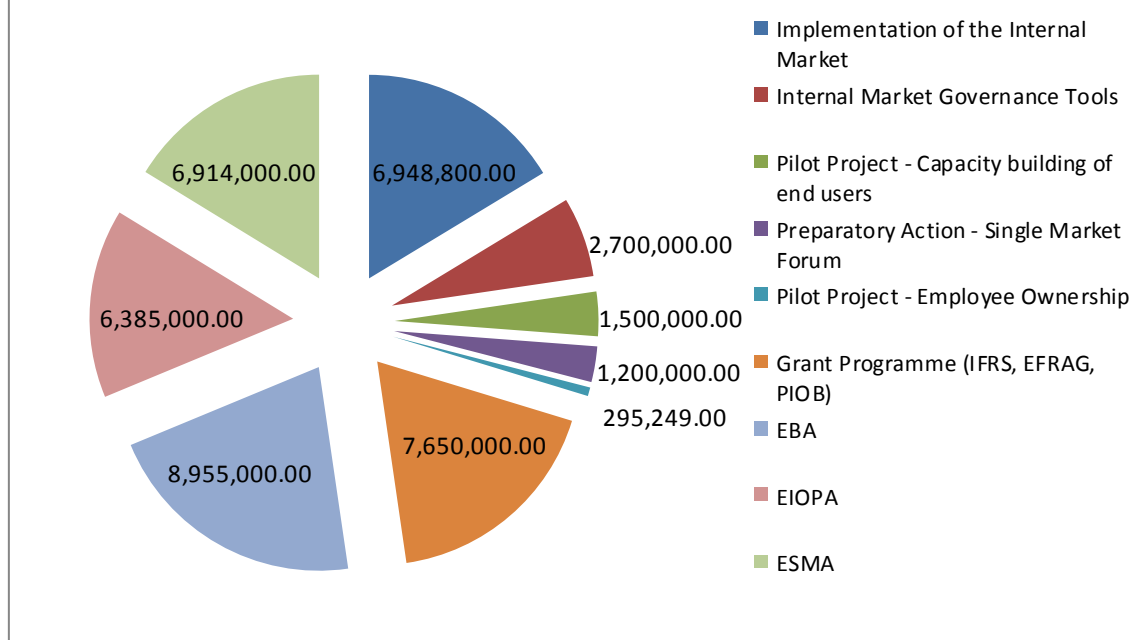
In accordance with the Financial Regulation, the budget of the three European Supervisory Authorities has to comply with the equilibrium principle. As a consequence, any positive surplus related to year N-1 needs to be recovered by the Commission during year N. This surplus recovered becomes part of the ESAs budget in year N+1 (as assigned revenue).

In 2013, DG MARKT established recovery orders towards the ESAs for a total amount of EUR 3 136 551.90, representing the total surplus of the three Authorities for the year 2012.

EBA and EIOPA paid their surplus by end 2013 and ESMA paid it early 2014.

The 2011 surplus of EIOPA and ESMA (for a total of EUR 7 262 214.63) was paid early 2013.

DG MARKT commitment appropriations from available operational credits in 2013



See detailed description of DG MARKT's budget activities in table 2 of annex 3

The use of administrative credits for conferences, technical assistance, missions, meetings and contributions to external experts remained stable compared to 2012.

2.1 Management of human and financial resources by DG MARKT

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives. Annex 5 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the control systems.

Control effectiveness as regards legality and regularity

DG MARKT has set up internal control processes to ensure appropriate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the nature of the activities and the nature of the payments concerned.

The control objective is that the estimated error rate — referring to financial operations authorised not being in conformity with the applicable contractual or regulatory provisions — should not exceed 2% of the total annual expenditure.

In order to conclude on the achievement of this objective, DG MARKT has considered quantitative and qualitative indicators (see ANNEX 4 — Materiality criteria) including the exceptions and non-compliance events as registered in 2013, and made a qualitative analysis of the results of the relevant control objective and indicators related to the markt_aar_2013_final

legality and regularity of its procurement and grants procedures (ANNEX 5 — Internal Control templates for budget implementation).

Quantitative and qualitative indicators are provided by the irregularities/errors (estimated in financial terms) that emerged from the ex-post financial review performed annually by the Internal Audit Capability. In 2013 a total of 50 financial operations (6% in absolute terms and 21% in monetary terms of the 782 transactions processed on DG MARKT's budget lines) were subject to a review. This ex-post control did not reveal errors with impact on compliance.

During the reporting year there were 13 exceptions and 9 recorded instances of non-compliance events; however none of these had an impact on the legality and regularity of the transactions. These cases referred mainly to late approvals of missions and late signatures of order forms for training courses. These non-compliance events were assessed as not meeting procedural compliance requirements. However they do not have a negative impact on DG MARKT's budget.

The values of the control effectiveness indicators below clearly demonstrate that the established mitigating controls applied to the financial circuits, the procurement and grants processes have worked as expected. Finally, the results of the IAC's annual financial review, the assessment of the exceptions and non-compliance events identified and that of their relative impact on legality and regularity has not revealed any significant weaknesses that could have a material impact on the legality and regularity of the financial operations. It is therefore concluded that the control objective has been achieved.

Procurement Direct Management — control indicators and 2013 values

Stage 1 Procurement

A- Planning

Number of projected tenders cancelled; number of contracts discontinued due to a lack of use (poor planning)	0 (out of 26 procurement procedures)
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B- Needs assessment and definition of needs

Number of procedures where only one or no offers were received.	1 out of 26 procurement procedures (3.8%)
Number of requests for clarification regarding the tender specifications	50% of the procurement procedures received an average of 4 questions. The number of requests for clarifications ranged between 1 and 7.

	One procurement procedure recorded an exceptional 27 questions ⁶²
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C- Selection of the offer & evaluation

Number of 'valid' complaints' or litigation cases filed	0 (zero)
Number of fraudulent cases detected/Number of companies excluded from participating in procurement procedures/awarding.	1 case of exclusion from participation in a procurement procedure

Stage 2 Financial transactions

Amount of liquidated damages	EUR 30.418.94 applied to one contract for delivering results late
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Stage 3 Supervisory measures

Amount associated with errors detected ex-post (related to fraud, irregularity and error)	0 (zero) with financial impact on DG MARKT's budget.
System improvements made	Improvements were found in the area of document registration of financial information.

Direct Grant Management — control indicators and 2013 values

Stage 1 — Programming, evaluation and selection of proposals

A — Preparation, adoption and publication of the Annual Work Programme and calls for proposals

Budget amount of the work programmes concerned	EUR 1 500 000 (with call for proposals) EUR 7 650 000 (without call for proposals)
For grants awarded following the call for proposals — Value of proposals received over budget available (%)	121%

B — Selecting and awarding: Evaluation, ranking and selection of proposals

Number of cases of litigation	0 (zero)
Budget amount of the call concerned	EUR 1 500 000

⁶² This is explained by the tenderers' wish to verify information as much as possible before bidding. This call for tender was re-published following a Decision of the Authorising Officer by Sub-delegation not to award the contract due to receiving offers that did not meet the minimum quality requirements.

Stage 2 – Contracting: Transformation of selected proposals into legally binding grant agreements

Amount of EU funding proposed by beneficiary that was rejected (not included in the grant agreement budget)	EUR 312 058
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Stage 3 – Monitoring the execution. This stage covers the monitoring of the operational, financial and reporting aspects related to the project and grant agreement

Number of grants with cost claim errors	3
Amount of the cost items rejected (total ineligible costs)	EUR 659 751.81
% of value of cost claims items adjusted over cost claims total value	2%

Stage 4 – Ex-post controls

Amount of errors concerned	0 (zero)
Number of transactions with errors	0 (zero)

B – Implementing results from ex-post audits/controls

Value of ex-post checks results pending implementation	0 (zero)
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Control efficiency and cost-effectiveness

The principle of efficiency concerns the best relationship between resources employed and results achieved. The principle of economy requires that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price. This section outlines the indicators used to monitor the efficiency of the control systems, including an overall assessment of the costs and benefits of controls.

DG MARKT has produced an estimation of the costs of the four main control processes (procurement and direct grant management; management of financial transactions and ex-post supervisory measures) and calculated their related efficiency. The calculation of the cost effectiveness was not always possible due to a lack of a quantitative estimation/ benchmark of the related benefits. For instance, since an estimation of the volume of the errors prevented and detected ex-ante is not available,⁶³ it was not possible to quantify the related benefits other than the amounts recovered as a result of these controls. Consequently, in such cases DG MARKT took into account the selected efficiency indicators. Where relevant, the cost effectiveness of controls was highlighted at each stage of the relevant process.

⁶³ DG MARKT does not yet have of a tool to track errors prevented and detected ex-ante since these are more efficiently corrected before transactions are authorised.

On the basis of the estimations made, as from next year DG MARKT will be able to analyse how these efficiency indicators evolve over time and/or compare them with relevant benchmarks.

Overall, during the reporting year, DG MARKT's controls of the management of budget appropriations were effective considering the policy achievements made. This is demonstrated by the absence of errors and the benefits of control in non-financial terms, including better value for money, deterrent effects, efficiency gains, system improvements and compliance with regulatory provisions.

The controls applied to procurement and grants management were necessary to comply with the regulatory requirements and were proportionate to the operational risks. In addition, it is estimated that the total costs of the controls applied, for instance, to planning, needs' identification, selection of tenders/proposals and contracting, were effective. The prevention of potential errors in the procurement/grant procedures was cheaper⁶⁴ than the costs of a legal proceeding⁶⁵ if an unsuccessful tenderer/candidate had lodged an appeal before the Court of Justice.

Procurement:⁶⁶ the cost of controls for planning, assessing needs and selecting tenders for 26⁶⁷ new procurement procedures corresponded to 11% of the total value of the related contracts signed in 2013. The cost of control of each procurement procedure was approximately EUR 25 000.

The cost effectiveness of the controls devoted to the planning phase is demonstrated by the fact that no projected calls for tender were cancelled and no services were discontinued in 2013 due to poor /ineffective planning. Moreover, the estimated average cost of control per tender during the planning phase (EUR 3 752) is certainly low compared to the cost of potential litigation if a service had been discontinued. Finally this amount can be considered effective if seen as a preventive measure to avoid procuring existing data or results that could have been obtained otherwise within the institution.

The controls applied to the phase of assessment and definition of procurement needs is estimated at EUR 9 247 on average per procurement procedure. The cost effectiveness of such controls is demonstrated by an average of 3.5 offers received for each procurement procedure. Only one procurement procedure received one offer. There have been no cases of litigation by unsuccessful tenderers.

⁶⁴ The average estimated costs of these controls corresponded to EUR 22 000 in 2013.

⁶⁵ Including human and time resources that the Commission would need to devote to such a case.

⁶⁶ Including the costs of financial initiation and verification and excluding the costs of ex-post controls .

⁶⁷ 24 procedures resulted in the signature of a contract; one procurement procedure had not yet been awarded by the end of December 2013 and another one resulted in the signature of framework contracts for different lots.

The costs of controls of the selection and evaluation of the offers were estimated at EUR 10 890 on average per tendering procedure. These were effective since economies were made (cfr. example under point 1.1.1) in respect of the most economically advantageous offers received and conflicts of interests and complaints were avoided, as was the risk of litigations or fraud. By applying the necessary ex-ante financial controls DG MARKT was able to exclude one bidder from EU tender procedures in 2013.

Grants:⁶⁸ an estimated EUR 46 693 was spent on controlling annual operating grants awarded to five beneficiaries for a total amount of EUR 9 150 000. The costs of controls in 2013 thus represented 0.5 % of the total grant amount.

Direct Grant Management –control indicators and 2013 values

Stage 1 – Programming, evaluation and selection of proposals

A – Preparation, adoption and publication of the Annual Work Programme and calls for proposals

Estimate of average cost of preparation, adoption and publishing an annual work programme and call for proposals	EUR 4 976
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B – Selecting and awarding: Evaluation, ranking and selection of proposals

Estimate of average cost per selected proposal	EUR 4 027
% cost over annual amount disbursed in grants	0.5 %
Time (in days) from proposal submission deadline to informing the applicants of evaluation results (compared with allowed maximum of 180 days)	102

Stage 2 – Contracting: Transformation of selected proposals into legally binding grant agreements

Grant value in the completed grant agreements over grant requested in the corresponding proposals	83 %
Time (in days) from informing the applicants of evaluation results to signature of the grant agreement (as compared with allowed maximum of 90 days)	23

Stage 3 – Monitoring the execution. This stage covers the monitoring of the operational, financial and reporting aspects related to the project and grant agreement

Estimate of cost/benefit ratio	4 %
Estimate of average cost per open grant	EUR 2 355
Average time to pay (in days)	19
Time (in days) from sending the debit note until day of cashing the debt	22

Stage 4 – Ex-post controls

A – Reviews, audits and monitoring

Ratio of annual cost of desk reviews compared with benefits	N/A (as no benefits identified in 2013)
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⁶⁸ Including the costs of financial initiation and verification and excluding the costs of ex-post controls.

B — Implementing results from ex-post audits/controls

Ratio of annual cost of implementing results of ex-post checks compared with benefits	N/A (no results needed to be implemented in 2013)
Time to recovery	N/A

Financial transactions: The estimated costs of controls for ensuring acceptance of deliverables and processing of payments are 3.5% (in monetary terms) of the total value of payments made in 2013. The estimated average cost of control per payment request processed was EUR 3 400.

4.5% of total commitments and payments were refused for correction.⁶⁹

22 days were needed on an average to make a payment.⁷⁰ This can be considered efficient considering the number of people and steps necessary to process a payment at DG MARKT. 15% of the total number of payments made in 2013 were paid late. The majority of delays were caused by the unavailability of credits.

Supervisory measures: an estimated cost of EUR 16 762 was devoted to supervisory controls. These were performed ex-post by the Accounting Correspondent and the Internal Audit Capability on 251⁷¹ transactions (commitments and payments including those related to 2013 procurement procedures, grants and subsidies) of a total value of EUR 52 285 273. This cost represented 0.032% of the value of the transactions reviewed. Since DG MARKT does not have a permanent ex-post control function (for efficiency reasons), these control are deemed efficient and cost effective for the possible identification of undetected fraud/errors and, more generally as a deterrent to the erroneous processing of the financial transactions in respect of the established circuits.

Fraud prevention and detection

DG MARKT has developed its anti-fraud strategy as set out in the Commission's overall anti-fraud strategy.⁷² On 19 December 2013, DG MARKT adopted its strategy including a detailed action plan whose aim is to maintain a high level of ethics and fraud awareness

⁶⁹ The total number of commitments, payments and invoices 'refused for corrections' (as recorded in ABAC) before validation from the AOSD were 87 in 2013. .

⁷⁰ Excluded payments related to grants.

⁷¹ 201 sampled transactions out of a total of 953 payments and commitments validated in 2013 were selected by the Accounting Correspondent and 50 transactions were selected by the IAC in the context of the annual financial review.

⁷² COM(2011) 376 24.06.2011.

among staff members; enhance the fraud focus within DG MARKT's existing procedures and practices, and promote an anti-fraud culture within the agencies under DG MARKT's remit. The implementation of the action plan started in December 2013 and is expected to be completed by 2015 at the latest with a qualitative survey of staff members' fraud awareness.

Considering the size of DG MARKT's budget, the type of expenditure, the established controls and the fully centralised financial circuits, the residual risk of fraud does not require temporary measures until the anti-fraud action plan is implemented in full. Appropriate controls continue to be performed to avoid fraud.

At DG MARKT the controls to prevent and detect fraud are not different from those intended to ensure the legality and regularity of the transactions and procedures. In the context of its financial verifications (ex-ante verification performed by its central financial unit and the ex-post verification of sample transactions-performed once a year by the Internal Audit Capability) DG MARKT reviews transactions, contracts, projects, tenderers and beneficiaries to identify any red flags for fraud. Procurement and grant procedures or transactions which are assessed as riskier are verified at two levels before the Authorising Officer approves them. This second financial verification and the ex-post financial verification of transactions performed by the Internal Audit Capability are executed by appropriate staff that have knowledge of fraud prevention and detection red flags. This control helps to identify the three dimensions (intention, opportunity and rationalisation) of potential fraud cases.

In the course of the year DG MARKT applied effective controls in procurement and grants management to prevent and detect fraud risks:

- one company which was being wound up but nonetheless bidding for public contracts was signalled for exclusion from further EC procurement procedures (See the control indicator in stage 1- procurement direct management: number of exclusions from participating in procurement procedures/awards)
- one case was transmitted to OLAF for further assessment (See the control indicator in stage 3 of the internal control template (ICT) direct grant management: number of potential fraud cases)

Other control objectives: use of resources for their intended purpose, reliability of reporting, safeguarding of assets and information

In respect of the reliability of its reporting, DG MARKT records its entries in ABAC. Entries are regularly checked by DG BUDG in the context of the validation of the local system.

DG MARKT protects classified and sensitive information if their disclosure would harm the interests of the institutions or the Member States or damage the interests of an individual or a legal entity (e.g. business secrets, copyright, personal data, commercial and financial information, third country negotiations, information on decision making processes).

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In 2013 DG MARKT decided to reinforce awareness on how to safeguard information by applying preventive controls and reminding staff about document management, IT security rules and best practices on how to protect personal data and keep certain data confidential.

DG MARKT applies Commission Decision C(2000)3602 on the protection of information systems. All identification and access controls to information systems are based on passwords which are recommended not to be disclosed; documents must be kept in a suitable location (i.e. protected drives or folders in the server); the installation of any IT equipment and software must be subject to authorisation from the Information Resources Manager (IRM). The deterrent control applied in this area consists in disciplinary actions for derogating from art. 17 Staff Regulation and other related provisions.

2.2 Budget implementation tasks entrusted to other services and entities.

This section reports and assesses the elements that support the assurance that internal control objectives have been achieved as regards budget implementation tasks carried out by other Commission services and entrusted to entities distinct from the Commission.

Cross-sub-delegations

In 2013 DG MARKT entrusted parts of its budget implementation to some other Commission services by a number of cross-delegations. The information reported by the entrusted Directorates-General is deemed reliable and sufficient to conclude on the efficient and effective use of resources for the intended projects. No irregularity or other issue has been raised in the context of the reporting on the implementation of funds.

Likewise, some other Directorates-General have provided DG MARKT with some credits in cross-sub delegations to contribute to shared activities/projects. The controls DG MARKT applied to the cross-delegated credits it received are identical to those applied for the execution of its own budget. Please refer to ICT (direct procurement management) under annex 5.

Cross sub-delegations to other Commission services

Directorates-General:	Amount (EUR) (Commitment appropriations)	Purpose
DIGIT	EUR 600 000	Internal Market Information System (IMI). External experts for maintenance of SOLVIT and new IT developments.
EMPL	EUR 130 000	Development of the 'AGORA' ⁷³ project (12.6% contribution to the cost of the project)

In 2013 DG MARKT made these cross sub-delegations with the understanding that funds would be used for the implementation of the projects and operations set out in the sub-delegation agreements. The agreements signed by the Authorising Officer in 2013 required the other Commission services to implement the appropriations in accordance with the relevant Service Level Agreement/ Memoranda of Understanding, the Commission's rules, responsibilities and accountability arrangements.

DG MARKT has acknowledged that the budget cross-sub-delegated to those Commission services has been managed under the same rules and internal control framework adopted by the Commission. This is evidenced by the Authorising Officer by sub-Delegation' reports on the implementation of DG MARKT's budget appropriations and confirmed by the lack of audit findings affecting these delegations.

Cross sub-delegations received from other Commission services

Directorates-General:	Amount (EUR) (Commitment appropriations)	Purpose
DIGIT	EUR 542 000	Provision of informatics services; analysis of open source software for trusted lists and e-signature creation/verification; definition of indicators for e-procurement performance, testing and definition of implementing actions.
REGIO	EUR 80 000	Contribution to the organisation of the event 'Social Entrepreneurs- Have your Say!'
COMM	EUR 80 000	Contribution to social media and web management in the context of the

⁷³ AGORA is a corporate information system to manage the organisation of experts groups and committee meetings. This system was conceived in the context of the IT rationalisation exercise.

		Commission's digital communication activities.
EMPL	EUR 170 000	Contribution to the organisation of the event 'Social Entrepreneurs- Have your Say!'
SANCO	EUR 166 625	<ul style="list-style-type: none"> • Co-financing for a feasibility study in view of the creation of a database containing all Union and domestic food labelling rules and creating mandatory labelling requirements per product. • Co-financing for awareness-raising activities for the promotion of the Your Europe Citizens portal.

The received credits were managed in accordance with sound financial management principles, in respect of public procurement rules and controlled according to the financial circuits established at DG MARKT. DG MARKT duly reported on the projects agreed and on the implementation of commitment and payment appropriations. No error/irregularity was detected or reported.

European Supervisory Authorities

A European System of Financial Supervisors (ESFS), consisting of three European Supervisory Authorities (ESAs) and the European Systemic Risk Board (ESRB), has been created to improve the EU's financial supervisory architecture. On 1 January 2011 the Lamfalussy Level Three Committees ('3L3') — which received action grants from DG MARKT in 2010 — were transformed into the European Banking Authority (EBA), European Securities and Market Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA).

The authorities' operating costs are funded by the National Supervisory Authorities (60%) and by the EU (40%) — ESMA is also funded by operators (credit rating agencies and trade repositories). The funding is based on the budget approved by the Budgetary Authority at the end of the preceding year. For the year 2013, the EU's total budgeted contribution was EUR 22 million.⁷⁴ The EU contribution actually paid to the authorities includes both the voted budget 2013 and the ESAs budgetary surplus 2011 (recovered by the Commission in 2012) and which are assigned revenues.

⁷⁴ 2013 General Budget — Internal Market, OJEU, II/551 of 08.03.2013.

Name of the agency	Policy	Amount of the subsidy paid by DG MARKT in 2013, EUR
European Banking Authority (EBA)	Financial services policy	12 534 860
European Insurance and Occupational Pensions Authority (EIOPA)	Financial services policy	8 811 712
European Securities and Markets Authority (ESMA)	Financial services policy	11 371 244

Regular meetings take place with the three Supervisory Authorities:

- An Adviser on Agencies and Authorities is attached to Directorate A, Resources. His role is to monitor how DG MARKT's agencies operate. He cooperates closely with the Heads of Administration and ensures follow-up on all questions related to procedures;
- Unit 02, Financial Services Policy, is in charge of coordinating between DG MARKT and the ESAs on horizontal operational, institutional and legal questions;
- Unit A2, Financial Resources and Internal Control, provides support for budgetary procedures and the implementation of Internal Control Standards;
- DG MARKT represents the Commission on the Management Boards of the three ESAs, usually through the Director or Head of Unit in charge at operational level, and/or the adviser to Directorate A. DG MARKT attended all Management Board meetings organised in 2012. DG MARKT has a vote on budgetary issues only;
- DG MARKT represents the Commission on the Boards of Supervisors of the three ESAs. The Director General or the Deputy Director General attends two Board of Supervisors meetings for each ESA each year. Other meetings, such as ad-hoc policy meetings, are attended by the Director or Head of Unit in charge at operational level.
- DG MARKT's participation in the Management Boards and Boards of Supervisors of the three ESAs, in addition to the regular meetings both at operational level and Adviser level, is essential for monitoring the work of the ESAs. Furthermore, the ESAs' Executive Directors and Heads of Administration meet with the DG MARKT Resources Director and staff from the Financial Resources and Internal Control Unit and/or the adviser whenever budgetary matters such as a draft budget procedure or budget execution need to be discussed in the context of the budgetary process and implementation as defined by DG BUDG.

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- The founding Regulation of the three ESAs requires the Commission to carry out a detailed review of the operation of the ESAs. The review is expected to be finalised and adopted by the Commission in April 2014.

2.3 Assessment of audit results and follow up of audit recommendations

This section reports on and assesses the observations and conclusions reported by auditors which could have a material impact on achieving the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

The DG is audited by independent internal and external auditors: its Internal Audit Capability (IAC), the Commission Internal Audit Service (IAS) and the European Court of Auditors (ECA).

DG MARKT implements a centralised monitoring of the implementation of all audit recommendations accepted by the management. The actions planned and carried out are monitored by the DG's Financial Resources and Internal Control Unit, which:

- notifies the units responsible for implementation of recommendations in due time to ensure that the agreed deadlines are respected;
- records the actions taken using a dedicated IT tools (for ECA and IAS recommendations) in order to report on progress to the respective auditors and the management.

ECA — Audits by the European Court of Auditors

In 2012 the European Court of Auditors initiated *the audit of the developments in the regulatory and supervisory systems launched by the Commission to address the crisis in the banking sector*. The main auditees are DG MARKT and the European Banking Authority. In 2013 the ECA submitted its preliminary findings followed by the response from DG MARKT. The ECA will issue the audit report in 2014.

No DG MARKT transactions were selected for review by the ECA in 2013, as part of the annual Statement of Assurance (DAS) exercise.

IAS — Audits by the Internal Audit Service

In 2013 the Internal Audit Service performed an *audit on HR management in response to the financial crisis in DG ECFIN, DG COMP and DG MARKT*. The final report for DG MARKT was issued in December 2013 and did not contain any critical recommendations. Overall, the IAS considers that DG MARKT demonstrated a very strong commitment to respond to the HR-related challenges arising from the policy responses to the financial crisis. However, DG MARKT still needs to further enhance its human resource management tools. In this regard IAS issued three very important recommendations,

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which concern human resource management strategy, annual planning and monitoring and reporting.

During the period of reference the IAS also carried out a *limited review on the performance of coordination with EU decentralised agencies*. The objective of the review was to assess the Commission's performance in its relationship with EU decentralised agencies and any risks arising from the agencies' activities to which the Commission may be exposed. The scope included all decentralised agencies, their parent DGs and horizontal Commission services providing administrative support to them. The review was closed in June 2013 with a confirmation that almost all risks had already been satisfactorily addressed by the Secretariat-General in its 'roadmap'.⁷⁵ The IAS will return in a year's time to review the implementation of actions and related controls in both the agencies and the Commission services.

Finally, following the completion of its preliminary survey the IAS decided to cancel *the audit on impact assessment for legislation in DG MARKT* taking into account the impact assessment-related procedural changes and improvements already planned across the Commission.

As regards the implementation of recommendations issued in previous years, in 2013 the IAS carried out a *follow-up audit on monitoring by DG MARKT of the application of public procurement rules in the Member States*. The IAS considers that all the recommendations addressed to DG MARKT that resulted from the audit⁷⁶ have been adequately and effectively implemented and can be closed.

Thus, as of the end of 2013, all IAS recommendations issued to DG MARKT had been implemented.

IAC — Audits and opinion of the Internal Audit Capability

During the period of reference, in accordance with its multiannual audit planning, the IAC finalised an *audit of the stakeholder consultation process* and launched two audits — in September an *audit on staff training and development* and in December an *audit on the process of management of infringements*.

The IAC *audit of the stakeholder consultation process* was performed to verify whether DG MARKT complies with the Commission guidance on consultations and whether the DG MARKT is efficient and effective in consulting with stakeholders. The auditors issued the final report with no critical recommendations, concluding that the internal control

⁷⁵ 'Roadmap on the follow-up to the Common Approach with concrete timetables for the planned initiatives', including an action list with deadlines set (by the end of 2014) for the implementation of remedial measures tackling the risks identified to which the Commission may be exposed, whether of an operational, reputational, safety, efficiency or governance nature.

⁷⁶ Final audit report of 'Monitoring by DG MARKT of the Application of Public Procurement Rules in the Member States' issued on 16 May 2011.

system and the governance processes in place provide reasonable assurance that the business objectives set for the stakeholder consultation process are being achieved. This is with the exception of three very important recommendations regarding: the planning of consultations, the DG's compliance with Commission guidance, and the transparency of the consultation process. Management has accepted all recommendations and submitted an action plan to implement the audit recommendations in the period up to the beginning of 2015.

The reports on the *audit on staff training and development* and for the *audit on the process of management of infringements* will be issued in 2014.

In addition, the IAC performed one consulting engagement. On 28 February 2014, it issued its final report on the annual financial review related to the 2013 transactions. The report concluded that all 50 transactions reviewed had been processed in accordance with DG MARKT's existing rules and financial circuits applicable to the selected transactions at the time of the review. The IAC did not identify any material errors and there was no financial loss to the Commission.

As regards the implementation of recommendations issued in previous years, in December 2013 the IAC carried out a desk review of the state of implementation of all open IAC recommendations that were being implemented during 2013. Overall, the implementation of the recommendations issued for the *audit on the management, planning and use of results of studies* and the *audit of Internal Market Information (IMI) System Project Management* was deemed to be satisfactory.

Based on the results of the audits carried out by the IAC of DG MARKT during 2013, the IAC believes that the internal control system in place at DG MARKT provides reasonable assurance regarding the achievement of the business objectives set for the audited processes. The IAC also declares that it is not aware of any further issue that might constitute a major weakness in DG MARKT's internal control system that could lead to a reservation in the report.

No critical recommendations have been issued by the IAC, IAS or ECA. The audit recommendations are being implemented as set out in the agreed action plans. Consequently, the management of DG MARKT believes that there are currently no assurance-related concerns.

3. ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS

The Commission has adopted a set of internal control standards (ICS), based on international good practice, to ensure that policy and operational objectives are achieved. In addition, as regards financial management, compliance with these standards is a compulsory requirement.

DG MARKT has put in place the organisational structure and the internal control systems suited to achieving the policy and control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

DG MARKT annually assesses the effectiveness of its key internal control systems. The DG's annual review of its implementation of the internal control standards in 2013 was based on an initial desk review by the Internal Control Coordinator's (ICC) staff with respect to both the ICS compliance and the effectiveness of the control arrangements in place, complemented by contributions from relevant horizontal units responsible for the implementation of the 16 ICS.

In addition, the assessment of internal control systems relied on a number of monitoring measures and sources of information including reports to the management; relevant audit results; the risk assessment process; and reported instances of exceptions, non-compliance events and internal control weaknesses. The underlying causes behind these exceptions and weaknesses were analysed and corrective and alternative mitigating controls were implemented when necessary. This analysis had enabled the ICC to report the satisfactory state of internal control to the Director-General together with suggestions for priority ICS for the following year.

DG MARKT carried out a number of measures to improve the implementation of the ICS prioritised for 2013: ICS 3 (Staff allocation and mobility), ICS 7 (Operational structure), and ICS 9 (Management supervision).

The main improvement actions and measures taken by the DG in 2013 included:

- Organising specific EPSO competitions (senior financial economists, intellectual property experts); carrying out an awareness-raising campaign on the e-CV tool; participating in a DG HR pilot project on developing a multi-annual HR strategic plan (ICS 3);
- Endorsing the methodology and the criteria for periodic screening of DG's sensitive functions and updating the list of sensitive functions accordingly, thus resolving the issue of partial non-compliance with ICS 7 reported for year 2012; approving a new short-term IT governance strategy (ICS 7);
- Reinforcing the supervision of studies at DG level (e.g. steering group for studies and issuance of a new comprehensive internal guideline); streamlining the approach to recording contacts with stakeholders (ICS 9).

The three main risks currently faced by the DG are: (a) the risk that planned regulatory initiatives or policy objectives may not be achieved or may be postponed due to new priorities set by the newly elected European Parliament and or Commission(er); (b) a risk of delays and bottlenecks in negotiations and adoption of DG legislative proposals by the Council and the Parliament, resulting in non-achievement of policy objectives; and (c) a risk that the functioning of the single market would be impeded or the position of the EU businesses in the global market would be weakened due to delayed or incorrect transposition or non-application of EU legislation. However, no 'critical' risk was identified by DG management for 2014.

The major risks identified for 2013 did not materialise in the reporting year, thanks in part to the proactive measures taken to mitigate them.

The DG takes continuous efforts to further enhance the effectiveness of its control arrangements. Therefore, despite overall compliance with and effective implementation of ICS in 2013, management takes the view that additional measures are still necessary to reinforce the assurance provided with regard to the following issues:

- The DG is developing its multi-annual HR management strategy. Furthermore, recent audit results revealed that further efforts are needed to enhance the DG's human resource management tools, a control aspect covered by ICS 3.
- Changes in methodology for drafting the DG's annual management plan (new requirements for measuring performance) have led to the decision to focus more management attention on performance measurement including systematic collection of data for monitoring and reporting purposes, a control aspect addressed by ICS 9.
- Finally, the ongoing staff re-allocation has led to an increased involvement and responsibility of every staff member in the area of document management. Therefore DG MARKT will focus on a more effective use of the document management tools, including clarification of roles, a control aspects covered by ICS 11 (Document management)

Thus ICS 3, ICS 9 and ICS 11 are prioritised in the DG MARKT Management Plan 2014.

In conclusion, the internal control standards in DG MARKT are implemented effectively and in compliance with the requirements. No weaknesses were identified in 2013 that may have a significant impact on the assurance in quantitative or qualitative terms.

4. MANAGEMENT ASSURANCE

4.1 Review of the elements supporting assurance

In order to reach a conclusion on the completeness and reliability of the information reported in Parts 2 and 3, DG MARKT considers the results of the management and auditors' activities performed in the context of established processes and expenditure operations. The following elements — stemming from the previous parts — support the Declaration of Assurance:

- an appropriate level of control carried out prior to each transaction and the results of the ex-post verification of a sample of transactions (by the accounting correspondent on a quarterly basis and by the IAC in its annual financial review), as well as the results of the on-the-spot checks performed on grant beneficiaries, the absence of cases received by the Ombudsman and the absence of legal proceedings initiated by tenderers/ contractors;
- absence of critical observations and recommendations issued by auditing bodies (ECA, IAS and IAC) and the IAC's annual opinion on the state of control;
- compliance with the established internal control standards;
- the implementation of very important audit recommendations, the monitoring and reporting mechanisms in place to ensure application of recommendations at the appropriate level, and the desk review performed twice a year by the IAC to verify the state of implementation of recommendations; and
- the reports received from Authorising Officers by Delegation to whom credits were cross sub-delegated.

The above elements provide a true and fair view of how activities were carried out in 2013. Resources were used for the intended purposes; sound financial management was applied; and legality and regularity and non-omission of significant information were ensured. DG MARKT has put in place suitable control measures to guarantee that assets and information are safeguarded, and to prevent, detect and correct fraud and irregularities.

In conclusion, DG MARKT considers that it has met its control objectives and assesses the information reported as complete, reliable and effectively supporting DG MARKT's Authorising Officer by Delegation's Declaration of Assurance for the year 2013.

DECLARATION OF ASSURANCE

'I, the undersigned,

Director-General of Directorate-General (DG) for the Internal Market and Services, in my capacity as authorising officer by delegation declare that the information contained in this report gives a true and fair view.⁷⁷

I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purposes and in accordance with the principles of sound financial management, and that the control procedures in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgment and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the work of the Internal Audit Capability, the observations of the Internal Audit Service and the Court of Auditors for years prior to the year of this declaration.

I confirm that I am not aware of anything not reported here that could harm the interests of the Commission'

Brussels, 26 March 2014

[signed]

Jonathan FAULL

⁷⁷ True and fair in this context means a reliable, complete and correct view on the state of affairs in the service.