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European Commission

2014

Annual Activity Report

DG Internal Market and Services

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INTRODUCTION

The DG in brief

The Directorate-General for Internal Market and Services (DG MARKT) was a policy-making department whose mission was to secure a prosperous economic future for everyone in the EU.

DG MARKT worked 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 strove to inform citizens and businesses about their rights and benefits in the single market.

DG MARKT worked to remove obstacles to the free movement of services and capital and to freedom of establishment. The DG was responsible for proposing legislation and monitoring the implementation of a European legal framework in financial services, public procurement, intellectual property, services, company law, accounting and auditing.

DG MARKT was a medium-sized DG, with approximately 650 staff. It met its targets under the Commission's equal opportunities strategy: as of 1 May 2014, the proportion of women in senior management, middle management and among other administrators stood at 36 %, 26.5 % and 46.5 % respectively. It had eight directorates with three to five units each to cover the broad spectrum of its activities. From 1 May 2014, it had a taskforce working to set up the Single Resolution Board (SRB), a key pillar of the banking union.

As the result of the Political Guidelines for the New Commission, issued on 15 July 2014 by President Jean-Claude Juncker and the reorganisation of Commissioners' portfolios, DG MARKT ceased to exist at the end of 2014. Its Directorates responsible for services, public procurement and knowledge-based economy policies were transferred to the new DG GROW, except the Intellectual Property Unit which joined DG CNECT. The Unit in charge of company law, corporate governance and fight against financial crime was transferred to DG JUST. A new Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) was created, which groups the former DG MARKT Directorates in charge of financial services and markets policy and part of a Directorate of DG ECFIN in charge of macro-prudential surveillance and policy.

DG FISMA is responsible for initiating and implementing policy in the area of Banking and Finance. It is based in Brussels and has a staff of approximately 380. It works under the political authority of Commissioner Jonathan Hill and contributes to projects steered by Vice-Presidents Jyrki Katainen (in charge of Jobs, Growth, Investment and Competitiveness) and Valdis Dombrovskis (in charge of the Euro and Social Dialogue).

The year in brief

2014 was a challenging but effective year for DG MARKT. The DG played a leading role in pursuing many of the Commission's top priorities, as set out in its 2014 work programme.

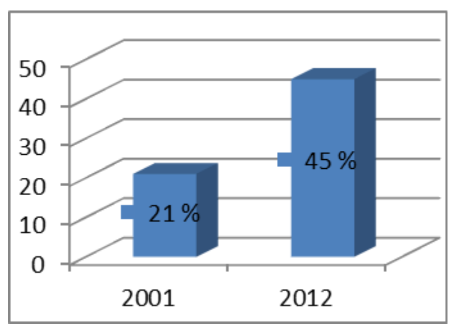
In the field of financial services, main achievements include the bank regulatory reform (Single Resolution Mechanism, Single Resolution Fund, setting up of the Single Resolution Board), the Directive and Regulation on Markets in Financial Instruments (MiFID II), the Market Abuse Directive and Regulation, and the reform of the EU statutory audit market.

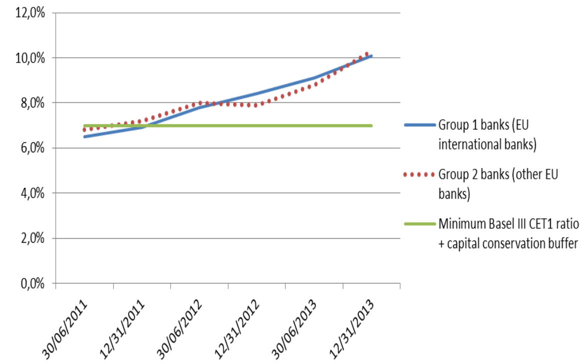
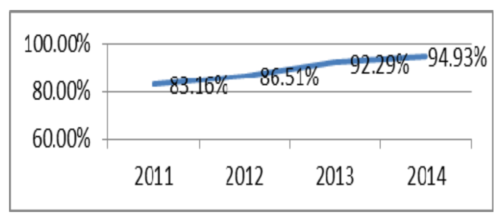
In the single market field key events include the adoption of the Directive on collective rights management and the multi-territorial licensing of rights in musical works for online uses, the creation of the EU Orphan Works registry, the EU action plan to address infringements of intellectual property right, the strategy for the protection and enforcement of intellectual property rights (IPR) in non-EU countries, the Green paper on the protection of geographical indications for non-agricultural products, the Report and recommendations from the High-Level Group on Business Services, the Recommendation on online gambling services.

EXECUTIVE SUMMARY

Key performance indicators from the 2014 management plan

The following key performance indicators (KPIs) were selected in the 2014 management plan as the most relevant for vetting DG MARKT's activity. DG MARKT was a policy-making DG, so the impact of its activity is influenced by external factors such as the economic and financial situation, national policies or the activity of others.

Result/Impact indicator (description)	Trend	Target (or milestones)	Latest known results (see Annual Activity Report)
Level of e-procurement	☺	100% in 2018 Requirement under new public procurement Directive	10.6% in 2011 No recent data available (Study on e-procurement uptake to be finalised in Q2 2015. For those MS that reported, the average uptake has increased from 34% in 2012 to 41% in 2013.)
Performance of points of single contact (PSCs)	😐	By 2015: No MS in low performance category. Increase number of MS in high performance category (to at least 10)	This information comes from the study that is still ongoing. Data from January 2015: - number of Member States in low performance category: 1 - number of Member States in middle performance category: 25 - number Member States in high performance category: 2
Proportion of cross-border originating investment funds	😐	Maintain current growth trend The Commission — with support from the European Securities and Markets Authority (ESMA) — regularly assesses possible obstacles to cross-border UCITS) (undertakings for collective investment in transferable securities) investments.	 Figures for 2013 and 2014 not available. Market monitoring indicates that 2012 figure is still representative.
Capital ratios of banks — measured against new qualitative requirements	☺	Ensure that at any time, the capital ratio of banks meets the capital requirements of CRD IV/CRR (7%)	*Developments in the common equity tier 1 capital ratio (CET1) under the fully implemented CRR/CRD IV*

Result/Impact indicator (description)	Trend	Target (or milestones)	Latest known results (see Annual Activity Report)
under CRD IV/CRR			 *Source: EBA reports on Basel III monitoring exercise*
Anti-fraud strategy and other KPIs			The following indicators are representative of DG MARKT's contribution to the internal control objectives (Financial Regulation - Article 32.2):
	😐	70% positive response rate	• degree of awareness of anti-fraud measures following the adoption of an anti-fraud strategy at DG MARKT: this will be assessed as part of a survey to be run in the first semester of 2015. (see Section 2.1)
	☺	90% by 2015	• percentage of payments executed within contractual time limits: 
	☺	0 (no cases of complaints or appeals)	• legal proceedings started or complaints/appeals lodged by General Court of Court of Justice following a procurement procedure (2011-14): 0 cases;

Policy highlights of the year (executive summary of Part 1)

The EU financial system is properly supervised, stable, efficient, consumer-friendly and at the service of the EU economy.

EU financial regulation is work in progress. 2014 saw major steps towards an integrated market for banks, insurers and financial conglomerates.

Banking union

Single supervisory mechanism

On 4 November 2014, the European Central Bank (ECB) assumed responsibility for the supervision of the most significant banks in the euro area. It now directly supervises 120 significant banks and, within the single supervisory mechanism (SSM), also has indirect responsibility for roughly 3 500 smaller institutions.

The development of the ECB's banking supervision tasks is seen as the biggest leap forward in European financial integration since the introduction of the single currency in 1999. The aim is to sever the financial link between Member States and their banks, to create a supervisory culture with a European rather than a national focus and to promote the single market by reducing the fragmentation of the financial system caused by the 2007-08 global financial crisis.

Alongside the ECB's new supervisory activities, the Commission has taken a number of initiatives to create a safer and sounder financial sector for the single market. These include stronger prudential requirements for banks, improved depositor protection and rules for managing failing banks. They form a single rulebook for all financial actors in all Member States which represents the foundation of banking union.

As the financial and economic crisis went on, it became clear that, for the countries that shared the euro and were even more interdependent, a deeper integration of the banking system was needed.[1] Hence, on the basis of the Commission's roadmap for the creation of banking union, the EU institutions agreed to establish a single supervisory mechanism (SSM) and a single resolution mechanism (SRM) for banks. In 2014, the SSM became fully operational, with the ECB as supervisor.

Single resolution mechanism

In April, the European Parliament and the Council backed the Commission's proposals and on 15 July the Council adopted a Regulation establishing a single resolution mechanism (SRM) for failing banks (SRM, Bank Recovery and Resolution Directive and Deposit Guarantee Schemes Directive). The SRM Regulation entered into force on 19 August. The SRM will apply from 1 January 2016, except for the resolution planning powers of the SRB, which apply from 1 January 2015.

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[1] Banking union applies to countries in the euro area, but other Member States can join.

The SRM will complement the SSM and ensure that, if (notwithstanding stronger supervision) a bank subject to the SSM faces serious difficulties, its resolution can be managed efficiently with minimal costs to taxpayers and the real economy. The SRM will apply to all banks in the euro area and in other Member States that opt to participate. The legislation provides for the national resolution authorities then to implement the resolution scheme in accordance with national law, including provisions transposing the Bank Recovery and Resolution Directive (BRRD).

The Single Resolution Board (SRB) is a key element of banking union and the SRM. On 1 May 2014, a taskforce in DG MARKT started work to set up the SRB as a new independent EU body. The SRB is the resolution authority for European banking union. It works in close cooperation with the national resolution authorities of participating Member States to ensure the orderly resolution of failing banks with minimal costs for taxpayers and the real economy.

The SRB will prepare resolution plans and carry out the resolution of banks that fail or are likely to fail. It will also manage the Single Resolution Fund, a pool of money financed by the banking sector which will be set up to ensure that medium-term funding support is available while a credit institution is being restructured.

The SRB has been operational as an independent EU agency since 1 January 2015. It has started work on developing resolution plans for credit institutions and will be fully operational, with a complete set of resolution powers, from January 2016.

Common recovery and resolution tools: the Bank Recovery and Resolution Directive

The Bank Recovery and Resolution Directive (BRRD) was adopted in Spring of 2014. It is the single rulebook for the resolution of banks and large investment firms in all Member States. It harmonises and upgrades tools for dealing with bank crises across the EU. Banks will be required to prepare recovery plans to overcome financial distress, while authorities will set out plans to resolve failed banks so as to preserve their most critical functions and avoid taxpayers having to bail them out. Authorities are granted a set of powers to intervene in banks' operations to avoid them failing. If they do face failure, authorities are equipped with comprehensive powers and tools to restructure them, with clear guidelines for the allocation of losses to shareholders and creditors.

National resolution funds are set up that, in the case of euro-area Member States, will be replaced by the Single Resolution Fund as of 2016. There are precise arrangements for cooperation between home and host authorities at all stages of cross-border resolution, from resolution planning to resolution itself, with the EBA playing a key role in coordinating and mediating in the event of disagreement.

Strengthening deposit guarantee schemes

In April, the European Parliament adopted the Commission's proposal for a revision of Directive 94/19/EC on deposit guarantee schemes (DGSs) and the new Directive was published in the *Official Journal* on 12 June 2014.

The Directive ensures that depositors will continue to benefit from guaranteed coverage of €100,000 in the event of bankruptcy, backed by funds to be collected in advance from the banking sector. It lays down financing requirements for DGSs for the first time since their introduction in

1994. In addition, access to the guaranteed amount will be easier and faster. Repayment deadlines will be gradually reduced from the current 20 working days to seven in 2024.

These new rules will benefit all EU citizens: their savings will be better protected and they will be able to choose the best savings products available in any Member State without worrying about different levels of protection. Depositors will be provided with better information to ensure that they are aware of how their deposits are protected.

New legislative framework for markets in financial instruments

June 2014 saw the publication of the Directive on Markets in Financial Instruments repealing Directive 2004/39/EC (MiFID II) and the Regulation on Markets in Financial Instruments (MiFIR). Member States have two years to transpose the new rules, which will apply from January 2017. The new framework aims to make financial markets more efficient, resilient and transparent. It introduces a market structure that closes loopholes and ensures that, where appropriate, trading takes place on regulated platforms. It introduces rules on high-frequency trading. It improves the transparency and oversight of financial markets, including derivatives markets, and addresses the issue of excessive price volatility in commodity derivatives markets.

A new framework will improve conditions for competition in the trading and clearing of financial instruments. Building on the rules already in place, the revised MiFID strengthens the protection of investors by introducing robust organisational and conduct requirements and strengthening the role of management bodies. It gives regulators a greater supervisory role and new powers to prohibit or restrict the marketing and distribution of certain products in particular circumstances. There will be new harmonised arrangements for granting firms from non-EU countries access to EU professional markets on the basis of an equivalence assessment by the Commission of the countries' jurisdictions.

New framework on market abuse

The Market Abuse Regulation (No 596/2014) and the Directive on criminal sanctions for market abuse (Market Abuse Directive - 2014/57/EU) were adopted in April 2014. The Regulation will enter into force in July 2016. Member States have two years to transpose the Directive into national law. The new rules update and strengthen the existing arrangements for ensuring market integrity and investor protection under the current Market Abuse Directive, which will now be repealed.

Key information for investors

In April 2014, the European Parliament endorsed the Commission's 2012 proposal for a key information document (KID) giving investors simple, clear and understandable key facts on collective investment schemes and other 'packaged' investment products offered by banks or insurance companies.

Payments Account Directive

The Directive on the transparency and comparability of payment account fees, payment account switching and access to a basic payment account (2014/92/EU) is a major step towards a genuine single market for retail financial services, bringing numerous benefits to EU citizens. By establishing the right of citizens to a basic payment account irrespective of their place of residence or financial situation, it removes the obstacles that many face in accessing basic banking services across borders. The Directive also substantially improves the transparency of bank account fees and makes it easier to switch accounts from one bank to another.

The Mortgage Credit Directive

The Mortgage Credit Directive (2014/17/EU) on credit agreements for consumers relating to residential immovable property was adopted on 4 February 2014. It aims to create a Union-wide mortgage credit market with a high level of consumer protection. It applies to both secured credit and home loans. Member States have to transpose it into national law by March 2016.

Company law and corporate governance

Corporate governance and company law are essential to ensure that companies are well-governed and sustainable in the long term; they therefore have an important role to play in the long-term financing of the European economy.

In April 2014, the Commission adopted a **proposal for a revision of the Shareholders' Rights Directive** to improve corporate governance in Europe's 10,000 listed companies. A key element of the Directive is giving shareholders a say on the pay of senior executives.

The **Recommendation on the quality of corporate governance reporting**, adopted on the same day, aims to improve the functioning of the 'comply or explain' approach, whereby companies choosing to depart from the applicable corporate governance code must explain why.

The **Single-Member Limited-Liability Companies Directive** aims to standardise requirements for the creation of companies with a single shareholder. It will remove the burdensome process of registering subsidiaries and make it easier for SMEs to operate across the EU.

An integrated and well-functioning single market brings benefits for citizens and businesses and is conducive to growth and jobs.

Public procurement

DG MARKT achieved most of its milestones for 2014 and is on course to meet all its multiannual objectives.

The p**ublic procurement reform** and the new **Directive on the award of concessions** (which together constitute one of the 12 priorities of the Single Market Act I) entered into force in April. The **Directive on e-invoicing in public procurement** was adopted in December 2014. It will help eliminate barriers to cross-border public procurement by ensuring interoperability between national e-invoicing systems, thus paving the way to faster payments and opening new business opportunities for suppliers. It will also further reduce the cost and complexity of public procurement in Europe. One of the priorities of the Digital Agenda, e-invoicing is an important step towards paperless public administration (e-government) in Europe and promises significant economic and environmental benefits. The adoption of e-invoicing in public procurement alone across the EU could generate savings of up to €2.3 billion a year.

Intellectual and industrial property rights

Directive 2014/26/EU on collective rights management and the multi-territorial licensing of rights in musical works for online uses was adopted in February 2014. It aims to improve the functioning of collective management organisations, which act as intermediaries between holders of copyright and related rights in a variety of industries, such as music, books and film, and service-providers intending to use their works. The Directive lays down rules on the governance and transparency of the organisations and gives right holders a say in the management of their rights. It also contains rules to facilitate the organisations' multi-territorial licensing of authors' rights in musical works for online use. It will help online service-providers offer a large number of musical works in several territories with a single licence. The adoption of this Directive is therefore key for the creation of the 'digital single market'.

In July 2014, the Commission further adopted an ***action plan to address infringements of intellectual property rights in the EU, setting*** out a range of measures to focus the EU's IPR enforcement policy on commercial-scale infringements and a ***strategy for the protection and enforcement of intellectual property rights (IPR) in third countries*** exploring how the Commission can better promote enhanced IPR standards in non-EU countries and stem the trade in IPR-infringing goods.

Services

In April, the Commission published a report and recommendations from the High-Level Group on Business Services. The Group analysed the main trends that have an impact on business services in Europe, identified barriers to their growth and made several recommendations to the Commission.

In July, the Commission adopted a **Recommendation on online gambling services**. It encouraged Member States to pursue a high level of protection for consumers, players and minors by adopting principles for online gambling services and responsible advertising and sponsorship of those services. The principles should safeguard health and minimise any economic harm that may result from compulsive or excessive gambling.

Other

Given the intense regulatory activity in recent years, the workload linked to implementation, enforcement and market monitoring in the context of the European Semester increased. DG MARKT was responsible for monitoring a significant number of implementing and regulatory technical standards (level-2 measures) imposed by legislation in the area of financial services.

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

In 2014, in line with the Commission's governance statement, DG MARKT conducted its operations in compliance with the applicable laws and regulations, working in an open and transparent manner according to high professional and ethical standards.

The Commission has adopted a set of internal control standards, based on international good practice, aimed at ensuring the achievement of policy and operational objectives. As required by the Financial Regulation, the Director-General has put in place a suitable organisational structure and internal control systems to achieve the policy and control objectives in line 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 selected internal control systems in the reporting year and concluded that the internal control standards are implemented effectively. Furthermore, DG MARKT has taken measures to further improve the efficiency of its internal control systems in the area of financial management (see Part 3).

In addition, DG MARKT has systematically examined the available control results and indicators, including those for supervising entities to which it has entrusted budget implementation tasks, and the observations and recommendations of internal auditors and the European Court of Auditors. These have been assessed to determine their impact on management's assurance as regards the achievement of control objectives (see Part 2).

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended, risks are being monitored and mitigated appropriately, and necessary improvements have been implemented. The Director-General has signed the declaration of assurance in his capacity as authorising officer by delegation.

Information to Commissioners

On 18 March 2015, the assurance declaration and the main elements of this report, referring primarily to activities in the fields of financial services and capital markets, were brought to the attention of Commissioner Hill, who has been responsible for the new Financial Stability, Financial Services and Capital Market Union Directorate-General (DG FISMA) since November 2014.

The report was also sent for information to Elżbieta Bieńkowska, the new (2014-19) Commissioner for Internal Market, Industry, Entrepreneurship and SMEs, Věra Jourová, Commissioner for Justice, Consumers and Gender Equality, and Günther Oettinger, Commissioner for the Digital Economy and Society.

1. POLICY ACHIEVEMENTS

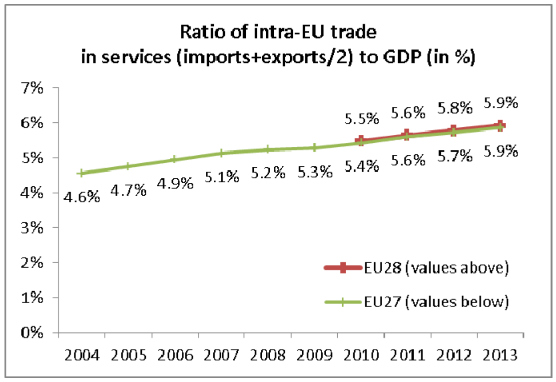
1.1 Achievement of general and specific objectives

1.1.1 Policy area: single market

General objective: An integrated and well-functioning single market brings benefits for citizens and businesses and is conducive to growth and jobs.		☒ Non-spending
N.B. The policies under the responsibility of DG MARKT are aimed at creating a regulatory environment which facilitates single market integration. However, the effects of our policies can become visible only gradually due to the 'path-dependency' in most economic activities. The selected impact indicators are shaped by many other strong factors, such as current and expected GDP growth in the EU, GDP growth outside the EU,[2] natural non-administrative barriers (e.g. lack of language skills to operate abroad), labour costs and corporate tax differences. Trade and foreign direct investment intensities are, therefore, usually correlated. The technological development (technical tradability)[3] of services and infrastructure development are also specifically relevant for services: the more services can be sold directly across borders, the less establishment is required (e.g. due to better IT and/or transport networks).		
Impact indicator: Intra-EU trade in services measured by average intra-EU imports and exports of services related to GDP **Definition:** Services play a major role in all modern economies. An efficient services sector is considered crucial for trade and economic growth and for dynamic and resilient economies. Services provide vital support to the economy and industry as a whole, e.g. through finance, logistics and communications. Increased trade in services and their widespread availability may boost economic growth by improving the performance of other industries, since services can provide key intermediate inputs, especially in an increasingly interlinked and globalised world. **Source:** Eurostat (last data update 26.6.13, extracted 15.11.13); indicator applies to activities of Directorate E (now carried out by DG GROWTH).		
Baseline	**Current Situation**	**Target**
Intra-EU trade in services average intra-EU imports and exports of services	**Intra-EU trade in services** average intra-EU imports and exports of	Long-term increase in intra-EU trade of services (consolidate

2 Non-EU markets may become relatively more attractive.

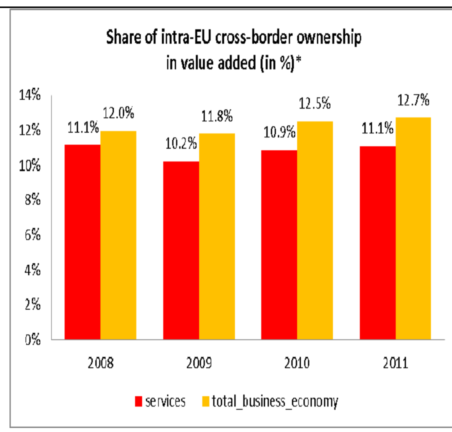
3 The tradability of a good or service denotes the extent to which it can be sold in markets distant from where it was produced.

related to GDP 2007:EU27-5,1% **Source:** Eurostat, bop_its_det, nama_10_gdp	services related to GDP (2007-12)  Services = BoP 'post' code 200. **Source:** Eurostat, bop_its_det, nama_10_gdp	positive trend)

Impact indicator: Intra-EU establishment levels in services and other sectors

Definition: Intra-EU establishment is a channel of integration complementing trade in services. It is strongly related to intra-EU cross-border direct investment.

Source: Eurostat; MARKT B.2; indicator applies to activities of Directorate E (now carried out by DG GROWTH).

Baseline	Current Situation	Target
Share of intra-EU cross border ownership in value added 2008: services-11,1% 2008: total business economy-12% **Source:** Eurostat	 * Estimate — data availability for countries and sectors varies across time. Services = NACE Rev. 2, D-N except K Total business economy = NACE Rev. 2, B-N, except K and S95 (B-N_S95_X_K) **Source:** Eurostat, fats_g1a_08	Long-term increase in intra-EU establishment levels in services and other sectors (increase current trend)

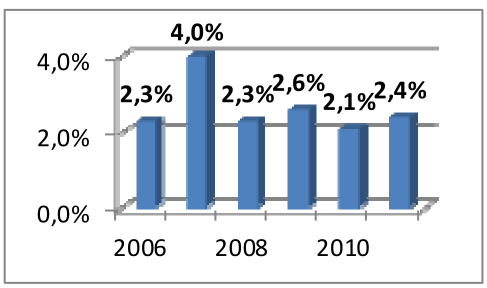
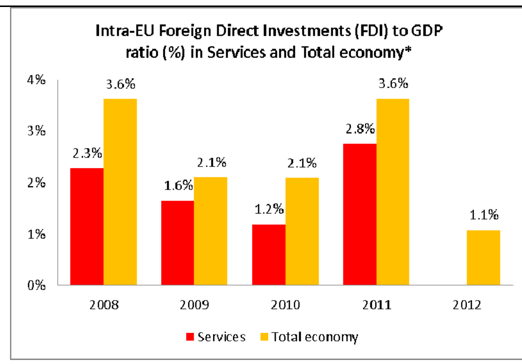
<table>
<tr><td colspan="3">Impact indicator: Intra-EU direct investment, average inward and outward direct investment flows divided by GDP

Definition: In a world of increasing globalisation, where political, economic and technological barriers are rapidly disappearing, a country’s ability to participate in global activity is an important indicator of its performance and competitiveness. If it is to remain competitive, its modern-day business relationships must extend well beyond the traditional foreign exchange of goods and services, as witnessed by businesses’ increasing reliance on mergers, partnerships, joint ventures, licensing agreements and other forms of business cooperation.

Intra-EU direct investment may be seen as an alternative economic strategy adopted by businesses that invest to establish a new plant/office or purchase existing assets of a foreign business. These businesses seek to complement or substitute external trade by producing (and often selling) goods and services in countries other than where they were first established.

Source: Eurostat (last data update 26.6.13, extracted 15.11.13)</td></tr>
<tr><td>Baseline</td><td>Current situation</td><td>Target</td></tr>
<tr><td>Intra-EU direct investment

average inward and outward direct investment flows divided by GDP (2006-11)


</td><td>

* Average inward and outward net FDI based on Eurostat BoP statistics.
Services: NACE Ver. 2 codes G–U
Source: Eurostat, bop_fdi_flow_r2</td><td>Long-term increase in intensity of intra-EU direct investment (increase current trend)</td></tr>
</table>

Short narrative:

As evidenced above, the Intra-EU trade in services in relation to GDP shows a growing trend that was not affected by the financial crises of recent years. The intra-EU foreign contribution to added value (a proxy for GDP) stabilised during the crisis period at around 11%; a longer data series is required to judge whether there is a positive trend. As far as intra-EU foreign direct investments are concerned, fluctuations are to be expected, especially during times of financial crisis; again, we need a longer time series to judge the trend.

The graphs present the latest available Eurostat figures. Any data discrepancy between the baseline and current measurement is due to revision of the figures by Eurostat.

Conclusion

As evidenced above, the part of the policy managed by the DG relating to the single market is on

course to meet its multiannual objectives for this objective and made progress in achieving the annual performance indicators or outputs and milestones in the reporting year.

1.1.2 Policy area: financial services

General objective: The EU financial system is properly supervised, stable, efficient, consumer-friendly and at the service of the EU economy.	☒ Non-spending
N.B. The indicators are based on readily available and easily verifiable aggregate data that reflect wider financial stability and financing conditions in the EU. However, careful interpretation is required when assessing the data. The financial stability indicators, e.g. credit default swap (CDS) spreads, are market-based indicators that are highly volatile and driven by market sentiment and a whole range of other factors that may not be directly driven by DG MARKT regulation. Continuous monitoring (rather than a simple daily snapshot) is required to observe and understand trends in the CDS data. The financing indicators (value of loans/debt/equity issued) are not only influenced by regulation and other supply factors, but also depend on demand for finance in the economy, which is generally unrelated to regulation. Increases in the values of these indicators indicate more finance flowing to the economy, but further analysis is required to understand how much of this is driven by regulation. The activities of the three European supervisory authorities (ESAs) for banking, insurance and securities set up in 2011, and of the European Systemic Risk Board (ESRB), contribute to the achievement of this general objective. It is not possible to establish a robust indicator directly and regularly measuring the impact of their activities, but this will be assessed through regular reviews every three years, the first of which is currently under way and has resulted in two reports (one on the ESAs and one on the ESRB) published by the Commission in 2014.	
Impact indicator: CDS spreads on sovereign bonds **Definition:** The CDS spread on a sovereign bond serves as an indicator for the likelihood of default (failure to pay), or another credit event. An increase in the spread indicates an increase in the probability of default. **Source:** five-year CDS spreads from Bloomberg	

Baseline and current situation[4]						Target
Date:	DE	ES	FR	UK	IT	Continuous monitoring and avoid spikes
31DEC2012	41.8	299.5	93.5	41.4	289.0	
31DEC2013	25.5	153.9	54.0	26.2	168.3	
31DEC2014	17.7	95.6	47.0	21.8	136.1	

Impact indicator: CDS spreads on financial institutions (banks in particular)

Definition: CDS spreads on corporates (financial institutions, banks) bonds serve as an indicator for a 'credit event' whereby the corporate issuer defaults on its payment commitments. An increasing value for the spreads is an indicator of increased probability of default.

Source: Bloomberg (Global CDS Chart screen GCDS) – five-year CDS spreads for banks in Europe

Baseline	Current situation	Target
31.12.2012: 277 bp 31.12.2013: 141 bp *Daily market data*	31.12.2014: 103 bp	Continuous monitoring and avoid spikes

Impact indicator: Loans by banks to non-financial corporates

Definition: This indicator measures the volume of loans provided by the monetary financial institutions (MFIs) to non-financial corporates (NFC), i.e. businesses, in a given year. An increase indicates an improvement in the financing available to businesses.

Source: ECB Statistical Data Warehouse

Baseline	Current situation	Target
31.12.2012: € 5,675 billion 31.12.2013: € 5,434 billion *Monthly data*	30.11.2014 (latest available data): € 5,241 billion	Continuous monitoring of loans provided to the economy

[4] Reliable spreads for Greek credit default swaps are currently not available, and have been replaced by CDS spreads for the UK. Trading in Greek CDS is limited, and the spreads displayed in Bloomberg are derived in a non-transparent way.

Impact indicator: Value of equity issued **Definition:** Value of equity issued serves as an indicator of equity issued (in the euro area) in a particular year by NFCs to the public. This refers to gross issues of quoted shares by NFCs. **Source:** ECB Statistical Data Warehouse		
Baseline	**Current situation**	**Target**
31.12.2012: € 43,930 million 31.12.2013: € 55,942 million *Monthly data*	30.11.2014 (latest available data): € 58,154 million	Continuous monitoring of volume of equity issued
Impact indicator: Value of debt securities issued **Definition:** The value of short-term and long-term debt securities issued serves as an indicator of the debt securities issued in a particular year by NFCs to the public. This refers to gross debt securities by NFCs. **Source:** ECB Statistical Data Warehouse		
Baseline	**Current Situation**	**Target**
31.12.2012: € 992,931 million 31.12.2013: € 918,379 million *Annual and monthly data*	December 2014 (euro area only): € 650,988 million	Continuous monitoring of volume of bonds issued

N.B. For 'value of equity issued', the baseline was updated to reflect revised data reported by the data source.
For 'loans by banks to non-financial corporates' and 'value of debt securities issued', the baseline was adapted to better capture the objective of the indicator. The previous methodology did not take into account the full data availability and thus partially reflected the target to be achieved.

The targets for the 'loans by banks to non-financial corporates', 'value of equity issued' and 'value of debt securities issued' were adjusted to better reflect DG's influence on the performance of these indicators.

Short narrative

The positive development of financial market integration continued to improve in most of the financial market segments in 2014.

In the government bond market, the indicators show a clear improvement and their evolution reflects the different dynamics in the euro-area economy in 2014. Corporate bond spreads (for financial institutions, and banks in particular) mirrored the improvement in the government bond markets.

The level of equity securities issued to the public helped to strengthen NFCs' capital position. The value of debt securities issued by NFCs to the public cannot be properly assessed, as full data are not yet available (in particular, data for the non-euro-area Member States have yet to be published).

Overall, performance indicators in all market segments showed signs of improvement. The annual indicators thus reflect a properly supervised, stable, efficient and consumer-friendly EU financial system in the reporting year.

Conclusion

As evidenced above, the part of the policy managed by the DG relating to financial services is on course to meet its multiannual objectives for this objective and made progress in achieving the annual performance indicators or outputs and milestones in the reporting year.

1.1.3 ABB activity: single market policy and free movement of services

Relevant general objective: An integrated and well-functioning single market brings benefits for citizens and businesses and is conducive to growth and jobs.	
Specific objective: Citizens and businesses know about and can exercise their single market rights swiftly in all Member States	☒ Non-spending

Result indicator: Performance of *Your Europe* in terms of language coverage and number of visits

Definition: *Your Europe* is an EU site that offers citizens and businesses:

- information on basic rights under EU law;
- information (through links to national portals or information provided by national authorities) as to how these rights are implemented in each country; and
- free email or telephone contact with EU assistance services, to get more personalised or detailed help and advice.

Source: *Your Europe* web portal

Baseline	Milestone	Current Situation:	Target
End 2012: 7 out of 8 sections in the 'citizens' part fully operational in 22 languages	2014: EU content of all 8 sections complete in 23 languages	End 2014: full multilingual coverage of all sections dedicated to EU rights for citizens and businesses	By end 2015: full multilingual coverage of sections dedicated to all EU rights for citizens and businesses, including all relevant national information on rules and procedures
4,3 million visits/year	8 million visits/year	9,6 million visits/year	10 million visits/year *Projections based on historical data*

Result indicator: Performance of SOLVIT in terms of number of cases received

Definition: SOLVIT is an online problem-solving network in which Member States work together to solve, without legal proceedings, problems caused by the misapplication of internal market law by public authorities. SOLVIT Centres in every Member State (and also in Norway, Iceland and Liechtenstein) can help by handling complaints from both citizens and businesses. Part of the national administration, they are committed to providing real solutions to problems within 10 weeks. Using SOLVIT is free of charge. The Commission coordinates the network, which is operated by the Member States; it provides the database facilities and, when needed, helps to speed up the resolution of problems. It also passes formal complaints on to SOLVIT if there is a

good chance that the problem can be solved without legal action. **Source:** SOLVIT/IMI application

Baseline	Milestone	Current Situation	Target
End 2012: 1 238 cases (within SOLVIT remit) received	2014: 1 550 cases (25 % increase)	End 2014: 2 368 cases (91 % increase)	By end 2015: 40 % more cases handled with the same speed and quality

Result indicator: Performance of IMI in terms of policy areas covered **Definition:** The internal market information (IMI) system is a secure online application that allows national, regional and local authorities to communicate quickly and easily with their counterparts abroad. IMI helps users find the right authority to contact in another country and communicate with them using pre-translated standard questions and answers. IMI is a reusable tool that can support the most common forms of administrative cooperation under single market law. It will speed up cross-border procedures for the ultimate benefit of citizens and businesses. **Source:** IMI application

Baseline	Milestone	Current Situation	Target
End 2012: 4 policy areas (professional qualifications, services, posting of workers, euro cash in transit)	End 2014: 10 policy areas	End 2014: 15 modules within 8 policy areas — new PQ notification module for architects and health professions, information request and notification module for train drivers' licences	Expansion to 15 policy areas by end 2015

Result indicator: Duration of infringement procedures in key areas under DG MARKT's responsibility as defined in the Governance Communication (COM(2012) 259) **Definition:** Each Member State is responsible for implementing EU law (adopting implementing measures before a specified deadline, conformity and correct application) within its own legal system, but the Commission is responsible (Article 258 of the Treaty on the Functioning of the European Union) for ensuring that it is applied correctly. Consequently, where a Member State fails to comply with EU law, the Commission has (action for non-compliance) powers to try to bring the infringement to an end and, where necessary, to refer the case to the European Court of Justice. The speedy handling of complaints contributes to the full implementation of EU law by Member States and thus enables citizens and businesses to assert their rights.

Source: *Annual report on single market integration* (COM(2013) 758)

Baseline	Milestone	Current Situation	Target
25.10.2013: 35,2 months (average)	2014: 25 months	1.10.2014: 17,5 months (average)	By end 2015: 18 months (average)

Result indicator: Performance in transposing DG MARKT's directives (transposition deficit)

Definition: The transposition deficit refers to the number of 'DG MARKT' directives the transposition of which has not yet been communicated to the Commission, expressed as a percentage of the total number of 'DG MARKT' directives that should have been transposed.

Late or incorrect implementation can deprive businesses and citizens of their rights.

Source: Online *Single Market Scoreboard* (July 2013)

Baseline	Current Situation	Target
May 2013: 0,2 %	10 November 2014: 1,2 %	1 % for all Member States *Target agreed by the European Council*

Main outputs in 2014

Description	Indicator	Current Situation	Target
Annual report on single market integration to strengthen economic underpinnings of single market policies, in particular their contribution to economic growth and job creation	Adoption	No publication in 2014; release pending decision on streamlined reporting in DG GROWTH	End 2014
Second edition of online *Single Market Scoreboard*, a comprehensive tool to monitor Member States' performance on governance of the single market	Publication	Two editions: in February and July	Q2 2014
Communication on governance of IMI (to establish rules for effective and efficient governance of IMI as a corporate tool for administrative cooperation)	Adoption	On hold, to be reconsidered in Q2 2015 in the light of new Commission priorities	By end of 2014
All activities in the *Your Europe 2013 Action Plan* (COM(2013) 636) implemented	Completion	All activities implemented; follow-up in 2015 for some	By end of 2014

Conclusion

As shown above,

- the single market governance tools, the online *Single Market Scoreboard* and activities under the *Your Europe 2013 Action Plan* are on course to meet their multiannual objectives for this objective and the annual performance indicators or outputs and milestones were achieved in the reporting year;
- the Communication on IMI governance had to be put on hold, in the light of the new Commission's priorities; it will be reconsidered in the 2nd quarter of 2015;
- the end-2015 target for the duration of infringement procedures in key areas under DG MARKT's responsibility was reached towards the end of 2014; the opening of a significant number (27) of non-communication cases in 2014 contributed to this (the short duration of these recent cases has an impact on the overall average);[5]
- the transposition deficit indicator (performance in transposing 'DG MARKT' directives into national legislation) is 1,2 % for 2014, slightly above the multiannual target of 1 %; the increase is due to some Member States' failure to transpose in time four 'DG MARKT' directives (three affecting the financial sector) with transposition deadlines in 2014;[3]
- one of the main outputs for 2014 was the publication of two editions of the online *Single Market Scoreboard*: in the first quarter (February) and the third quarter (July).

Conclusion

As evidenced above, the part of the policy managed by the DG relating to the ability to exercise their single market rights by citizens and businesses is on course to meet its multiannual objectives for this objective and made progress in achieving the annual performance indicators or outputs and milestones in the reporting year

Relevant general objective: An integrated and well-functioning single market brings benefits for citizens and businesses and is conducive to growth and jobs.	
Specific objective: An open, transparent and efficient public procurement in the EU helps tackle corruption, ensures best value for money for taxpayers, creates new opportunities for businesses and reduces bureaucracy	☒ Non-spending
Result indicator: Estimated value of tenders published in *Tenders Electronic Daily* (TED) as a percentage of the total value of public expenditures on works, goods and services	

5 Following the reorganisation of the Commission, from 2015 onwards the measurement of these indicators will be based on the activities of DG GROWTH (former DG MARKT, DG ENTR and DG SANCO B.2 services).

Definition: Publication of tenders in TED is a first step for open and transparent EU-wide public procurement. It increases opportunities for businesses EU-wide, helps tackle corruption and protectionism, and gives public authorities a wider choice of offers that will bring the best value for taxpayers' money.

The target is calculated on the hypothesis that Member States currently below the EU average (baseline) will reach the current EU average by 2017.

Source: TED; *Public Procurement Indicators 2011* (5 December 2012)

Baseline	Current Situation	Target
2011:[i] 17,7% (13,8% excluding utilities)	13,7%(excluding utilities)	2017: 21,4% (16,75% excluding utilities)

Result indicator: Level of development of e-procurement, i.e. value of public procurement for which companies submitted offers electronically, divided by total value of procurement

Definition: E-procurement can create new business opportunities, especially for SMEs, by increasing the transparency of and access to tender procedures and reducing the costs of participating in a tender (reduced mail costs, less printing, etc.). It plays an important role in further opening markets and has proved to generate significant savings for taxpayers in Europe and beyond. It is also a powerful tool for checking red tape, streamlining administrations and making public expenditure more transparent.

Source: TED; study by IDC Italia and Capgemini

Baseline	Current Situation	Target
2011: 10,6%	No recent data available (Study on e-procurement uptake to be finalised in Q2 2015. For those MS that reported, the average uptake has increased from 34% in 2012 to 41% in 2013.)	2018: 100% *Requirement under the new Directive on public procurement*

Result indicator: Direct and indirect cross-border public procurement above EU threshold, i.e. percentage of contracts (in number of awards and in values) awarded to bidders registered in a Member State other than that of the contracting authority. Indirect public procurement includes contracts awarded to foreign operators through their affiliates.

Definition: The awarding of contracts to businesses in another country proves that authorities make choices which that are geographically neutral and represent the best value for taxpayers' money.

Source: TED; study on *Cross-Border Procurement above EU Thresholds* (May 2011)

Baseline	Current Situation	Target

2007-09 average: – direct cross-border procurement: 1,6 % of number of awards; 3,5 % of total contract value (TCV); – indirect cross-border procurement through affiliates: 11,4 % of number of awards; 13.4 % of TCV	No data available (Study to be carried out in 2015.It is expected to last 11 months and therefore results will be available in the course of 2016.	Regular increase

	Main outputs in 2014		
Description	**Indicator**	**Current Situation**	**Target**
Annual public procurement implementation review (APPIR)	Publication	2013 APPIR published 1 August 2014 (SWD(2014) 262 final)	2014
Implementing acts as provided for in the new procurement directives, i.e. production of standard forms and launch of IMI pilot project. IMI pilot project	Adoption In preparation	Consultation phase as required under comitology rules On time (April 2015) as per Article 86 of Directive 2014/24/EU	End 2014
Development of a sectoral and geographically selective enforcement policy, including preparation of specific country programmes	Bilateral agreements on country programmes with two Member States	Bulgaria, Greece, Hungary, Italy, Romania	2014
Regulatory dialogues with main trading partners and management of Government Procurement Agreement (GPA) processes.	Progress in negotiations	Dialogues launched with Morocco and Turkey and pursued with other main partners, in particular China. This is an ongoing process which will deliver benefits over the medium/long term.	2014:
Multi-stakeholder forum on e-invoicing	Completion	EMSFEI forum set up as planned and up and running. Two	Q1 2014

		meetings in 2014	
Multi-stakeholder forum on end-to-end e-procurement	Completion	EXEP forum set up as planned. First meeting in October 2014.	Q4 2014
Commission decisions on granting of exemptions from Utilities Directive (2004/17/EC, Article 30)	Adoption	Three formal decisions taken; five informal cases dealt with.	5 to 6per year
Commission's second annual report on e-procurement (COM)	Publication	Publication postponed. Study launched to gather systematic data on e-procurement uptake in the Member States; to be finalised in Q2 2015	Q2 2014
Staff working document (SWD) on innovative purchases for a better public sector	Completion	See footnote 6	Q4 2015
SWD on smart procurement practices for an environment-friendly public sector	Completion	See footnote 5	Q4 2015
Staff working document on new ways in public procurement for conducting social policies	Completion	See note 5	Q4 2015
Staff working document on efficiency in public and private procurement: best practices in public and private procurement	Completion	Postponed indefinitely[5]	Q4 2014
Update of Communication on institutionalised public-private partnerships	Completion	Postponed indefinitely[5]	Q4 2014
Update of the Commission Staff Working Paper	Completion	Postponed indefinitely[5]	Q4 2014

6 The decision as to whether to adopt the document will depend on the final scope of the Smart Procurement Communication.

concerning the application of EU public procurement law to relations between contracting authorities ('public-public cooperation')			

Short narrative

The two implementing acts for the new procurement directives have been delayed due to the complexity of the technical work that had to be done by the Publications Office (design of the forms, etc.), the onerous accompanying administrative procedures and the reorganisation of the DG. The European single procurement document (ESPD) is a completely new type of measure introduced by the directives and more extensive consultations and discussions were required than initially foreseen.

The three Staff working documents referred to above have been delayed due to the complex nature of the subject matter, compounded by the need to take on board new issues that arose in the course of the transposition assistance activity of the Advisory Committee for Public Contracts (EXPP). In addition, pending ECJ judgments on several cases relating to social aspects of public procurement will be crucial for any guidance the Commission issues in this area.

Conclusion

As evidenced above, the part of the policy programme managed by the DG that relates to open, transparent and efficient public procurement in the EU is on course to meet multiannual objectives and reached most milestones in the reporting year.

Relevant general objective: An integrated and well-functioning single market brings benefits for citizens and businesses and is conducive to growth and jobs.		
Specific objective: A smoothly functioning intellectual property (IP) infrastructure in the EU stimulates growth, job creation and the dissemination of innovative products and services in the single market.		**☒ Non-spending**
Result indicator: Contribution of IP intensive industries to EU GDP **Definition: '**IPR-intensive industries' are those that register more intellectual property rights per employee than other industries or those whose activity is intrinsically characterised by the use of IPR. The industries are selected at EU level, i.e. using EU-wide measures of IPR intensity. **Source:** OHIM/Eurostat/EPO		
Baseline	**Current Situation**	**Target**
2008-10: 39% of EU GDP	Ongoing workstrands and initiatives will contribute to attainment of target.	Increase IPR-intensive industries' contribution to EU GDP

Result indicator: Contribution of IP intensive industries to EU employment **Definition:** IPRs play a significant role in stimulating innovation and creativity and their promotion is a matter of growth and jobs. IPR-intensive industries also pay considerably higher wages than other industries, with a wage premium of more than 40%. This is consistent with the fact that value added per worker is higher in IPR-intensive industries than elsewhere in the economy.[7] **Source:** OHIM/EPO/DG MARKT		
Baseline	**Current Situation**	**Target**
2008-10: 6% of EU employment	Ongoing workstrands and initiatives will contribute to attainment of target.	Increase IP intensive industries' contribution to EU employment

Main outputs in 2014			
Description	**Indicator**	**Current Situation**	**Target**
Initiative on review of EU legal framework for copyright	Adoption	Decisions on the review have been left to the new college. The 2015 work programme confirmed that a copyright modernisation initiative will be tabled in 2015.	2014
Establishment of EU Orphan Works registry (with OHIM)	Online registry fully functional	October 2014: registry set up and fully operational	Q3 2014
Proposal for EU ratification of the Beijing Treaty on audiovisual performances	Adoption	Postponed to 2015 in view of ongoing discussions on ratification of Marrakesh Treaty (see below)	End 2014
Proposal for EU ratification of Marrakesh Treaty for visually impaired persons	Adoption	Adopted October 2014	End 2014
Negotiations on WIPO	WIPO's call	Negotiations in WIPO	Negotiations throughout

[7] *Intellectual property rights intensive industries: contribution to economic performance and employment in the European Union*, EPO and OHIM joint study (September 2013).

Broadcasting Treaty	for a diplomatic conference	still ongoing	2014; WIPO to call for a diplomatic conference by end 2014
Green paper on protection of geographical indications for non-agricultural products	Adoption	Adopted July 2014	Q1 2014
Initiative to counteract IPR infringements	Adoption	EU action plan adopted July 2014	1st half of 2014
Commission green paper on better valorisation of IPRs in the internal market	Finalisation	Postponed under outgoing Commission	Q3 2014
First biennial Commission report on contribution of IP to EU economy	Publication	Postponed to 2016	Q3 2014
SWD on methodologies to track levels of IP infringement in the EU	Completion	Undertaken by OHIM — first case-study for chemical industry presented in June 2014	End 2014
Memoranda of Understanding (MoUs) to extend existing MoU and new MoUs with advertising services to reduce online sale of IPR-infringing products	Completion	Addressed in context of EU action plan (green paper on 'follow the money' initiatives)	Q4 2014

Narrative

A number of initiatives notably the copyright reform and the valorisation report were postponed due to political decisions of the outgoing Commission. However, others such as the IP Action enforcement plan, the work of the European observatory on IP infringements and the development of the orphan works registry all went ahead. Data for the IP intensive industry growth target cannot be collected for the actual year and therefore the latest data are for 2010.

The performance indicators will be reviewed following the restructuring of DG GROW that is foreseen in 2015

Conclusion

As evidenced above, the part of the policy managed by the DG relating to IP policy is on course to meet its multiannual objectives for this objective and made progress in achieving the annual performance indicators or outputs and milestones in the reporting year.

Relevant general objective: An integrated and well-functioning single market brings benefits for citizens and businesses and is conducive to growth and jobs.		
Specific objective: The EU's regulatory framework for services fosters growth and jobs, including through mobility in the EU, and supports delivery of quality services for all consumers at affordable prices, regardless of the technology used in their delivery.		☒ Non-spending
Result indicator: Performance of points of single contact (PSCs) by majority of Member States (as measured in the *Single Market Scoreboard*) **Definition:** For businesses, points of single contact (PSCs) are one of the most tangible benefits of the Services Directive. They should 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. PSC services need to be accessible not only by local businesses but also by businesses from other countries, across borders. PSCs thus increase transparency for service-providers seeking to provide services in the single market, and facilitate their expansion. This is of particular relevance to SMEs, which can be deterred by administrative complexity. Indicators measuring PSCs' performance are based on the PSC Charter criteria (quality and availability of information, transactionality of e-procedures, accessibility for cross-border users and usability). The PSC Charter was adopted in 2013 and compliance with the criteria was assessed in 2014 (to feed into the 2015 *Single Market Scoreboard*). **Source**: *Single Market Scoreboard*		
Baseline	**Current Situation**	**Target**
2013 – number of Member States in: – low performance category: 2 – high performance category: 7 – middle performance	Member States' work to upgrade PSCs is ongoing, in line with the PSC Charter. Target remains valid.	By 2015: – no Member State in low performance category – more MS in high performance category (at least 10)

category: 18		

Result indicator: Market performance indicator for retail markets

Definition: The primary measure for the Commission's *Consumer Markets Scoreboard*, the market performance indicator (MPI) is based on an annual market survey which measures consumer experiences and perceived conditions in 21 goods and 30 services markets accounting for around 60% of EU household expenditure. Consumer conditions in each market are assessed on the basis of four components (satisfaction, trust, comparability and problems/complaints), which are given equal weight in the MPI, resulting in a score between 0 and 100. The MPI covers all Member States and was first calculated in 2010, so results can be compared over time. Individual MPIs are also available at Member State and product/service level.

The indicator is well suited to measuring the overall performance of the retail market.

Source: Commission, *Consumer Markets Scoreboard*

Baseline	Current Situation	Target
2012: 77,51	2012: adjusted for Croatia's accession: 77,1 2013: 77,4 (0,3 increase)	Annual increase

Result indicator: Share of e-commerce in total retail

Definition: E-commerce is growing significantly faster than the rest of the economy. Growing e-commerce as a proportion of total retailing is therefore used as a proxy for the creation of growth and jobs. In 2012, as part of the Digital Agenda and the Single Market Act, the Commission adopted a Communication presenting 16 targeted initiatives aimed at doubling the proportion of e-commerce in retail sales (3.4% in 2012) by 2015.

Source: EuroMonitor

Baseline	Current Situation	Target
2012: 3,4%	2013: 5,3% (information for 2014 not yet available)	By 2015: 6,8%

Result indicator: Quality standard for intra-EU cross-border mail

Definition: The Postal Service Directive set a target for the speed of cross-border priority mail (85% of all mail delivered within D+3 days).[8] Overall, the Member States have reached/exceeded that target, but various bilateral mail flows underperform. The indicator attempts to capture this diversity by measuring the number of Member States for which

[8] Where D is the date of deposit.

over half of outbound bilateral mail flows reach the 85 % target.

Source: International Post Corporation (IPC)

Baseline	Current Situation	Target
2012: 19 Member States hit 85 % target for over half of outbound mail flows.	2013: the IPC measurement did not collect all necessary data, but at least seven Member States did not hit 85 % target.	Two new Member States hitting target every year

Result indicator: IMI usage (i.e. requests for information) between Member State authorities in the context of recognition of professional qualifications

Definition: The process of recognising professional qualifications involves ongoing contacts between competent authorities to provide clarifications, additional information and assurances. Such cooperation should be encouraged and enhanced. It is an indicator of the smooth functioning of the single market for the benefit of citizens. Increased exchanges of information demonstrate stronger administrative cooperation.

Source: IMI data

Baseline	Current Situation	Target
2013: 4.527 recorded exchanges of information between Member States 2012: 3.091	2014: 5.778 (28 % increase)	By 2015: at least 10 % increase *Projections based on historical data*

Main outputs in 2014

Description	Indicator	Current Situation	Target
Staff working paper setting out a work plan with Member States on reporting on reforms in area of services in context of European Semester	Completion	Adopted 31 March 2014.	March 2014
Staff Working Document on overview of insurance and intermediation services available in Member States for cross-border service-providers	Completion	Adopted 31 March 2014.	Q1 2014
Evaluation of functioning of PSCs and 2013 PSC Charter (also in the light of the recommendation of the HLG on Business Services)	Completion	Evaluation by external contractor ongoing; completion expected May 2015.	End 2014

Initiative on unfair trading practices (UTPs)	Completion	Communication on tackling UTPs in business-to-business food supply chain adopted on 15 July 2014.	End 2014
High Level Group on Retail Competitiveness to improve long-term competitiveness of EU retail sector	Two meetings	2014: three meetings (20 January, 25 June and 2 December); 2015: two to three meetings and a final report planned.	End 2014
Report of HLG on Business Services, including recommendations addressing current challenges in sector	Completion	Report and recommendations published in April 2014. Internal market strategy announced in 2015 Commission work programme is likely to address several of the issues identified, e.g. lack of information on administrative procedures, recognition of professional insurance.	March 2014
Evaluation report of Commercial Agents Directive	Completion	Public consultation carried out between July and October 2014.	1st half of 2015
Recommendations on consumer protection and responsible advertising in area of online gambling	Completion	Adopted 14 July 2014	Q2 2014
Recommendation to enhance and align Member States' action against match-fixing	Completion	Postponed to Q4 2015. Progress depended on Council of Europe Convention, which was delayed.	Q4 2014
Facilitate further administrative cooperation between gambling regulators	Completion	Substantive progress made; to be finalised in 2015.	Q4 2014
Report including evaluation of	Completion	Cancelled. There is no	Q4 2014

progress on implementation of online gambling action plan		legal requirement to produce such a report and priority has been given to dealing with infringement cases.	
Implementing acts and technical requirements for introduction of European Professional Card	Adoption	Postponed to Q1 2015	By end 2014
Preparation and publication of an update of Annex V to Directive 2005/36/EC	Issue of delegated act	Postponed to Q2 2015	End 2014

<u>Narrative</u>

For certain result indicators the information for 2014 is not yet available

<u>**Conclusion**</u>

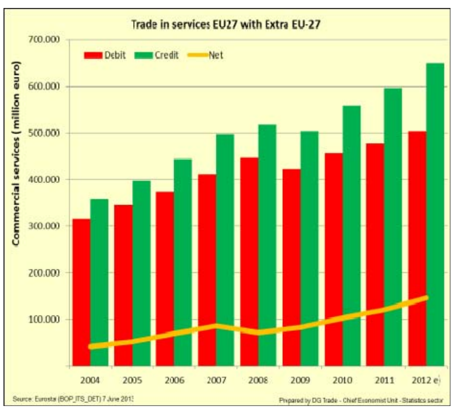
As evidenced above, the part of the policy managed by the DG relating to fostering growth and jobs by means of the EU's regulatory framework for services is on course to meet its multiannual objectives for this objective and made progress in achieving the annual performance indicators or outputs and milestones in the reporting year.

Relevant general objective: An integrated and well-functioning single market brings benefits for citizens and businesses and is conducive to growth and jobs.		
Specific objective: EU businesses benefit from a level regulatory playing-field and consistent market access at international level.		☒ Non-spending
Result indicator: Number of ongoing trade negotiations with non-EU countries **Definition:** The recent generation of free-trade agreements (FTAs) is deep and comprehensive; they cover areas under DG MARKT's competence, such as public procurement, financial, postal and professional services, e-commerce, investment and intellectual property rights. Several DG MARKT units are involved: from the scoping exercise, preparing regulatory provisions, actually negotiating with other countries to actually implementing the agreements. **Source:** DG MARKT B.4/DG FISMA 01		
Baseline	**Current Situation:**	**Target**
November 2013: 14 ongoing negotiations with non-EU countries/regions. In all, the	Some agreements (including the regulation of services) were signed in 2014: DCFTAs with	Continue and conclude negotiations for FTAs with some of our main trading

<table>
<tr><td>regulation of services is becoming more important.</td><td>Georgia, Moldova and Ukraine; CETA with Canada; PCA with Kazakhstan.</td><td>partners</td></tr>
<tr><td colspan="3">Result indicator: Exchanges (import & exports) of services with key trading partners and number of liberalised sectors in those countries

Definition: Access of European service-providers to non-EU markets represents an essential growth opportunity. DG MARKT is closely involved in negotiating bilateral/regional and multilateral agreements, which significantly increase the number of liberalised sectors and the depth of liberalisation as compared with WTO members' commitments under the General Agreement on Trade in Services (GATS).

Source: Eurostat</td></tr>
</table>

<table>
<tr><th>Baseline</th><th>Current Situation</th><th>Target</th></tr>
<tr><td>
</td><td>2013:

CREDIT:

EU-28: 684 bn €

DEBIT:

EU-28: 511 bn €

The conclusion of some of the negotiations has led to more liberalised sectors in the non-EU countries (e.g. Canada, Singapour).</td><td>Maintain growth in trade in services</td></tr>
</table>

<table>
<tr><td colspan="3">Result indicator: Level of legally guaranteed market access for EU companies to key priority procurement markets

Definition: Public procurement affects a substantial proportion of world trade flows, amounting to €1,000 billion per year. Public procurement contracts constitute considerable international business opportunities in sectors where EU industry is highly competitive. DG MARKT was closely involved in negotiating bilateral/regional and multilateral international agreements in order to establish modern international standard procurement principles to ensure that public money is spent in a transparent, efficient and non-discriminatory way and to provide a level playing-field for EU suppliers tendering abroad.</td></tr>
<tr><th>Baseline</th><th>Current Situation</th><th>Target</th></tr>
<tr><td>2011 – EU firms' access to GPA</td><td>2014: approval of</td><td>Increase level of legally</td></tr>
</table>

partners' public procurement market: USA: 32 % of market Japan: 28 % Canada: 16 % Korea: 65 %	New Zealand and Montenegro to become members of the GPA in 2015.	guaranteed market access for EU companies to key procurement markets

<u>Narrative:</u>

In all negotiations for international agreements in 2014, notably in the context of EU enlargement and neighbourhood policies, DG MARKT cooperated well with those in charge of other policies (in particular, trade and external relations) to represent and promote the principles of the single market.

The conclusion of bilateral negotiations with the United States and Japan and the implementation of recently concluded bilateral agreements with Canada and Korea should result in higher levels of legally guaranteed market access for EU companies to these procurement markets.

In addition, the WTO secretariat has estimated that the revised GPA which entered into force in April 2014 offers EU industry new business opportunities worth € 80 billion each year. The October 2014 approval of New Zealand's and Montenegro's 2015 accession to the GPA will further increase business opportunities for EU companies.

<u>Conclusion</u>

As evidenced above, the part of the policy managed by the DG relating to the trade negotiations with non-EU countries is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

1.1.4 ABB activity: financial services and capital markets

Relevant general objective: The EU financial system is properly supervised, stable, efficient, consumer-friendly and at the service of the EU economy.		
Specific objective: EU companies can operate and move easily within the EU, are well governed and transparent, present high-quality and comparable financial reports and are subject to high-quality audits and ratings.[9]		☒ Non-spending

Result indicator: Number of limited-liability companies in the EU

Definition: Limited-liability companies include joint-stock companies, limited partnerships with share capital and private limited companies. An increase in the number of such companies in the EU is an indication of a conducive environment for businesses (including SMEs).

Source: Eurostat and information provided by national authorities (business registers)

Baseline	Current Situation	Target
2013: 13,3 million	2014: 14,1 million	Regular increase in number of limited-liability companies in the EU

While no data are available for one of the sub-indicators, we note a steady, albeit slow, increase in the overall number of limited-liability companies in the EU.

Conclusion

As evidenced above, the policy on the cross-border mobility of companies in the EU, as managed by the DG, appears to be meeting its multiannual objectives.

Result indicator: Number of foreign-controlled companies/establishments in other Member States

Definition: An increase in the number of foreign-controlled companies/establishments in other Member States indicates that companies are able to operate more easily across borders within the EU and to grow.

Source: Eurostat
http://epp.eurostat.ec.europa.eu/portal/page/portal/european_business/special_sbs_topics/foreign_controlled_enterprises

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9 This incorporates the objective and indicators in DG MARKT's 2014-20 programme of support for specific activities in the field of financial reporting and auditing.

Baseline	Current Situation	Target
319,000 in 2010	It has proven difficult to find statistics for this indicator, as Member States do not consistently 'mark' companies controlled by a foreign entity. The possibility of using other indicators will be explored for the future.	Regular increase

Result indicator: Number of countries using international financial reporting standards (IFRSs)

Definition: In 2005, the EU took the significant step of requiring EU companies listed on EU stock markets to use IFRSs for their consolidated financial statements (Regulation (EC) No 1606/2002). It is the largest jurisdiction applying IFRSs.

The Commission's work in relation to listed companies extends beyond the EU's borders and includes promoting the use of IFRSs as the worldwide financial reporting language, so enhancing the efficiency and transparency of capital markets across the world.

Source: http://www.iasplus.com/en/resources/ifrs-topics/europe

Baseline	Current Situation	Target
2013: 128 countries 2012: 125 2011: 120	2014: 130 countries permit or require IFRSs for domestic listed companies	Maintain positive trend

Result indicator: Percentage of standards endorsed in the EU as compared with the number issued by the International Accounting Standards Board (IASB) by 2020

Definition: Significant, credible and independent technical upstream European input is essential for the development of these standards. The IAS Regulation establishes the European Financial Reporting Advisory Group (EFRAG), an accounting technical committee which is to provide the Commission with support and expertise in assessing international accounting standards. EFRAG has a regulatory function in providing an opinion on Commission proposals to adopt an international accounting standard (see Article 3 of the IAS Regulation). If EFRAG is influential enough, the standards developed by the IASB are acceptable to be endorsed in the EU.

Source: Commission / DG MARKT F.3

Baseline	Current situation	Target

29 October 2012: 124 of 139 IFRSs (89%) were endorsed in the EU.	November 2014: 54 of 56 IFRSs (96%) were endorsed in the EU (the exceptions were amendments to IFRS 9 on financial instruments, IFRS 14 on rate-regulated activities and IFRS 15 on revenue recognition, which are currently going through the endorsement process).	100% by 2020

Result indicator: Number of Member States that fully endorse the clarified international standards on auditing (ISAs)

Definition: International standards on auditing (ISAs) are issued by the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB). The Public Interest Oversight Board (PIOB) oversees the process leading to the adoption of ISAs and other public-interest activities of the IFAC. A majority of Member States have now fully endorsed the ISAs at national level. In parallel, in April 2014 the EU adopted new rules to improve the quality of statutory audit, in the form of a Directive amending Directive 2006/43/EC and a new Regulation on specific requirements regarding the statutory audit of public interest entities. The new rules authorise the Commission to adopt ISAs at EU level and make their application binding in all 28 Member States. They also establish criteria according to which the Commission must evaluate the suitability of ISAs for adoption at EU level.

Source: Commission / DG MARKT F.4

Baseline	Current Situation	Target
2013: 20 Member States had fully endorsed the ISAs 2012: 20 2011: 16	2014: 21 Member States have fully endorsed the ISAs	Promote convergence and high-quality auditing standards across all Member States.

Main outputs in 2014

Description	Indicator	Current situation	Target
Commission Recommendation on application of the 'comply or explain' principle in corporate governance statements	Adoption	Q1 2014	Q1 2014
Revision of Shareholders' Rights Directive	Adoption	Q1 2014	Q1 2014
Commission proposal for a Directive in area of company law on single-member private limited-liability	Adoption	Q1 2014	Q1 2014

companies			
Endorsement of new international financial reporting standards (IFRSs) to ensure high-quality consolidated accounts by EU listed firms	Adoption	Annual improvements in 2010-12 Annual improvements in 2011-13 Amendments to IAS 19 on employee benefits ('defined benefit plans: employee contributions')	Througho ut 2014
Equivalence decisions on country-by-country reporting and Transparency/Prospectus Directives to reduce regulatory burden for EU companies	Adoption	No equivalence decision as no non-EU country had appropriate legislation in place by the end of 2014.	Q4 2014
Regulatory technical standards (RTSs) on identified staff and instruments to be used for variable remuneration (Directive 2013/36/EU)	Adoption	Adopted 30 September 2014	1st half of 2014
RTSs on disclosure of structured finance instruments (CRA III[10] implementation)	Adoption	Adopted 30 September 2014	2nd half of 2014
RTSs on European rating platform (CRA III implementation)	Adoption	Adopted 30 September 2014	2nd half of 2014
RTSs on fees charged by CRAs (CRA III implementation)	Adoption	2nd half of 2015	2nd half of 2014
Implementing technical standards on external credit assessment institutions' mapping of rating scales (CRR implementation)	Adoption	Early 2015	2nd half of 2014
Report to European Parliament and Council on the network of small and medium-sized rating agencies	Adoption	Adopted 28 April 2014	2nd half of 2014

[10] Regulation (EU) No 462/2013 on credit rating agencies (CRAs).

Report to European Parliament and Council on developing a European creditworthiness assessment for sovereign debt (CRA III implementation)	Adoption	2nd half of 2015	2nd half of 2014
Commission decision on CRAs (implementing act) – equivalence of Argentina, Brazil, Hong Kong, Singapore, Mexico	Adoption	Adopted 30 September 2014	1st half of 2014
Adequacy decisions for certain non-EU countries (auditing)	Adoption	2nd half of 2015	Througho ut 2014
Equivalence of non-EU countries' national accounting standards	Adoption	Equivalence of India's standards with IFRSs postponed to Q1 2015	Q4 2014
Implementing acts defining technical specifications for the business registers interconnection system	Adoption	Q1 2015	2nd half of 2014
RTSs on major shareholdings under the Transparency Directive	Adoption	2nd half of 2014	2nd half of 2014

Narrative

The adoption of IFRSs in the EU has significantly increased the transparency and comparability of the financial statements of companies listed on EU stock exchanges, which in addition will ultimately improve the functioning of EU capital markets. This has also provided a major boost to the credibility and acceptance of IFRSs around the world, facilitating EU companies' access to global capital markets. Another contribution to achieving the objective was the adoption, in April 2014, of new EU rules to improve the quality of statutory audit and implementing rules for credit rating agencies, to make credit ratings more transparent and help investors assess the quality of structured finance instruments.

Conclusion

As evidenced above, the part of the policy managed by the DG relating to the cross-border mobility of companies in the EU is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Relevant general objective: The EU financial system is properly supervised, stable, efficient, consumer-friendly and at the service of the EU economy.	
Specific objective: Free movement of capital is applied coherently in the EU, providing European companies and Member States with access to capital and ensuring the integrity of financial markets.	☒ Non-spending

Result indicator: OECD FDI regulatory restrictiveness index – Member States' average rating

Definition: This OECD FDI index measures statutory restrictions on foreign direct investment in 57 countries, including 24 EU Member States, and covers 22 sectors. It gauges the restrictiveness of a country's FDI rules by looking at the four main types of restriction on FDI:

(i) foreign equity limitations;

(ii) screening or approval mechanisms;

(iii) restrictions on the employment of foreigners as key personnel; and

(iv) operational restrictions, e.g. on branching, capital repatriation or land ownership.

Countries score from 0 (fully open to FDI) to 1 (fully closed to FDI); a lower or constant rating is an indication that this specific objective is being achieved.

Source: OECD, http://www.oecd.org/daf/inv/ColumnChart-FDI_RR_Index_2012.pdf

N.B. OECD colleagues have indicated that there are plans to update the FDI restrictiveness index shortly and they will provide us with updated figures 'by February'. We will send an update as soon as data are published.

Baseline	Current Situation	Target
2013: the average index for 24 Member States was 0.035 2012: 0.04	Preliminary indications suggest no significant change in this index in 2014.	Lower or constant average index for EU*

Result indicator: Chinn-Ito Index (KAOPEN) – Member States' average rating

Definition: KAOPEN is an index measuring a country's degree of financial-account openness on the basis of a codification of restrictions on cross-border financial transactions reported in the IMF's *Annual Report on Exchange Arrangements and Exchange Restrictions*. The index is currently available for 27 EU Member States. The more open the country is to cross-border capital transactions, the higher it scores on the index. Therefore, a constant or higher rating is an indication that this specific objective is being achieved.

Source: Menzie Chinn and Iro Hito, *A New Measure of Financial Openness,* Journal of Comparative Policy Analysis, Volume 10, Issue 3 (September 2008), pp. 309-322; http://web.pdx.edu/~ito/Chinn-Ito_website.htm.

Baseline	Current Situation	Target
2012: the average index for 27 Member	Preliminary indications suggest that	Higher or

States was 2.10 2011: 2.185	there was no significant change in this index in 2014.	constant rating for EU*

* A lack of change can be taken as an indication that the objective is being achieved because the EU (on average) already has the best scores in the world on both indicators, so there is little scope for further improvement. At the same time, given the current strong protectionist pressures and high risks posed by financial instability, there is a real threat of the EU's scores worsening. In the circumstances, therefore, a constant score can be considered an indicator of success.

Our index is based on the IMF's AREAER, which is published every year in late autumn. The most recent issue (AREAER 2014) contains information on capital control policies as of December 2013. The index for 2014 will be published in AREAER 2015. The most recent KAOPEN is for 2012; we will publish the KAOPEN for 2013 later and send an update as soon as data are published.

Main outputs in 2014			
Description	**Indicator**	**Current Situation**	**Target**
Commission Recommendation on establishing investment dispute mediation	Adoption	Recommendation currently on hold as further reflection is needed.	Q1 2014
Commission Staff Working Document on free movement of capital in the EU	Completion	Adopted 18 March 2014	Q1 2014

<u>Narrative</u>

Although the most recent data are not yet available, preliminary indications coming from our analysis of Member States compliance with free movement of capital principle as reviewed by the OECD and IMF (but not yet translated into measurable indicators) suggest that, in spite of the legacies of the global financial crisis (i.e. enduring volatility of global capital flows and uneven recovery of global financial resource flows), the EU and its Member States continued in 2014 to keep their markets open to investment, thanks to effective monitoring and enforcement of the rules on the free movement of capital.

<u>Conclusion</u>

As evidenced above, the part of the policy managed by the DG relating to free movement of capital is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Relevant general objective: The EU financial system is properly supervised, stable, efficient, consumer-friendly and at the service of the EU economy.	
Specific objective: Appropriate supervision, robust market infrastructures and a high level of transparency contribute to stability and integrity in financial markets.	☒ Non-spending

Result indicator: Level of market-driven credit intermediation in the EU, in particular for large corporates, midcaps and SMEs

Definition: This indicator measures the value of short-term and long-term debt securities issued by non-financial corporates to the public within a particular year. This gauges the flow of market-based debt finance to the real economy. Increased market-driven credit intermediation is a sign that financial markets are functioning and facilitating the flow of finance to the real economy. Access to market-based finance helps reduce reliance on bank finance and diversify financing sources in the EU economy.

Source: ECB Statistical Data Warehouse

http://sdw.ecb.europa.eu/browse.do?node=17103

Baseline	Current Situation	Target
2012: € 176,309 million	Q2 2014: € 1,093 trillion (annual growth: 8.8 %) Q1 2014: € 1,077 trillion (6.5 %) Q4 2013: € 1,048 trillion (5.8 %)	Increase market-driven credit intermediation in the EU, in particular for large corporates, midcaps and SMEs

Result indicator: Percentage of settlement fails (weighted average by settlement volume)

Definition: One of the objectives of the Regulation on central securities depositories (CSDR) is to improve the efficiency and stability of settlement systems.

Source: European CSD Association (ECSDA)

Baseline	Current Situation	Target
2012: 1.09 % 2009: 2.59 % In general, data are scarce, largely because there was no harmonised definition of 'settlement fail'. The baseline is therefore based on intermittent industry surveys.	The CSDR, which entered into force on 17 September 2014, introduces a harmonised definition of 'settlement fail' and requires ESMA to report annually on the number of fails (Article 74(1)(a)). Consequently, higher quality data should be available more regularly in future.	Fewer settlement fails

Result indicator: Number of centrally cleared OTC derivatives transactions

Definition: In the 2009 G20 Pittsburgh Agreement, it was agreed that jurisdictions should introduce a clearing obligation for standardised OTC derivatives contracts. EMIR transposed the

clearing obligation into EU law. A high number of cleared transactions is an indication of a safer, more transparent derivatives market. **Source:** FSB's fifth progress report on OTC derivatives market reforms

Baseline	Current Situation	Target
Mid-2012: 28%	2014: 56% of transactions that could theoretically be centrally cleared are currently cleared; 44% of all estimated 'notional outstandings' are cleared.[11]	Greater percentage of OTC derivatives centrally cleared

Result indicator: Proportion of cross-border originated investment funds **Definition:** European funds can be marketed throughout the EU once they have been authorised in their home jurisdiction. The proportion of cross-border originated assets under management (AuM) measures the extent to which the European single market is integrated in the world of asset management. It is a sign of investors' trust in the European supervision and transparency framework that applies to the funds marketed to them. The Commission, with support from ESMA, regularly assesses possible obstacles to cross-border UCITS investments. **Source:** Lipper, annual data on sales of UCITS and non-UCITS funds in Europe, including the proportion of domestic as compared with cross-border origin of the assets under management.

Baseline	Current Situation	Target
2012: 45% 2001: 21%	Figures for 2013 and 2014 are not available. Market monitoring indicates that the 2012 figure is still representative.	Maintain current growth trend.

Main outputs in 2014			
Description	**Indicator**	**Current Situation**	**Target**
Review of European system of financial supervision	Adoption	COM(2014) 509 (8 August 2014)	1st half of 2014
Communication on follow-up to green paper on *Long-term financing of the*	Adoption	COM(2014) 168 (27 March 2014)	1st half of 2014

[11] The difference between what firms actually cleared and the notional amount that could have been cleared suggests that there remains substantial potential for additional uptake of central clearing. Figures should increase significantly with the advent of mandatory clearing from 2015 and margin requirements providing an incentive to clear.

European economy			
Economic review of financial regulation agenda	Adoption	COM(2014) 279 (15 May 2014)	April 2014
European financial stability and integration report	Adoption	SWD(2014) 170 (28 April 2014)	April 2014
Communication on crowdfunding in the EU	Adoption	COM(2014) 712 (27 March 2014)	1st half of 2014
ESMA and EBA technical standards and Commission delegated acts in relation to various CSDR provisions (e.g. settlement discipline, authorisation and supervision of CSDs and others, depending on outcome of legislative procedure)	Adoption	Q3 2015 The CSDR entered into force on 17 September 2014. EMSA is due to submit technical standards and advice for delegated acts by 18 June 2015.	Througho ut 2014
Commission Delegated Regulation on fines for trade repositories	Adoption	Regulation (EU) No 667/2014 (13 March 2014)	1st half of 2014
RTSs on anti-evasion under EMIR	Adoption	Regulation (EU) No 285/2014 (13 February 2014)	1st half of 2014
RTSs on clearing obligation under EMIR	Adoption	Q1 2015 The Commission intends to amend ESMA's draft RTSs.	2nd half of 2014
RTSs on risk-mitigation techniques for uncleared trades under EMIR	Adoption	Q3 2015 ESAs have yet to submit draft RTSs.	2nd half of 2014
EMIR baseline pension fund report	Adoption	Q1 2015 The report is linked to possible legislative proposals in 2015.	1st half of 2014
Commission Implementing Regulations on non-EU-country equivalence under EMIR	Adoption	1st batch (30 October 2014): 2014/752 (Japan); 2014/753 (Singapore); 2014/754 (Hong Kong); 2014/755 (Australia) Further decisions to continue throughout 2015 as necessary.	Througho ut 2014
Commission Delegated Regulation on RTSs on supplements required under	Adoption	Regulation (EU) No 382/2014 (7 March 2014)	1st half of 2014

the Prospectus Directive			
Commission Delegated Regulation on RTSs on information requirements for assessment of acquisitions and increases in holdings in investment firms (MiFID)	Adoption	Not yet adopted[12]	1st half of 2015
Commission Implementing Regulation on consultation among competent authorities on assessment of acquisitions (MiFID)	Adoption	Not yet adopted. The implementing technical standards (ITSs) are linked to the above RTSs and will be adopted at the same time.	1st half of 2015

<u>Narrative:</u>

Post-trading

The number of centrally cleared OTC derivatives transactions is steadily increasing worldwide. An important factor is the number of jurisdictions internationally that have central clearing requirements in effect. In the EU, the first proposal for centralised clearing was finalised by ESMA in 2014. The Commission is expected to adopt RTSs for the clearing of interest-rate swaps in 2015. ESMA is expected to propose further clearing obligations for other derivatives products in 2015. These should help significantly to increase the volumes of centrally cleared OTC derivatives. In addition, the Commission adopted equivalence decisions in 2014 on the regulatory arrangements of centralised counterparts (CCPs) in Australia, Hong Kong, Japan and Singapore. These CCPs will be able to obtain recognition in the EU, and can therefore be used by market participants to clear standardised OTC derivatives as required by EU law, whilst remaining subject solely to the regulation and supervision of their home jurisdiction.

In order to improve market transparency and supervision, EMIR also requires that information on all EU derivatives transactions is reported to trade repositories. The reporting obligation applied from 12 February 2014 and in the first half of 2014 alone the trade repositories authorised in the EU received an average of 120 million reports a week. Also in 2014, the Commission adopted a proposal for a Regulation on securities financing transactions which, once agreed by the European

[12] A corrigendum was required first to rectify a mistake in Directive 2010/78/EU amending MiFID. ESMA has amended its draft RTS to take account of the corrigendum and included a new article to cover the information to be provided by the proposed acquirer to enable assessment of the reputation and experience of persons who will direct the business of the investment firm.

Parliament and Council, would introduce a similar reporting framework for transactions such as repos and securities lending and borrowing transactions.

Finally, towards an improved efficiency and stability of settlement systems was taken in 2014 with the adoption and entry into force of Regulation (EU) No 909/2014 on settlement and central securities depositories. Preparatory work has now begun on the corresponding technical standards, including those on settlement discipline. Once finalised and applied, these technical standards should *inter alia* improve monitoring of settlement fails.

Asset management

The European asset management sector currently manages assets of over € 11 trillion. Its success is due in large part to the European and international rise of the UCITS brand, but the newly introduced Alternative Investment Fund Managers Directive (AIFMD) has led to greater harmonisation in the field of non-UCITS funds (previously regulated only nationally). UCITS were designed for retail customers, but about 70 % of investors are institutional. Further action is needed to address retail cross-border participation in UCITS and this issue will be open to consultation in the context of the Capital Markets Union green paper.

The overall proportion of cross-border UCITS investments has grown steadily in the past 10 years (see above). The Commission services have received indications that the current figures are about the same as for 2012 (i.e. 45 %), but the computation is complex and there is a lack of comparable data.

The lower number of suspensions of UCITS funds in 2014 is largely explained by reasonable market stability. Closer supervision by national supervisors and coordination by ESMA have also played a role. ESMA's regular analyses of trends and requests to authorities for information are important in that authorities are alerted in time to emerging problems that could lead to suspensions. An even more advanced information framework that has been developed for alternative investment funds will improve knowledge of factors impacting financial stability.

2014 also saw the publication of implementing regulations for EuVECA and EuSEF notifications. Although further detailed implementation rules will come only in 2015, we saw a small number of registered EuVECA and EuSEF in 2014 (3 respective and 25 respectively). These funds are linked to the Commission's growth strategy and the increase will be further analysed in the 2015 activity report.

In 2014, the first delegated act on the AIFMD third country 'passport' was presented. This is the first step in the process to assess whether third country alternative investment funds and Alternative Investment Funds Managers could work through a passport in the EU. The process will not be concluded until 2017.

Conclusion:

As evidenced above the policy on appropriate supervision, robust market infrastructures and a high level of transparency contributes to stability and integrity in financial markets. The DG is on course to meet its multiannual objectives for this objective and achieved the annual performance indicators or outputs and milestones in the reporting year.

Relevant general objective: The EU financial system is properly supervised, stable, efficient, consumer-friendly and at the service of the EU economy.	
Specific objective: Effective investor protection is ensured through strict conduct-of-business and disclosure rules.	☒ Non-spending

Result indicator: Number of UCITS fund suspension of redemption

Definition: A suspended fund/class is defined with valid underlying assets, but fails to generate a price due to market authority intervention, natural force, limited trading in an illiquid market or unusual company activity. As a result, investors cannot redeem money invested in the fund as initially planned.

Suspensions may last from a day to some months. The figure below takes into account all UCITS funds (over €10 million of assets under management) that have had at least one share class suspended at least once during the year. Share classes representing less than 5% of the fund's size have been excluded to avoid counting those that would have been closed.

Source: Morningstar database

Baseline	Current Situation	Target
2012: 471 funds	31 December 2014: 276 funds	Decrease in the coming years

Main outputs in 2014

Description	Indicator	Current Situation	Target
Commission Implementing Regulation laying down ITSs for the format of notifications relating to European social entrepreneurship funds	Adoption	Regulation (EU) No 594/2014 (3 June 2014)	2nd half of 2014
Commission Implementing Regulation laying down ITSs for the format of notifications relating to European social entrepreneurship funds	Adoption	Regulation (EU) No 593/2014 (3 June 2014)	2nd half of 2014
Commission Delegated Act on information to be provided by	Adoption	Adopted 18 December 2014. The European	End 2014

competent authorities to ESMA pursuant to Article 67(3) of Directive 2011/61/EU.		Parliament and the Council have three months in which to comment.	

Narrative

Data on settlement fails are currently limited and are based on intermittent industry surveys. The CSDR, which entered into force on 17 September 2014, introduces a harmonised definition of 'settlement fail' and requires ESMA to report annually on the number of settlement fails (Article 74(1)(a)). Consequently, higher quality data should be available more regularly in future.

The corresponding figures for 2013 and 2014 are not available. Our market monitoring indicated that the 2012 figure is still representative.

Conclusion

As evidenced above the policy on effective investor protection is ensured through strict conduct-of-business and disclosure rules. The DG is on course to meet its multiannual objectives for this objective and achieved the annual performance indicators or outputs and milestones in the reporting year.

Relevant general objective: The EU financial system is properly supervised, stable, efficient, consumer-friendly and at the service of the EU economy.		
Specific objective: The banking, insurance and pension sectors are stable, resilient and at the service of the real economy due to prudential and supervisory measures and resolution regime.		☒ Non-spending
Result indicator: Capital ratios of banks — measured against the new qualitative requirements introduced by CRD IV/CRR **Definition:** The CRD IV package (a Regulation and a Directive that entered into force on 17 July 2013) transposes the new global standards on bank capital (the Basel III Agreement) into EU law. Applicable as of 1 January 2014, the new rules tackle some of the vulnerabilities shown by banking institutions during the crisis, i.e. insufficient volume and quality of capital, which resulted in a need for unprecedented support from national authorities. They set stronger prudential requirements whereby banks must keep sufficient capital reserves and liquidity. This new framework will make EU banks more solid and strengthen their capacity to manage the risks linked to their activities and absorb losses. *Source: EBA Impact Assessment Group*		
Baseline	**Current Situation**	**Target**
End 2012: Group 1 and Group 2	2013: both Group 1 and Group 2	Ensure that at any time,

banks reported an average tier 1 ratio of 12.7% and 12.6% respectively and a total capital ratio of 15.0% and 15.6%. Group 1 and Group 2 banks reported an average proportion of 84% and 81% of tier 1 capital. The composition of capital continues to vary significantly across countries.	increased their capital ratios. End 2013: EU Group 1 and Group 2 banks reported an average CET1 ratio of 10.1% and 10.3% and a total capital ratio of 12.1% and 12.8% respectively under the fully implemented CRR/CRD IV.	the capital ratio of banks meets the CRD IV/CRR requirements (7%)

Result indicator: The proportion of total assets held by European insurers directly invested in the long-term financing of the real economy

Definition: This is taken as the total proportion of assets indicated as being held in loans, mortgages and non-financial corporate bonds.

Improving the capacity of the economy to finance long-term is central to supporting structural economic reform and returning to the long-term trend of economic growth.

Source: EIOPA half-yearly financial stability report

Baseline	**Current Situation**	**Target**
16% (EIOPA half-yearly financial stability report, spring 2013) (Non-financial corporate bonds make up 12% and loans and mortgages 4%)	2014: 19% (EIOPA half-yearly financial stability report, spring 2014)	Year-on-year increase in the proportion of total assets allocated to direct long-term investment in the real economy

Result indicator: State aid granted to financial institutions (% of GDP)

Definition: The new rules for bank recovery and resolution ensure that authorities can cope with future bank crises. Furthermore, if a bank's financial situation deteriorates beyond repair, its critical functions will be rescued, while the costs of restructuring and resolving failing banks fall on the bank's owners and creditors and not on taxpayers.

Source: Commission, DG COMP *State Aid Scoreboard*, Eurostat

Baseline	**Current Situation**	**Target**
Between October 2008 and October 2011, the Commission approved state aid measures for financial institutions to the tune of €4.506 trillion (37% of EU GDP; 11% on an annualised basis).	As only a limited number of Member States met the 31 December 2014 deadline for transposition of the BRRD and even for them only a short period has passed, the target cannot yet be measured. The end of 2015 is probably the	State aid measures approved by the Commission decrease after transposition of the Bank Recovery and Resolution Directive (BRRD)

	earliest meaningful point at which to assess progress.		
Main outputs in 2014			
Description	**Indicator**	**Current situation**	**Target**
Review of the Institutions for Occupational Retirement Pensions (IORP) Directive	Adoption	Commission proposal for a Directive adopted 27 March 2014.	1st half of 2014
Structural reform of the structure of EU banks	Adoption	Commission proposal currently being discussed in Parliament and Council.	Adopted 29 January 2014
Commission report on legal obstacles to the free movement of funds in single liquidity sub-groups in the banking sector	Adoption	Adopted 5 June 2014	1st half of 2014
Establishment of the SRB	SRB operational	The SRB's main processes (on resolution and internally – HR, finance, IT, logistics) were established and operational by December 2014. The recruitment of SRB members and staff members was finalised by December 2014. The SRB arranged with OIB for temporary office accommodation in building SC-27. The selection of definitive office space is ongoing. Almost all administrative and logistical services for the SRB have been covered in service-level agreements. Remaining aspects will be covered in the course of 2015.	By end of 2014
Level-2 measures — 72 capital requirements (Regulation (EU) No 575/2013 and Directive 2013/36/EU) RTSs and ITSs. The detailed CRR/CRD rules will	Adoption	31 December 2014: 30 BTSs adopted (19 RTSs and 11 ITSs)	Throughout 2014

feed into a large number of binding technical standards (BTSs) developed by the EBA and adopted by the Commission; these will be part of the 'single rulebook' for banking.			
Level-2 measures — capital requirements (Regulation (EU) No 575/2013) delegated act setting out the liquidity coverage ratio	Adoption	Adopted 10 October 2014	By end of 2014
Level-2 measures — capital requirements (Regulation (EU) No 575/2013) delegated act setting out the leverage ratio	Adoption	Adopted 10 October 2014	By end of 2014
12 capital requirements (Regulation (EU) No 575/2013 and Directive 2013/36/EU) reports to Council and European Parliament; where appropriate, legislative proposals on own funds requirements for covered bonds, long-term financing, use and benefits of central bank funding support measures and large exposures, and adequacy of macro-prudential rules.	Adoption	One report adopted (on liquidity sub-groups); others in preparation	By end of 2014
Level-2 measures — capital requirements (Regulation (EU) No 575/2013) implementing acts assessing the equivalence of non-EU countries' supervisory and regulatory requirements.	Adoption	Adopted 11 December 2014	By end of 2014
FICOD — adoption of level-2 measures to ensure effective implementation of the Directive on the supplementary supervision of financial conglomerates	Adoption	Work is being done on the legislative proposal and accompanying impact assessment	By end of 2015
Insurance — Solvency II (Directive 2009/138/EC) level-2 implementing measures to	Adoption	The Commission adopted the Solvency II implementing measures in the form of a	By end of 2014

complete the modernisation of the EU insurance framework to stimulate long-term investment		Delegated Act on 10 October 2014.	

Narrative

The main purpose of the G20 reform, to which the EU contributed substantially and which it has implemented thoroughly, is to increase the quantity and quality of capital (own funds) held by financial institutions (banks and insurance companies) so as to make them more stable and better suited to serving the wider economy. All the above-mentioned quantitative indicators of capital health showed a marked improvement. This shows that EU regulatory reform was not only credible and due, but also (most importantly) welcomed by the markets, which accepted and complied with the higher standards. The new-found financial stability is now the bedrock on which Europe can grow. In other words, the objectives that the EU set itself were not only achieved (in advance of the legislative deadlines), but have also allowed it to construct a growth and jobs oriented policy based on growth and jobs.

Conclusion

As evidenced above, the part on the banking, insurance and pension sectors of the policy managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Relevant general objective: The EU financial system is properly supervised, stable, efficient, consumer-friendly and at the service of the EU economy.		
Specific objective: Consumers benefit from secure access to high-quality retail financial and payment services throughout the EU and credit flow to the economy is unhampered.		☒ Non-spending
Result indicator: SEPA credit transfers (SCTs) and SEPA direct debits (SDDs) within the EU **Definition:** The possibility of making electronic payments in euros, with no distinction between national and cross-border payments, is necessary for the proper functioning of the internal market. The single euro payments area (SEPA) project aims to develop common Union-wide payment services to replace current national services. As a result of the introduction of open, common payment standards, rules and practices, and integrated payment processing, SEPA should provide Union citizens and businesses with secure, competitively priced, user-friendly and reliable payment services in euros. **Source:** ECB		
Baseline	**Current Situation**	**Target**
August 2013: 52.78% of all credit transfers in the euro area were	August 2014: 99.38% of all credit transfers in the euro	Full migration (100%) by the date set in the SEPA end-date

SCTs; 7 % of all direct debits were SDDs.	area were SCTs; 99.93 % of all direct debits were SDDs.	regulation.

Result indicator: Number of EU citizens without a bank account

Definition: Now that electronic payments are increasingly replacing cash, everyone needs a bank account. Those without an account find it difficult or impossible to receive a wage or social support payments, transfer money or make purchases requiring a debit or credit card.

Source: World Bank

Baseline:	Current situation	Target
2011: 58 million EU citizens without a bank account	The Payment Accounts Directive was adopted on 23 July 2014 and Member States have two years to transpose it. It gives every EU citizen the right to open a basic payment account anywhere in the EU free of charge or at reasonable cost. Once the Directive has entered into force, the Commission will check its impact on 'financial inclusion', i.e. verify whether more consumers in the EU have a payment account.	Gradual reduction in number of EU citizens without a bank account.

Result indicator: Number of payment institutions (PIs)

Definition: Easy entry for new actors on the payments market (PIs) increases competition and offers consumers more payment choices.

Source: Member States, Commission

Baseline	Current situation	Target
2010: 129 authorised PIs in EEA; 622 small PIs	2012: 175 authorised PIs in EEA; 568 'passports' issued in EEA; 2 321 authorised small PIs	Year-on-year increase in number of new PIs on the payments market

Main outputs in 2014

Description	Indicator	Current Situation	Target
Consumer Finance product strategy	Adoption	Postponed to 2015 to allow for further public consultation on possible Commission actions, building notably on the outcome of the 18.11.2014 Commission conference on emerging challenges in retail finance and consumer policy	By the end of 2014

Mortgage Credit Directive (2014/17/EU)	Adoption	Adopted 4 February 2014	By end of 2014
Payment Accounts Directive (2014/92/EU)	Adoption	Adopted 23 July 2014	By end of 2014

<u>Narrative</u>

2014 was the year when the EU payment system moved from national to EU dimensions. The payment system is the backbone of an economic system. Upgrading the smooth circulation of payments from national to EU level is a pre-condition of market integration. The fact that the SEPA deadlines were met and the Europeanisation of the payment system in 2014 were significant not only for the sector, but also for the other policies, e.g. capital markets union, that can be built on it.

The financial service consumer policy objectives — clearer mortgage rules, enhanced rights to open a bank account in Europe and to receive transparent cost information – were undoubtedly achieved. This is a basis for eliminating other 'irritants' in the way of a proper retail financial market in Europe.

<u>Conclusion</u>

As evidenced above, the policy on financial institutions, payments and the retail sector, as managed by DG, achieved its multiannual objectives and the annual performance indicators or outputs and milestones in the reporting year. This constitutes a basis on which further policies (such as capital markets union) can be built and existing policies (such as retail financial policies) can be deepened.

All deliverables in the retail area were delivered according to plan. Some, such as SEPA and the mortgage credit directives, were particularly demanding.

1.2 Example of EU added value and results/impacts of projects or programmes financed

Union programme to support specific activities in the field of financial reporting and auditing

Operating in a global economy requires a high-quality global accounting language. This is currently provided by the international financial reporting standards (IFRSs), which have been adopted by many jurisdictions around the world. However, it is important to ensure that these are developed and accepted in a transparent and democratically accountable way.

In order to ensure that the global standards are of high quality and compatible with Union law, it is essential that the process of setting them takes appropriate account of the Union's interests and requirements. High-quality global accounting standards and the global harmonisation of financial reporting rules are ultimately key to European companies' ability to compete abroad, raise capital and provide investors with accurate financial information. Moreover, to ensure reliable financial reporting by companies, the corresponding statutory audits at both European and global levels should also be of high quality. This requires demanding international standards for auditing that are developed with independent public oversight and take full account of the public interest.

It is in this context that the Union established its 2014-20 programme to support specific activities in the field of financial reporting and auditing.[13] The objective of the programme, which was initiated in 2009 and seeks to support the transparent and independent development of international financial reporting and auditing standards, is to improve conditions for the efficient functioning of the internal market. The programme promotes input into work to develop, assess and monitor standards or oversee standard-setting processes to help implement Union policies in the field of financial reporting and auditing. The work is carried out by the International Financial Reporting Standards (IFRS) Foundation, the European Reporting Advisory Group (EFRAG) and the Public Interest Oversight Board (PIOB), which receive Union co-financing in the form of operating grants.

The programme contributes to the Europe 2020 strategy by reinforcing the single market for financial services and capital, and the international dimension of the strategy.

The financial crisis has highlighted the importance of financial reporting in underpinning financial stability. A well-functioning common financial reporting framework and high-quality statutory audits are essential for the internal market, the effective functioning of capital markets and the completion of an integrated market for financial services in the Union. Furthermore, the increasing globalisation of capital markets has further highlighted the need for a common high-quality financial reporting language.

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[13] Regulation (EU) No 258/2014 of 3 April 2014 repealing Decision No 716/2009/EC

The adoption of IFRSs in the EU has provided a major boost to their global credibility and acceptance, facilitating EU companies' access to global capital markets. Each of the organisations mentioned above contributes to this objective. More specifically:

- the IFRS Foundation issues IFRSs and interpretations of them;
- EFRAG provides the Commission with endorsement advice on new IFRSs and input to their development in order to ensure that European views are properly and clearly articulated in the standard-setting process; and
- the PIOB oversees the adoption process for each international standards on auditing (ISA) to ensure that due process has been followed.

The financial envelope for implementing the programme[14] in 2014-20 (€ 43.1 million) is broken down (indicatively) as follows: 73 % to the IFRS Foundation, 22 % to EFRAG and 5 % to PIOB.

The effectiveness of the programme is ensured by the principle of proportionality; the original Decision establishing this programme acknowledged that the objectives could not be achieved by Member States and that could, by reason of its scale and effects, be better achieved at Community level with EU funding to well-defined bodies in the field of financial services.

The value for money and the impact of this programme can be assessed by monitoring the result indicators as mentioned under section 1.1.4 ; moreover from 2015 onwards, the Commission will prepare an annual report on the activity of the IFRS Foundation (as regards the development of IFRSs), EFRAG and the PIOB.

1.3 Economy and efficiency of spending and non-spending activities

The principle of economy enshrined in the Financial Regulation (Article 30) 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 at the best price. The principle of efficiency requires the best balance to be struck between resources employed and results achieved.

Internal procedures and predefined practices are designed to ensure that these principles are constantly upheld and that activities are efficient (e.g. workflows contribute to efficient cooperation between staff, units, etc.) and economical (e.g. the procurement rules ensure procurement in optimal conditions).

DG MARKT fine-tunes its internal arrangements continuously in order to improve the efficiency and economy of its operations. The following initiatives show how it implements these principles:

[14] Detailed annual priorities, objectives and expected results are available in the Annex to the Commission Implementing Decision on the 2015 work programme

Examples of economies and efficiencies

1.3.1 Example 1

Management of DG MARKT procurement procedures

In 2014, DG MARKT launched 18 procurement procedures[15] for the purpose of acquiring studies, data and other survey/research information to contribute to evidence-based legislation. It generally applied the 'most economically advantageous offer' criterion, which ensured the best-quality services or supplies and a saving of about 12 % on the original budget estimate of around € 3.3 million.[16]

Organisation of videoconferences instead of travel missions

In the Commission, over 45 000 videoconferences are held every year. DG MARKT has introduced a videoconferencing service whereby people in different locations can hold meetings by means of an electronic connection providing sound and image in real time. Participants interact as if in the same room. The service can be used for meetings between Commission services in different locations or with people outside the Commission using compatible videoconferencing systems anywhere in the world.

In 2014, DG MARKT organised around 167 videoconferences, with an estimated saving to the annual travel budget of at least € 30 000.[17] Videoconferences save subsistence, travel and accommodation costs and are usually attended by more than one person. They are an efficient alternative to missions and a valid organisational tool, since they promote the discussion of key points.

1.3.2 Example 2

Streamlining internal procedures and workflows

A wide-ranging brainstorming exercise that was started in September 2013 on the future of the internal market and the functioning of the Directorate-General produced a series of suggestions for improving efficiency.

In the course of 2014, for instance, DG MARKT reviewed some of its internal control procedures (e.g. financial checklists, ex-post checks, and the exception and non-compliance reporting procedure) with a view to streamlining information and using resources more efficiently while

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15 These included four low-value negotiated procedures with at least three candidates, 11 open-tender procedures and two negotiated procedure without publication of a contract notice, and one re-opening of competition within an established framework contract. The procedures were funded from operational budget lines.

16 Based on 16 procedures awarded by the end of 2014

17 Based on the number of incoming and outgoing videoconferences (up to three hours) and the corresponding minimum cost of daily allowances and one night's hotel accommodation for at least one person travelling to a Member State or the United States.

ensuring the appropriate monitoring of operations. The invoice workflow in the payment procedure was simplified, with some documents accompanying invoices being replaced by succinct instructions on electronic workflows, and verification deadlines were pre-defined in order to speed up the verification and approval of invoices.

Such changes have helped:

- ✓ to reduce unnecessary paper consumption;
- ✓ to prompt the use of IT systems allowing for information monitoring and traceability;
- ✓ to avoid double encoding, e.g. in the document management and accounting systems; and
- ✓ most importantly, to reduce the number of late payments from 85 in 2013 (15 % of all payments) to 27 in 2014 (5 %).

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 management, which monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. The results are documented and reported to the Director-General in the form of:

- reports by the authorising officer by delegation on the use of the budget received in cross-subdelegation;
- reports by authorising officers by subdelegation on the legality and regularity of the transactions implemented under their responsibility;
- the contribution of the Internal Control Coordinator (ICC), including the results of internal control monitoring at DG level;
- European Court of Auditors and Internal Audit Service (IAS) opinions and observations resulting from their audits;
- Internal Audit Capability (IAC) opinions and observations following its audits;
- reports of the annual ex-post financial review by DG MARKT's IAC; and
- reports following the Financial Unit's ex-post checks on a sample of DG MARKT's financial transactions.

This section reports on the control results and other relevant elements that support management's assurance on the achievement of the internal control objectives.[18] It contains three subsections:

(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.

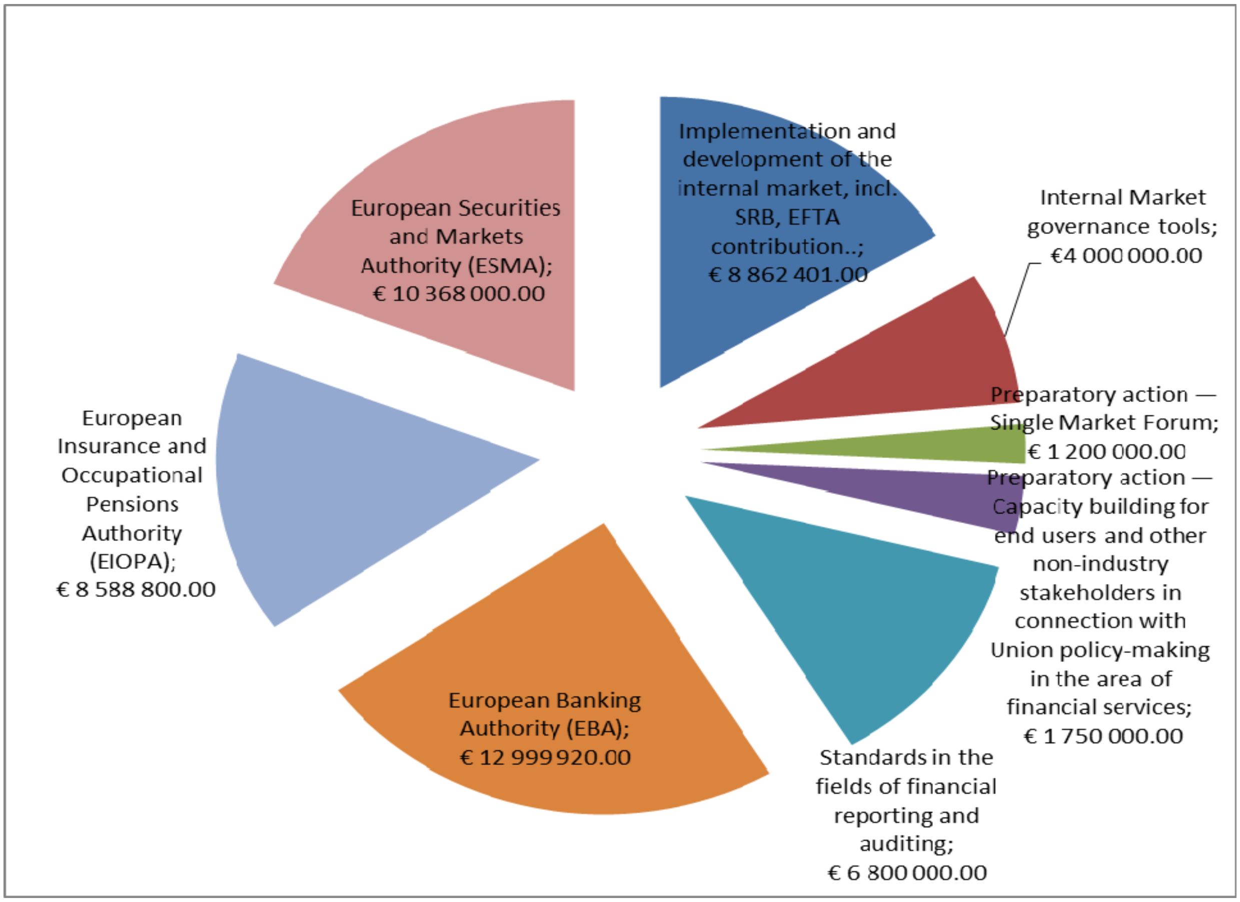
In 2014, DG MARKT's operational budget included appropriations for activities under two chapters: 'single market policy and free movement of services' (€ 14.6 million) and 'financial services and capital markets' (€ 38.7 million, of which € 31.9 million was earmarked for subsidies to the three European supervisory authorities: the European Banking Authority (EBA), the European Insurance

[18] 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 and the nature of the payments (FR Article 32).

and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA) – see Section 2.2).

In the course of the year, DG MARKT received additional resources, such as € 1.2 million to prepare for the establishment and initial operations (recruitment, IT and administration costs) of the Single Resolution Board (SRB) until it is able to implement its own budget. The SRB's activity was pre-financed through refundable[19] advance appropriations made available on DG MARKT's main operational budget line (12 02 01).

The following chart gives a breakdown of **commitment appropriations from available operational credits in 2014:**



DG MARKT implemented 99 % of its commitment appropriations by direct procurement and grant management:

- to finance implementation of the internal market governance tools and procure

[19] Funds refundable by the end of 2015 after collection (by the SRB) of contributions from the banking sectors of the Member States participating in banking union

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 (see Section 1.2) in the field of financial service supervisory convergence and in relation to financial reporting and auditing; and
- to finance preparatory action on 'capacity-building of end-users and non-industry stakeholders in Union policymaking in the area of financial services' to give policymakers a counterbalance to 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.

The use of administrative credits for conferences, technical assistance, missions, meetings and contributions to external experts remained high (almost 100 %), as in 2013.

More detailed information on budget execution in 2014 is set out in Annexes 2 and 3.

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 aimed at mitigating 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 aimed at ensuring appropriate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the character of its initiatives and the nature of the payments concerned. The control objective in this area is to ensure that the estimated error rate (i.e. the proportion of financial operations not complying with applicable contractual or regulatory provisions) does not exceed 2 %.

Given the nature, risks and scale of its transactions, DG MARKT does not have an established ex-post verification function to ensure the detection and reporting of such errors. However, in order to see whether the objective has been achieved and to have an indicator for measuring the error rate, from 2012 it conducts a quantitative and qualitative analysis of indicators relating to the legality and regularity of its procurement and grant procedures (see Annexes 4 and 5) and the materiality of results (irregularities/errors) from the following:

1. *Annual ex-post financial review by the IAC*

   In 2014, a total of 20 financial operations (commitments and payments for a total of about € 7.8 million) were sampled for review. Transactions relating to contracts transferred to other services under Commission reorganisation were excluded. This control detected no materiality in the minor (procedural or technical) errors identified.

2. *Ex-post checks by the Financial Resources and Internal Control Unit*

   143 financial operations (commitments and payments totalling € 53.1 million) underwent quarterly ex-post checks. These covered at least 10 % of the commitments and payments validated in each quarter, sampled in accordance with the criteria (e.g. time of year of

transaction, amounts, previous audit observations) specified in the ex-post checks procedure (also adopted by DG MARKT in 2014). The checks revealed only minor procedural errors. It was suggested that de-commitments be made more promptly after final payment.

3. *Analysis of exceptions and non-compliance events recorded in 2014*

   In 2014, there were 11 exceptions and four recorded instances of non-compliance, none of which had an impact on the legality and regularity of the transactions. Exceptions were requested mainly:

   - for new financial commitments to honour payments for which the administrative credits had expired;
   - to launch procurement procedures before the financing decisions had been approved; or
   - to reimburse (low-value) travel expenses of additional experts.

   The four non-compliance events concerned errors in respect of the Financial Regulation. They were relatively insignificant and there was no major risk or impact for the DG, tenderers and our contractors.

   The nature and recurrence of deviations from the established rules have been analysed with a view to strengthening preventive or detective controls in the future, where necessary.

4. *Other errors detected ex post in the course of standard control or reporting activities, and which have been notified to the Internal Control Coordinator (ICC)*

   In 2014, in order to ensure comprehensive reporting in the annual activity report on the effectiveness and efficiency of controls, DG MARKT set up a simple data collection system[20] (proportionate to the number of expected cases) for recording errors detected ex ante, calls for tenders cancelled, complaints filed, cases of exclusion from procurement/contracts and grant awards, liquidated damages applied, and contracts terminated, extended or performed late. It assesses this information regularly as part of its ongoing financial and internal control of management operations and once a year when reporting on the overall state of internal control in the DG to the Commissioner and later in the annual activity report.

   In 2014, DG MARKT notified three errors to the ICC. These concerned deviations from the established financial circuits – more specifically, transactions relating to three commitments authorised by a financial agent who did not have the necessary rights.

[20] Once ready, this system will be replaced by a corporate system to track ex-ante verifications with detected cases deviating from the established rules.

In 2014, about 9% of transactions[21] were 'refused for correction' by the DG MARKT financial agents responsible for initiating, verifying or authorising them. One payment was suspended in the context of fraud prevention and detection controls (see paragraph on fraud prevention and detection). This, and the values of the control effectiveness indicators below, demonstrate that the DG's control strategy, its analysis of risk, the established mitigating controls applied to financial circuits, and the procurement and grant processes are working effectively. The assessments have revealed no 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 — effectiveness control indicators and 2014 values[22]

Stage 1 – Procurement

A – Planning

Number of projected calls for tenders cancelled; number of contracts discontinued due to lack of use (poor planning)	Two calls planned in the financing decision were cancelled.

B – Needs assessment and definition of needs

Number of procedures where one or no offers were received	Five out of 15[23] procurement procedures received one offer only (33%).
Number of requests for clarification regarding the tender specifications	Average of one question per procurement procedure[24]

C – Selection of offer and 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/awards	0 (zero)

[21] Invoices, payments and open commitments.

[22] Based on new procurement procedures in 2014 funded by operational budget lines and excluding purchases from one candidate only, renewals of contracts and specific contracts within established framework contracts without re-opening of competition.

[23] One procurement procedure is still ongoing and two negotiated procedures were awarded to identified contractors under Article 134.1(b) of the FR Rules of Application.

[24] Based on 17 procurement procedures (one procedure is still open at the date of writing).

Stage 2 – Financial transactions

Amount of liquidated damages	€ 21 125 applied as liquidated damages to one contract for delivering satisfactory results after the contractual dates

Stage 3 – Supervisory measures

Amount associated with errors detected ex post (relating to fraud, irregularity and error)	0 (zero) with financial impact on DG MARKT's budget. The errors detected ex post and reported to the ICC were procedural and had no impact on the budget.
System improvements made	Improvements were found in respect of the 2014 update of financial management and internal control procedures.

Direct grant management — effectiveness control indicators and 2014 values

Stage 1 — Programming, evaluation and selection of proposals

A — Preparation, adoption and publication of the annual work programme and calls for proposals

Budget for the work programmes concerned	€ 1 750 000 (with call for proposals) € 6 800 000 (without call for proposals)
For grants awarded following call for proposals — value of proposals received as a proportion of budget available (%)	105 %

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

Number of cases of litigation	0 (zero)
Budget amount of the call concerned	€ 1 750 000

Stage 2 — Contracting: conversion of selected proposals into legally binding grant agreements

Amount of EU funding proposed by beneficiary that was rejected (not included in grant agreement budget)	€ 94 685

Stage 3 — Monitoring of execution (i.e. This stage covers the monitoring of operational, financial and reporting aspects related to the project and grant agreement)

Number of grants with cost claim errors	2

Amount of cost items rejected (total ineligible costs)	€ 4 189[25]
Value of cost claims items adjusted as a proportion of total value of cost claims (%)	0.01 %

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 check results pending implementation	0 (zero)

Control efficiency and cost-effectiveness

The principle of efficiency requires that the best balance be struck 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.

Overall, DG MARKT's controls of the management of budget appropriations in 2014 were cost-effective, considering:

- the policy achievements in 2014;
- that the controls on procurement and grant management are necessary to comply with the regulatory requirements and a significant proportion of the appropriations would be at risk were they not in place;
- the absence of errors and the non-financial benefits of control, including better value for money, deterrence, efficiency gains, system improvements and compliance with regulatory provisions; and
- 2013 data, which have been analysed where appropriate to monitor how efficiency indicators have evolved over time and in respect of the relevant benchmarks.

Moreover, preventing potential errors in the procurement/grant procedures was cheaper[26] than a potential legal proceeding[27] had an unsuccessful tenderer/candidate lodged an appeal before the

[25] Sum of all ineligible costs relating to final payments of 2013 grants.

[26] The average estimated cost of these controls in 2014 was € 20 400.

[27] Including person/hours that the Commission would need to devote to such a case.

Court of Justice.

DG MARKT applies a fully centralised circuit for processing its financial transactions and it has produced an estimate of the costs of the main control processes based on corporate guidelines[28].

Procurement: Approximate costs have been calculated for controls in 2014 on new procurement procedures[29] and all other commitments using administrative and operational credits for contract renewals, purchase orders below € 15 000 and specific contracts within framework contracts without re-opening competition.

The cost[30] of controls for planning, assessing needs and selecting tenders for new procurement procedures corresponded to 15 % of the total value of the contracts signed in 2014. The average cost of controls for each new procurement procedure was about € 27 300. The average cost of controls (from request to financial commitment) for other purchases was just over € 1 000.

The cost-effectiveness of controls in the planning phase of new procurement procedures is demonstrated by the fact that no projected calls for tender were cancelled for poor or ineffective planning nor any contract cancelled for detected underperformance by the contractor. One contract was unilaterally terminated by the contractor. Also, with an estimated average cost of € 3 790 per tender, controls during the planning phase are certainly cost-effective as a preventive measure to avoid procuring existing data or results that could have been obtained otherwise within the institution. The average cost of such controls has remained stable as compared with last year (€ 3 752 per tender).

The average cost of controls on the assessment and determination of new procurement needs is estimated at around € 10 500 per procurement procedure. The cost-effectiveness of such controls is demonstrated by the fact that on average 2.2 offers are received for each procurement procedure. This has ensured competition and bids that can be reasonably compared, even in quite specialised areas. There have been no cases of litigation by unsuccessful tenderers (partly thanks to clear terms of reference).

Improvements should be sought in respect of the number of tenders, which should have been proportionally higher as compared with 2013 (average of 3.5 offers per call for tenders).

The average costs of controls on the selection and evaluation of offers following procurement procedures were estimated at around € 11 200 per tendering procedure. These controls were cost-effective, since savings were made (see example under point 1.3.1) in respect of the most economically advantageous offers received and conflicts of interests and complaints were avoided, as was the risk of litigation or fraud.

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[28] Estimates made on standard maximum cost of a Full Time Equivalent (FTE), the time spent on each operation by each relevant control function, for each control stage of direct procurement and grants management.

[29] See footnote 14.

[30] Including financial initiation and verification, but excluding ex-post controls.

Financial transactions: The estimated costs of controls for ensuring acceptance of deliverables and processing of payments and recovery orders were 3.4 % (in monetary terms) of the total value of payments made in 2014. The estimated average cost of control per payment request or recovery order processed was around € 3 400 (as in 2013).

On average, it took 19.5 days to make a payment. This can be considered efficient given the number of people involved and the steps in processing a payment in DG MARKT.

Improvements have been made on executing payments within contractual time limits (one of the key performance indicators). In 2014, DG MARKT recorded only 5 % of payments as late, a major improvement over the 15 % recorded in 2013.

Supervisory measures: supervisory controls costing an estimated € 15 700 were performed ex post by a financial agent and the IAC on 163 transactions for a total of € 60.9 million, which corresponds to 48 % of the (monetary) value of all open commitments and payments processed in 2014. The cost of the supervisory controls represented 0.025 % of the value of the transactions checked. Since (for efficiency reasons) DG MARKT does not have a permanent ex-post control function, these controls are deemed efficient and cost-effective in detecting possible fraud/errors and more generally preventing the erroneous processing of financial transactions in the established circuits.

DG MARKT has estimated the costs of its main control processes (procurement and direct grant management, management of financial transactions, ex-post supervisory measures and indirect management[31] of the European supervisory agencies) and calculated how efficient they are. In the absence of a quantitative estimate/benchmark of the associated benefits, it was not possible to calculate cost-effectiveness. For instance, since no estimate of the volume of errors prevented and detected ex ante is available,[32] it was not possible to quantify the full benefits, but only the amounts or errors identified (there was no recovery of amounts for irregularity in 2014) as a result of the controls. Consequently, in such cases DG MARKT has for the first time reported data on the established minimum set of common control efficiency indicators.

To gauge the relative efficiency of controls, DG MARKT will analyse the evolution of the following efficiency indicators over time and compare them with relevant benchmarks as appropriate.

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[31] See Section 2.2.

[32] DG MARKT does not yet have a tool to track errors prevented and detected ex ante, since it is more efficient to correct these before transactions are authorised. A tool is being developed for corporate use in the future.

	Indicators (annual) – description	Year 2014 - Value
Overall indicator	**Overall cost of control (%)** — total cost of controls of all processes under direct management mode / total expenditure during the year (payments made)	4.7 %
Financial transactions	**Related cost of control / amount paid (%) —** related cost for all transactions (payments,[33] recovery orders) **/** amount paid only	3.4 %
Supervisory measures	**Related cost of control of supervisory measures / value of transactions checked (%)**	0.025 %

The values below refer to cost-efficiency in DG MARKT in the area of **procurement direct management.**

Stage	Indicators (annual) – description	Year 2014 - Value
Overall indicator	**Overall cost of control (%)** — total cost of controls of the process / total expenditure during the year (payments made)	5.4 %
Procurement stage up to selection of offer and evaluation	**Cost of controls of evaluation and selection procedure / value contracted (%) —** cost of preparing needs assessment, specifications, publishing, evaluating offers, notifying tenderers / value of procurement contracted	1.4 %

Grants: an estimated € 34 600 was spent on controlling annual operating grants awarded to five beneficiaries for a total of € 8 550 000. In the light of the procurement costs, the limited costs of

[33] The costs of controlling all commitments have been included at the evaluation, selection and award stage. This better reflects DG MARKT's financial circuits and controls on files.

controls for managing operating grants are justified by a lower risk exposure for DG MARKT (i.e. the majority of grant beneficiaries are already identified in the legal basis establishing the grant programme).

The following common control indicators provide information on DG MARKT's cost-efficiency in the area of **grant direct management.**

Stage	Indicators (annual) – description	Year 2014 - Value
Overall indicator	**Overall cost of control (%)** — total cost of controls of process / total expenditure during the year (payments made)	0.4%
All controls on programming, evaluation and selection of proposals	**Cost of evaluation and selection procedure / value contracted (%)** — cost of programming + evaluating + selecting grants / value of grants contracted	0.1%
From legal commitment to payment	**Cost of control from contracting and monitoring execution to payment / amount paid (%)** — cost of controls on contracting and subsequent monitoring of execution / amount paid	0.3%
Ex post	Cost of control ex-post audits / value of grants audited — total cost of ex-post audits / grants audited	Not applicable

TIME-BASED EFFICIENCY INDICATORS

No	Type of expenditure or management mode of ICS	Description of efficiency indicator — stage	Year 2014 - Value
1	All management modes and types of expenditure	**Time to pay (days)**	19.5
2	All types of grant	**Time to inform (days)** — average time to inform applicants of outcome of evaluation of application (Art. 128.2 FR)	92
2	All types of grant	**Time to grant (days) —** average time to sign agreements or notify grant decisions (Art. 128.2 FR)	26

Fraud prevention and detection

In 2014, DG MARKT helped to implement the Commission's anti-fraud strategy and contributed to its report to the European Parliament and the Council on the protection of the EU's financial interests. The DG's contribution concerned one of the Commission's three priority areas in the area of fraud prevention: how the new public procurement directives balance simplification measures and transparency with the risks of procurement fraud in the Member States.[34]

In line with the Commission's anti-fraud strategy,[35] DG MARKT developed its own anti-fraud strategy in 2013 and started implementing its anti-fraud action plan from January 2014:

- maintaining a high level of ethics and fraud awareness among the DG's staff;
- enhancing the focus on fraud within its existing practices and procedures; and
- promoting an anti-fraud culture in the agencies of which it is the 'parent DG' (i.e. OHIM, EBA, ESMA and EIOPA).

The document was presented to all directorates in order to raise awareness of the need for the strategy and what it was expected to involve; all directors and heads of unit were asked to transmit messages to their staff and to reflect on possible risks in each situation. Tailored factsheets[36] were developed and distributed to all staff to explain what constitutes fraud, how fraudsters tend to behave, how to distinguish fraud from simple irregularities and how to report suspected cases. Also, as part of a new web-based software,[37] DG MARKT started to develop a specific environment for meeting registration which helps to increase transparency vis-à-vis our stakeholders. This system has been in use since early 2015.

DG MARKT's efforts to sharpen the fraud focus of its activities included integrating fraud-related checks into its procedure for on-the-spot checks of grant beneficiaries and prompting systematic reflection on fraud risks as part of the assessment of risks at DG level.

Finally, DG MARKT shared anti-fraud activities with the agencies under its remit and was consulted for feedback on their anti-fraud strategies. Overall, 80% of the planned activities were implemented on time. As regards pending activity, a survey of all staff members to assess their knowledge of fraud prevention and detection will be arranged in the first half of 2015 and the results fed into a review of the anti-fraud strategy and action plan.

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[34] Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee, and the Committee of the Regions and the Court of Auditors on the *Commission Anti-fraud Strategy* (COM(2011) 376 final).

[35] COM(2011) 376 (24.6.2011).

[36] Fact sheets on *Fraud: what to do* and *Dealing with stakeholders*.

[37] Briefings and Speeches Information System (BASIS).

Considering the size of the budget, the controls in place and the fully centralised financial circuits, the residual risk of fraud does not require temporary measures in advance of the anti-fraud action plan being implemented in full. Appropriate controls to avoid fraud will be maintained.

DG MARKT's controls to prevent and detect fraud are not different from those to ensure the legality and regularity of transactions and procedures. Through financial verifications (the central financial unit's ex-ante verifications and, together with those of the IAC, annual ex-post checks of sample transactions), the DG reviews transactions, contracts, tenderers and beneficiaries to identify any 'red flags' for fraud. Procurement and grant procedures or transactions assessed as entailing greater risks are verified at two levels before being approved by the authorising officer. This second financial verification and the IAC's ex-post financial verification of transactions are carried out by appropriate staff familiar with fraud prevention and detection 'red flags'.

In 2014, DG MARKT applied effective controls in procurement and grant management to prevent and detect fraud risks. 11% of commitments and payments received a second ex-ante financial verification. Three transactions deviating from the established financial circuits were detected after being processed and these were reported to the ICC. None of them posed a risk of fraud or of financial loss for the Commission. In addition, three contract files and one procurement procedure underwent in-depth control to assess potential conflicts of interests and potential fraud.

In conclusion, no files were transmitted to the European Anti-Fraud Office (OLAF) or the Investigation and Disciplinary Office of the Commission (IDOC). Two contracts were terminated – one because of a potential conflict of interests affecting its performance and the other at the request of the contractor, in view of his inability to carry out the contracted services.

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

DG MARKT records its financial and accountancy entries in the Commission's corporate information system,[38] which DG BUDG checks regularly when validating the local system. The DG's official financial reports and information on awarded contracts and beneficiaries (i.e. a list in the financial transparency system – see http://ec.europa.eu/budget/fts/index_en.htm) are generated through ABAC.

Safeguarding of information

DG MARKT protects classified and sensitive information (e.g. regarding business secrets, copyright, personal data, commercial and financial matters, international negotiations, decision-making processes) if disclosure would harm the interests of the institutions, the Member States or an individual or legal entity.

In 2014, DG MARKT pursued its 'anti-leak campaign' by taking preventive action (e.g. messages to

[38] Accrual-based accounting (ABAC) executes and monitors all the Commission's budgetary and accounting operations. It was developed by the Commission and includes a comprehensive set of features to ensure compliance with the Financial Regulation and the FR Rules of Application.

newcomers, information on IT reorganisation, an 'avoid leaks' poster, information on implementation of the anti-fraud strategy) and reminding staff about document management, IT security rules and best practices on protecting personal data and keeping certain data confidential during transmission or translation.

DG MARKT applies Commission Decision C(2000) 3602 on the protection of information systems. All information system identification and access controls are based on passwords which staff are asked not to disclose. Documents must be kept in a suitable location (i.e. protected drivers or folders in the server). The installation of any IT equipment and software is subject to authorisation by the information resources manager (IRM). The deterrent in this area consists of disciplinary action for non-compliance with Article 17 of the Staff Regulations and related provisions.

In 2014, DG MARKT implemented the above preventive action and no incident was identified by management.

2.2 Budget implementation tasks entrusted to other DGs and entities

This section reports on and assesses the elements that support the assurance on the achievement of the internal control objectives as regards the results of the DG's supervisory controls on budget implementation tasks carried out by other DGs and entities outside the Commission.

As in previous years, DG MARKT entrusted various entities with implementing parts of its budget through indirect management under a number of cross-delegations and subsidies.

All authorising officers by delegation (AODs) were required to implement appropriations according to the rules, responsibilities and accountability arrangements that apply generally in the Commission.

Cross-subdelegations

All cross-subdelegations required the AOD of the entrusted DG to report on the use of appropriations in line with the internal control objectives under the Financial Regulation. Some other DGs provided DG MARKT with credit appropriations in cross-subdelegations to contribute to common activities or projects.

Cross-subdelegations **to** other DGs

DG	Purpose of expenditure	Amount in commitment appropriations (€)
DG for Communications, Networks, Content and Technology (CNECT)	Eurobarometer survey - enterprises selling online and the obstacles they face in cross-border online activities	€ 200 000
DG for Communication (COMM)	'Single market forum' pilot project — funds made available in 2012 to EC representations for national events, conferences and other communication activities (final activities took place in 2014)	€ 4 120
DG for Informatics (DIGIT)	a. overall infrastructure (support and maintenance costs): Business Register Interconnection System (BRIS) – assessment of European Business Register (EBR) and analysis report; b. IMI: maintenance of IMI and SOLVIT modules; new developments (general toolkit, back-office) and contribution to Global infrastructure.	€ 711 699 € 1 230 314

DG for Employment, Social Affairs and Inclusion (EMPL)	AGORA- corporate system for managing meetings	€ 84 933 (only payments by DG EMPL in 2014)
Publications Office (OP)	Printing publications on internal market governance tools	€ 34 000
Office for the Administration and Payment of Individual Entitlements (PMO)	Recruitment of SRB personnel: reimbursing interview expenses	€ 109 800 (commitments by DG MARKT)[39] € 18 554 (payments by PMO by 31.12.2014)

The information reported is deemed to be reliable and sufficient to conclude on the efficient and effective use of resources for the projects in question. No irregularity, audit finding or other issue was raised in the context of reporting on implementation of the entrusted funds.

Cross-subdelegations **from** other DGs

DG	Purpose of expenditure	Available commitment appropriations (€)	Expenditure by end of 2014 (€)
DG COMM	Social media communication and webmaster community activities	€ 80 000	€ 68 600
DG DIGIT	Interoperability solutions for European public administrations	€ 514 234	€ 461 445
	Training services and new Information System feature	€ 80 000	No payments as yet
DG EMPL	Procurement of communication, technical and logistical services and supplies for the 'Social entrepreneurs — have your say!' event	€ 170 000	€ 167 941 paid to contractors
DG for Health and Consumers (SANCO)	– Co-financing for feasibility study on a database on EU and domestic food labelling requirements; – co-financing for digital communication activities	€ 166 625[40]	Payment appropriations used up for both interim and final payments

[39] The reason for this cross-subdelegation, as opposed to a co-delegation, is that activities started only in the middle of the year. A co-delegation has been arranged for 2015.

[40] From various budget lines.

	promoting the *Your Europe* citizens' portal.		
DG for Regional Policy (REGIO)	Co-financing logistics costs for the 'Social entrepreneurs — have your say!' event	€ 80 000	€ 78 645 paid to contractors

DG MARKT has reported to each Directorate-General that the appropriations received were managed under the Commission's rules and internal control framework. Its controls on the subdelegated credit appropriations were identical to those on the execution of its own budget. (See the internal control template (ICT) for direct procurement management in Annex 5).

DG MARKT detected no events, control results or issues that could have a material impact on assurance. It was notified of no audit finding linked to or affecting any of the received delegations for further reporting.

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 had received action grants from DG MARKT in 2010, became the European Banking Authority (EBA), the European Securities and Market Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA).

The ESAs' operating costs are funded by the national supervisory authorities (60 %) and the EU (40 %). ESMA is also funded by operators (credit rating agencies and trade repositories). Funding in 2014 was based on the budget approved by the budgetary authority at the end of 2013 to cover staff and administrative expenditure, and operational expenditure relating to the ESAs' 2014 work programme. (See Annex 8 for information on subsidies paid in 2014).

The costs of the 'representation' control (ICT for indirect management — stage 3) on ESAs have been estimated as follows:

Stage	**Indicators (annual) – description**	**2014**
Overall indicator	**Overall supervision cost (%)** — staff cost / annual subsidies paid to the ESAs	0.32 %

The costs of controls on the payments/suspensions and/or recovery of unused Commission contributions (ICT indirect management — stage 4) are identical to the costs of those on the execution of the DG's budget.[41] The Commission does not perform financial reviews or checks on the agencies' individual transactions.

DG MARKT's supervision arrangements are limited to the following roles and activities:

- an adviser on agencies and authorities, attached to Directorate A (Resources and Communication), monitors how DG MARKT's agencies operate; he works closely with the heads of administration and ensures follow-up on all procedural issues;
- Unit 02 (Financial Services Policy) is in charge of DG MARKT's coordination with the ESAs on horizontal operational, institutional and legal questions;
- Directorate A and its adviser provide support for budgetary procedures and internal control, including the establishment of an anti-fraud strategy and awareness raising activities;
- 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 2014. 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 aims to attend two Board of Supervisors meetings for each ESA each year where possible. Other meetings of the Board Supervisors and ad-hoc policy meetings are attended by the Director or Head of Unit in charge at operational level.
- DG MARKT's participation in the above board meetings and regular meetings at operational level and adviser level is essential for its monitoring of the ESAs' work.

The review of the ESFS published on 8 August 2014 shows that the ESAs performed well overall in their first three years of operation. They succeeded in building functioning organisations, started delivering on their mandates and developed their own profiles. In particular by preparing uniform standards and contributing to supervisory convergence and coordination, the ESAs have successfully contributed to shaping the development of a single rulebook applicable to all Member States and thus to the smooth functioning of the single market. Some improvements are envisaged in both the short and the long term. Areas for consideration in the longer term include a revision of funding arrangements to enable the ESAs to deliver on their broad range of tasks, while taking account of EU and national budgetary constraints.

In 2014, DG MARKT did not detect, and was not made aware of, any fact that could prejudice the good working relations that have been established. The IAS completed an audit on the working arrangements in 2014 and assessed its cooperation with the ESAs as positive overall.

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[41] See the ICT (direct procurement management – financial transactions) in Section 2.1 and Annex 5.

2.3 Assessment of audit results and follow-up of audit recommendations

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

In 2014, DG MARKT was audited by independent internal and external auditors: its own Internal Audit Capability (IAC), the Commission IAS and the European Court of Auditors (ECA).

The DG monitors centrally the implementation of all audit recommendations accepted by management. The Financial Resources and Internal Control Unit's monitoring of planned and implemented activities involves:

- notifying the units responsible for implementation in due time, so as to ensure that agreed deadlines are met; and
- recording the action taken using a dedicated IT tool (for ECA and IAS recommendations) in order to report on progress to the respective auditors and to management.

ECA —The European Court of Auditors' audits

For the 2014 statement of assurance (DAS), the ECA sampled two DG MARKT transactions for review: a cost claim regarding the Union's contribution to EBA in 2013 and final payment for an outsourced study. The review is currently ongoing.

Also in 2014, the ECA issued *European banking supervision taking shape — EBA and its changing context* (special report No 5/2014), with DG MARKT and the EBA as the auditees. The objective was to assess whether the Commission and the EBA had satisfactorily carried out their responsibilities in setting up new arrangements for the regulation and supervision of the banking sector and to examine how well they were functioning. This was the first in a series of planned audits on the economic governance measures taken in recent years.

The audit report did not contain any critical or very important recommendations. Four out of six important recommendations concerned DG MARKT at least partially; these relate to:

1) the need to allow sufficient time for drafting, consultation and possible cross-sectoral analysis;
2) the need for a clear, wide-ranging mandate, sufficient experienced staff for bank stress tests and efficiently functioning EU-wide resolution mechanisms;
3) stronger consumer protection measures in the EU financial sector; and
4) clearer roles and responsibilities for a successful banking union and effective banking supervision.

DG MARKT has taken the requisite action to implement the first three recommendations and expects to implement the fourth in the first quarter of 2015.

At the beginning of 2014, the ECA launched a preliminary study of the performance of ESMA and

EIOPA in order to determine whether an audit on this would be relevant, worthwhile and feasible. In May, it informed DG MARKT that it had launched *an audit to assess whether ESMA's supervision of the credit rating agencies (CRAs) has contributed to financial stability in the EU*. Unlike the audit on EBA, this new audit will not directly cover DG MARKT.

The ECA also reviewed DG MARKT's cut-off calculations in the 2013 reliability of accounts exercise; no comments were made.

IAS —The Internal Audit Service's audits

In 2014, the IAS completed *an audit on DG MARKT's cooperation with the ESAs on financial services*. No critical or very important recommendations were issued. Three important recommendations concern:

1) the DG's working relationship and memorandum of understanding with the ESAs;
2) internal organisation and coordination in the DG; and
3) performance measurement of the DG's cooperation with the ESAs.

The recommendations are being implemented in line with the action plan, with the end of the third quarter of 2015 as the last agreed target date for implementation.

DG MARKT was also subject to a horizontal *IAS audit on the effectiveness and efficiency of the administrative processes supporting the European Semester (ES) across the Commission*, launched in June 2014. The audit assessed in particular whether the Commission had set up an adequate internal control system, including effective and efficient processes and procedures for planning, implementing, monitoring and following up action for the continuous improvement of the ES. The audit report, with horizontal recommendations, was addressed to the Secretariat-General, which will prepare and coordinate the action plan. The other audited DGs received a management letter on DG-specific areas for improvement, as the findings regarding them did not merit a formal audit report. In the management letter to DG MARKT, the IAS:

- recognises that the DG has put in place an internal coordination structure for the units involved in the ES to share information; and
- suggests formalising the roles and responsibilities of actors involved in the ES process in order to strengthen planning, coordination and quality control.

In 2014, DG MARKT continued to act on three very important recommendations issued previously in the *IAS audit on HR management in response to the financial crisis in DG ECFIN, DG COMP and DG MARKT*. Due to the reorganisation of DG MARKT and creation of the new DG FISMA, the IAS agreed to extend the deadline for some action points relating to monitoring and reporting on HR management. Under the revised action plan, all recommendations from this audit should be closed as implemented before autumn 2015.

IAC — Audits and opinion of the Internal Audit Capability

In April 2014, the IAC issued its final report for the *audit on staff learning and development* to verify the efficiency and effectiveness of DG MARKT's learning and development processes and to review the DG's compliance with relevant Commission standards and requirements. It concluded that the internal control system and the governance processes in place provide reasonable assurance regarding the achievement of the business objectives for staff learning and development, except for two very important audit recommendations, which concern:

1) identification and analysis of learning and development needs; and
2) the learning and development activities on offer.

In June, management accepted all the audit recommendations. An action plan was developed to follow them up and is being implemented. It was revised in January 2015 to take account of Commission-level changes in learning and development.

In December 2014, the IAC finalised *an audit on the process of managing complaints and infringements at DG MARKT*. The main objective was to verify whether DG MARKT has a coherent and well-functioning system in place for the consistent and timely management of complaints and infringements. The final report made no critical recommendations and concluded that the internal control system and the governance processes in place provide reasonable assurance regarding the achievement of the business objectives in question, with the exception of two very important recommendations regarding:

1) the database used for monitoring the transposition of Directives; and
2) strategic reporting on the performance of enforcement policy at DG level.

An action plan for implementing the accepted audit recommendations was prepared in early 2015.

In November, the Commission decided to centralise the internal audit function for itself and the executive agencies in the IAS as from January 2015. Due to the reorganisation of DG MARKT, two audits (on *single market communication activities* and *IT governance*) were cancelled, with a recommendation that they be included in DG GROWTH's 2015 internal audit work plan. In view of the latest risk assessment, the IAC of DG FISMA proposed no audits of DG FISMA for 2015.

The IAC performed one consulting engagement. Its 12 February 2015 final report on the annual review of DG MARKT's 2014 financial transactions concluded that all 20 transactions reviewed had been processed in accordance with the DG's rules and financial circuits applicable to them at the time of the review. The IAC identified no material errors and there was no financial loss to the Commission.

In December, the IAC carried out a review of implementation of the recommendations from six audits in 2011-13. Overall, this can be considered satisfactory – only five very important recommendations out of 27 recommendations that were issued remain unimplemented. Following the reorganisation of the Commission, four of these will be transferred for implementation and follow-up to DG GROWTH, as the processes in question[42] do not come under the remit of the new

[42] *IAC audit of internal market information (IMI) system project management* and *IAC audit of the stakeholder*

DG FISMA.

On the basis of the results of its audits of DG MARKT in 2014 and all risk- and control-related information at its disposal, the IAC believes that the DG's internal control system provides reasonable assurance regarding the achievement of the business objectives set for the audited processes. It also declared 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.

Conclusion

Overall, DG MARKT's audit record is positive. In the four years to 2014, no critical recommendations were issued by any of the audit bodies (IAC, IAS or ECA) following their assignments. Having assessed the risks underlying the auditors' observations and the management measures taken in response, DG MARKT management believes that the recommendations raise no assurance implications and are being implemented as part of ongoing efforts to make improvements.

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consultation process.

3. ASSESSMENT OF EFFECTIVENESS OF INTERNAL CONTROL SYSTEMS

The Commission has adopted a set of internal control standards (ICSs), based on international good practice, to ensure that policy and operational objectives are achieved. Compliance with these standards is compulsory in the area of financial management.

DG MARKT has put in place an appropriate organisational structure and internal control systems to achieve 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 assesses annually the effectiveness of its key internal control systems. The DG's annual review of implementation of the ICSs in 2014 was based on an initial ICC desk review of ICS compliance and the effectiveness of the control arrangements, complemented by contributions from horizontal units responsible for implementing the 16 ICSs.

The internal control systems were assessed on the basis of a number of monitoring measures and sources of information, including reports to management, relevant audit results, the risk assessment process and reported exceptions, non-compliance events and internal control weaknesses. The underlying causes of the exceptions and weaknesses were analysed and corrective and alternative mitigating controls were implemented where necessary. This analysis enabled the ICC to report to the Director-General that internal control was satisfactory and to suggest priority ICSs for 2015.

DG MARKT took a number of measures to improve implementation of the ICSs prioritised for 2014: ICS 3 (staff allocation and mobility), ICS 9 (management supervision) and ICS 11 (document management). The main improvements and measures in 2014 included:

- implementation of the recommendations from the *IAS audit on HR management in response to the financial crisis* so as to address the issues relating to annual HR planning (i.e. workload assessment pilot and analysis of HR data), the dissemination of good practice and selection procedures, helping to maintain an attractive working environment by raising awareness on equal opportunities and organising well-being activities (ICS 3);
- implementation of the BASIS tool's 'event management' feature for recording stakeholders' meetings and requests, establishing a new procedure for exception and non-compliance reporting and new guidelines for ex-post checks, updating the financial circuits manual with new checklists for financial transactions, developing a tendering, contract management, outputs and results monitoring tool, and continuing implementation of the DG's anti-fraud action plan (ICS 9); and
- reminding staff of the basic requirements and useful features of document management tools by means of guidance documents, presentations, coaching sessions and intranet updates, e.g. as regards document retrieval, IT Edomec rules and handling sensitive documents (ICS 11).

The main risks currently faced by the DG include:

- financial turmoil, a deepening and/or new financial or sovereign debt crisis, which could result in requests for additional legislative initiatives and a change of priorities;
- delayed/incorrect transposition and non-application or asymmetric application of EU legislation, which could weaken the position of EU businesses in the global market; and
- difficulty in recruiting qualified staff for specific profiles within reasonable time limits, which could affect the quality and timing of deliverables.

However, no 'critical' risk was identified by management for 2015.

The DG makes continuous efforts to enhance the effectiveness of its control arrangements. Therefore, despite overall compliance and effective implementation of ICSs in 2014, management takes the view that additional measures would help to strengthen assurance with regard to:

- the new DG's capacity to recruit the right staff to work in line with its priorities, objectives and activities reflecting the new organisational environment; also finalising implementation of the IAS's HR audit recommendations (cf. ICS 3 – staff allocation and mobility);
- ensuring that the new DG has an appropriate structure and delegations of powers, and manages the related risks (cf. ICS 7 – operational structure); and
- management approach and concrete steps to reorganise the new DG, while ensuring the smooth ongoing functioning of internal controls and business continuity (cf. ICS 9 – management supervision and ICS 10 – business continuity).

ICS 3, ICS 7 and ICS 9 are therefore prioritised in DG FISMA's 2015 management plan.

In conclusion, the ICSs are implemented effectively in DG MARKT and in compliance with the requirements. No weaknesses were identified in 2014 that may have a significant quantitative or qualitative impact on the assurance.

4. MANAGEMENT ASSURANCE

4.1 Review of the elements supporting assurance

The following approach provides sufficient guarantees as to the completeness and reliability of the information reported and ensures complete coverage of the budget delegated to the Director-General of DG MARKT.

The information in Parts 2 and 3 stems from the results of management's and auditors' activities in the context of established processes and expenditure operations. The following elements (emerging from the previous parts) support the declaration of assurance:

- an appropriate level of control prior to each transaction, the results of the ex-post verification of a sample of transactions (by financial agents on a quarterly basis and by the IAC in its annual financial review) and the fact that no cases were received by the Ombudsman and no legal proceedings were initiated by tenderers/contractors;
- absence of critical observations and recommendations from 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, monitoring and reporting mechanisms ensuring follow-up of recommendations at the appropriate level, and the IAC's twice-yearly desk review to verify progress in implementing the recommendations; and
- the reports received from AODs to whom credits were cross-subdelegated.

The above elements provide a true and fair view of activities in 2014. Resources were used for the intended purposes, sound financial management was applied and legality, regularity and the non-omission of significant information were ensured. DG MARKT has put in place suitable control measures to limit risks of error, guarantee that assets and information are safeguarded, and prevent, detect and correct fraud and irregularities. Where necessary, improvements to the overall control strategy and processes were made in the course of the year.

In conclusion, DG MARKT considers that it has met its control objectives and assesses the information reported as complete, reliable and effectively underpinning DG MARKT's Authorising Officer by Delegation's declaration of assurance for 2014.

4.2 Overall conclusion on assurance

In view of the control results and all other relevant information available, the AOD's best estimate of the risks relating to the legality and regularity of the expenditure authorised during the reporting year ranges between 0% and 2%, with a maximum of € 1.1 million at risk.

In addition to IAC's financial review and the Financial Resources Unit's ex-post checks of transactions, the DG's internal control strategy includes further controls to detect and correct errors, such as the ex-post checks on grant beneficiaries, which allowed for recoveries of about 1.08% (€ 610 689) of total expenditure in 2013.

Although it is not possible to identify the specific errors and amounts that will actually be corrected in the coming years, since 2009 these corrective controls have resulted on average in recoveries representing 0.28 % of total payments. Applying this percentage to payments made in 2014 provides the best available indication (€ 159 852) of the corrective capacity of the DG's ex-post control systems.

In the light of the review of elements supporting assurance and the expected corrective capacity of the controls, it can be concluded that the DG's internal controls systems provide sufficient assurance to adequately manage the risks relating to the legality and regularity of the underlying transactions. It can also be concluded that the internal control systems provide sufficient assurance as to the achievement of the other internal control objectives.

DECLARATION OF ASSURANCE

'I, the undersigned,

Director-General of the Directorate-General for the Internal Market and Services declare, in my capacity as authorising officer by delegation, that the information contained in this report gives a true and fair view.[43]

I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose 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 lessons learnt from the reports of the Court of Auditors for the 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, 24 March 2015

[signed]

Jonathan FAULL

[43] True and fair in this context means a reliable, complete and correct view of the state of affairs in the DG