

EN

EN

EN



EUROPEAN COMMISSION

Brussels, 11.10.2010  
SEC(2010) 1199 final

**AMENDING LETTER N° 2  
TO THE DRAFT GENERAL BUDGET 2011**

**STATEMENT OF REVENUE AND EXPENDITURE BY SECTION  
Section III - Commission**

**AMENDING LETTER N° 2  
TO THE DRAFT GENERAL BUDGET 2011**

**STATEMENT OF REVENUE AND EXPENDITURE BY SECTION  
Section III - Commission**

Having regard to:

- the Treaty on the Functioning of the European Union, and in particular Article 314 thereof, in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,
- the Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities<sup>1</sup>, and in particular Article 37 thereof,
- the draft general budget of the European Union for the financial year 2011 presented by the Commission on 15 June 2010,
- the draft amending letter No. 1/2011<sup>2</sup>,

The European Commission hereby presents to the budgetary authority the Amending Letter No. 2 to the 2011 draft budget for the reasons set out in the explanatory memorandum.

---

<sup>1</sup> OJ L 248, 16.9.2002, p. 1.  
<sup>2</sup> SEC(2010) 1064.

## **CHANGES TO THE STATEMENT OF REVENUE AND EXPENDITURE BY SECTION**

The changes to the statement of revenue and expenditure by section are available on EUR-Lex (<http://eur-lex.europa.eu/budget/www/index-en.htm>). An English version of the changes to these statements by section is attached for information as a budgetary annex.

## TABLE OF CONTENTS

1.	Introduction.....	5
2.	Europol.....	5
3.	Financial Supervision Authorities.....	6
4.	European Financial Stabilisation Mechanism.....	6
8.	Summary table by heading of the Financial Framework.....	9

## **1. INTRODUCTION**

The Amending Letter No 2 (AL 2) to the Draft Budget for 2011 (DB 2011) covers the following:

- A reinforcement of the EU contribution to Europol by EUR 552 000, as well as modifications to the establishment plan of Europol, reflecting a request for four additional establishment plan posts (all AD posts);
- A reinforcement of the EU contribution to the three Financial Supervision Authorities (EBA, EIOPA and ESMA) by EUR 1 224 000, as well as modifications to the establishment plans of the Authorities, reflecting a request for six additional establishment plan posts for EBA (of which 3 AD posts and 3 AST posts), six additional establishment plan posts for EIOPA (of which 5 AD posts and 1 AST post), and fifteen additional establishment plan posts for ESMA (of which 10 AD posts and 5 AST posts);
- The creation of a new budget item 01 04 01 03 for the guarantee provided by the European Union in accordance with the provisions of Article 122(2) of the Treaty on the Functioning of the European Union (TFEU) and, correspondingly, a new article 802 on the revenue side. This has no budgetary implications.

The net financial impact of this amending letter is EUR 1 776 000, both in commitment appropriations and payment appropriations.

## **2. EUROPOL**

The rationale for the changes introduced in this amending letter derives from new tasks assigned to Europol after the approval of the 2011 Draft Budget.

Following the consent by the European Parliament and the Council to conclude the agreement between the European Union and the United States of America on the processing and transfer of Financial Messaging Data from the European Union to the United States for the purposes of the Terrorist Finance Tracking Programme (TFTP), as from 1 August 2010 Europol is tasked with implementing the EU/US TFTP agreement. This includes the verification of TFTP requests in line with the aforementioned agreement.

This new task assigned to Europol requires additional allocation of resources in 2011, to ensure secure means of transmission of information from the US to Europol by acquiring dedicated equipment and software, to set up a new unit comprising four new posts, on a full year basis, i.e. to recruit a Head of Unit supported by two senior specialists in terrorism matters and financial intelligence processing and one legal expert.

The financial consequences amount to EUR 552 000, of which EUR 400 000 for staff expenditure (Title 1) and EUR 152 000 for operational expenditure (Title 3).

The full establishment plan is included in the budgetary annex.

### **3. FINANCIAL SUPERVISION AUTHORITIES**

The rationale for the changes introduced in this amending letter is the proposal from the Commission to entrust the European Securities and Markets Authority (ESMA) with new responsibilities for the authorisation and supervision of credit rating agencies, as well as the Legislator's decision to assign ESMA, the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) additional tasks, which were not foreseen in the initial proposals of the Commission.

#### **3.1. Proposal for an amending Regulation on credit rating agencies - ESMA**

On 2 June 2010, the Commission proposed to amend Regulation (EC) No 1060/2009 on credit rating agencies<sup>3</sup>, aiming to entrust the European Securities and Markets Authority (ESMA) with responsibilities for the authorisation and supervision of credit rating agencies (CRAs), including investigation powers, on site inspections and supervisory decisions.

Art. 19 of the proposal provides that ESMA's expenditure necessary for the registration and supervision of CRAs according to the Regulation shall be fully covered by fees charged to the credit rating agencies. The detailed structure and provisions of the fees shall – pursuant to Art. 19 of the proposal - be determined by a Commission delegated act which is expected to be adopted in the course of 2011 and is supposed to enter into force at the beginning of 2012.

As the proposal was adopted by the Commission in June this year, the budgetary request was not included in the Draft Budget 2011 issued in May 2010. This motivates the proposed revision of the establishment plan and of the EU budget contribution as detailed in the budgetary annex.

In the transition year 2011, resources for supervision of CRAs should be made available by Member States and EU budget contributions according to the ratio foreseen in the ESMA Regulation (40% EU budget and 60% Member States contribution). According to the proposal, no contribution to cover the cost of supervision of CRAs will be necessary from 2012 onwards.

The resources implications in 2011 are indicated in the financial statement accompanying the legislative proposal. In terms of human resources, six additional establishment plan posts are requested, on a full year basis. Overall, the financial consequences amount to EUR 2,5 million, of which EUR 2,2 million for staff and infrastructure expenditure (Titles 1 and 2) and EUR 0,3 million for operational expenditure (Title 3). In order to finance the corresponding EU share (40%), the additional contribution to be covered by the EU budget in 2011 amounts to EUR 1 million.

#### **3.2. Additional tasks assigned to ESMA, EBA and EIOPA**

The European Parliament and the Council have reached a political agreement on the creation of the three Authorities at the beginning of September 2010. The final text of the regulations is presently being finalised; the European Parliament has adopted the package on 22 September and the adoption by the Council is expected at the ECOFIN meeting of October.

It is therefore appropriate that the budgetary impact in 2011 of new tasks assigned by the Legislator to the Authorities is properly assessed and included in this amending letter.

---

<sup>3</sup> COM (2010) 289 final

The additional tasks assigned to all three Authorities include, inter alia:

- a leading role in promoting transparency, simplicity and fairness in the market for consumer financial products or services (Article 6);
- monitoring the efficient, effective and consistent functioning of the colleges of supervisors (Article 12);
- monitoring and assessment of systemic risk, developing criteria for the identification and measurement of systemic risk (Articles 12a to 12c);
- ensuring specialised and ongoing capacity to respond effectively to the materialisation of systemic risks (Article 12c);
- contributing and participating actively in the development and coordination of effective and consistent recovery and resolution plans, procedures in emergency situations and preventive measures to minimise the systemic impact of any failure in the areas of competence (Article 12c).

Concerning the staff requirements in view of the additional tasks assigned to the Authorities, the Commission services estimate that nine additional posts are necessary for ESMA as well as six posts for EBA and six posts for EIOPA in 2011. The corresponding salary needs of half of these additional posts have been calculated on a nine month basis, and the other half on a six month basis, in order to take into account the estimated recruitment time required. The full establishment plans for ESMA, EBA and EIOPA are included in the budgetary annex.

A thorough review of the financial needs and staff requirements of the agencies has been carried out by the Commission's services, covering all activities of the agencies. This review has also allowed the Commission to establish a more precise estimate of some budgetary items of the agencies' budgets. In particular, infrastructure costs of the ESMA have been revised upwards to deal with the planned increased staff number of the Authority, whereas certain average costs for staff appeared to have initially been overestimated, and have been revised downwards accordingly.

This detailed review of agency expenditure largely offsets the additional costs resulting from the additional tasks granted by the legislative authority. Overall, a combined net increase of EUR 560 000 of the budget of the Authorities is considered necessary to support the creation of the new agencies with reference to additional tasks assigned by the Legislator, of which EUR 300 000 for ESMA, EUR 140 000 for EBA and EUR 120 000 for EIOPA. This amount of EUR 560 000 is the net result of an overall increase of EUR 1 677 000 for staff and infrastructure expenditure (Titles 1 and 2), and an overall decrease of EUR 1 117 000 for operational expenditure (Title 3). It is therefore proposed to increase the EU contribution by EUR 224 000 in 2011, taking into account that 60% of the required reinforcement will be covered by Member States' contributions.



#### 4. EUROPEAN FINANCIAL STABILISATION MECHANISM

On 9th May 2010, the Council decided on a comprehensive package of measures to preserve financial stability in Europe, including a European Financial Stabilisation mechanism<sup>4</sup> based on Article 122(2) of the TFEU. This Article foresees financial support for Member States in difficulties caused by exceptional circumstances beyond Member States' control.

The mechanism will operate without prejudice to the existing facility providing medium term financial assistance for non euro area Member States' balance of payments.

To grant this financial assistance the Commission will borrow on the capital markets or with financial institutions on behalf of the European Union. In order to honour its obligations should the debtors default, the Commission may draw on its cash resources to service the debt provisionally. Article 12 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 implementing Decision 2000/597/EC, Euratom on the system of the Communities' own resources shall apply. Subsequently, it may be necessary to budget the operation.

Reimbursements after an initial default or any other revenue arising from the exercise of rights in connection with the guarantee may also need to be budgeted as revenue.

It is therefore proposed to create a new budget item on the expenditure side and a corresponding new budget article on the revenue side as the budget structure for the guarantee provided by the European Union. This has already been done for the 2010 budget, by means of Amending Budget 5/2010<sup>5</sup>.

As it is of use for budgetary items linked to lending operations without a specific guarantee fund, the new item 01 04 01 03 and new article 8 0 2 will receive a token entry (p.m.). If necessary, the Commission will propose to make available the appropriations needed by means of a transfer or an amending budget.

---

<sup>4</sup> Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism.

<sup>5</sup> Former Draft Amending Budget No 7/2010, COM (2010) 383.

## 5. SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK

Financial framework Heading/subheading	2011 Financial framework		2011 Draft Budget + AL 1/2011		AL 2/2011		2011 Draft Budget + AL 1-2/2011	
	CA	PA	CA	PA	CA	PA	CA	PA
<b>1. SUSTAINABLE GROWTH</b>								
1a. Competitiveness for growth and employment	12 987 000 000		13 436 852 270	12 109 714 170	1 224 000	1 224 000	13 438 076 270	12 110 938 170
1b. Cohesion for growth and employment	50 987 000 000		50 970 093 784	42 540 796 740			50 970 093 784	42 540 796 740
<b>Total Margin<sup>6</sup></b>	<b>63 974 000 000</b>		<b>64 406 946 054</b> <i>67 053 946</i>	<b>54 650 510 910</b>	<b>1 224 000</b>	<b>1 224 000</b>	<b>64 408 170 054</b> <i>65 829 946</i>	<b>54 651 734 910</b>
<b>2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES</b>								
Of which market related expenditure and direct payments	47 617 000 000		43 747 401 900	43 656 761 358			43 747 401 900	43 656 761 358
<b>Total Margin</b>	<b>60 338 000 000</b>		<b>59 486 248 389</b> <i>851 751 611</i>	<b>58 135 685 296</b>			<b>59 486 248 389</b> <i>851 751 611</i>	<b>58 135 685 296</b>
<b>3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE</b>								
3a. Freedom, Security and Justice	1 206 000 000		1 135 252 740	852 573 740	552 000	552 000	1 135 804 740	853 125 740
3b. Citizenship	683 000 000		667 817 000	638 979 000			667 817 000	638 979 000
<b>Total Margin</b>	<b>1 889 000 000</b>		<b>1 803 069 740</b> <i>85 930 260</i>	<b>1 491 552 740</b>	<b>552 000</b>	<b>552 000</b>	<b>1 803 621 740</b> <i>85 378 260</i>	<b>1 492 104 740</b>
<b>4. EU AS A GLOBAL PLAYER<sup>7</sup></b>	<b>8 430 000 000</b>		<b>8 613 529 377</b> <i>70 330 623</i>	<b>7 601 763 867</b>			<b>8 613 529 377</b> <i>70 330 623</i>	<b>7 601 763 867</b>
<b>5. ADMINISTRATION<sup>8</sup></b>	<b>8 334 000 000</b>		<b>8 289 835 688</b> <i>126 164 312</i>	<b>8 290 890 688</b>			<b>8 289 835 688</b> <i>126 164 312</i>	<b>8 290 890 688</b>
<b>TOTAL Margin</b>	<b>142 965 000 000</b>	<b>134 280 000 000</b>	<b>142 599 629 248</b> <i>1 201 230 752</i>	<b>130 170 403 501</b> <i>4 394 596 499</i>	<b>1 776 000</b>	<b>1 776 000</b>	<b>142 601 405 248</b> <i>1 199 454 752</i>	<b>130 172 179 501</b> <i>4 392 820 499</i>

<sup>6</sup> The European Globalisation adjustment Fund (EGF) is not included in the calculation of the margin under Heading 1a (EUR 500 million).

<sup>7</sup> The 2011 margin for heading 4 does not take into account the appropriations related to the Emergency Aid Reserve (EUR 253,9 million).

<sup>8</sup> For calculating the margin under the ceiling for heading 5, account is taken of the footnote (1) of the financial framework 2007-2013 for an amount of EUR 82 million for the staff contributions to the pension scheme.