



European Securities and
Markets Authority

Date: 26 June 2013
ESMA/2013/

FINAL ANNUAL ACCOUNTS OF THE EUROPEAN SECURITIES AND MARKETS AUTHORITY

FINANCIAL YEAR 2012

Paris, 1st June 2013

TABLE OF CONTENTS

STATEMENT OF THE ACCOUNTING OFFICER.....	5
PRESENTATION OF THE ORGANISATION.....	7
LEGAL BASE FOR DRAWING UP THE ANNUAL ACCOUNTS.....	12
PART I - FINANCIAL STATEMENTS	13
1 - ESMA-BALANCE SHEET - ASSETS	14
2 - ESMA-BALANCE SHEET - LIABILITIES	15
3 - ESMA - ECONOMIC OUTTURN ACCOUNT	16
4 - ESMA - CASH FLOW TABLE (INDIRECT METHOD).....	17
5 - ESMA - STATEMENT OF CHANGES IN CAPITAL.....	18
6 - ANNEX TO THE FINANCIAL STATEMENTS	19
6.1 Accounting principles (summary).....	19
6.2 Notes to the Balance Sheet.....	21
6.3 Notes to the Economic Outturn Account.....	27
6.4 Notes to the Cash Flow Table.....	29
6.5 Notes to the Statement of changes in capital.....	30
6.6 Contingent liabilities and commitments for future funding	30
6.7 Related Party disclosure	31
6.8 Events after the balance sheet date.....	31
PART II - BUDGET IMPLEMENTATION REPORTS	33
1 - BUDGET OUTTURN ACCOUNT	34
2 - BUDGET IMPLEMENTATION CREDIT OF THE YEAR:.....	35
4 - ANNEX TO THE BUDGET IMPLEMENTATION REPORT	42
4.1 Budgetary principles (summary)	42
4.2 Types of appropriations.....	44
4.3 Description of the budget accounts	44
PART III - BUDGETARY AND FINANCIAL MANAGEMENT REPORT.....	47
1 - LEGAL FRAMEWORK - FINANCIAL REGULATION.....	48
2 - FINANCIAL SYSTEMS AND MANAGEMENT	48
3 - BUDGET EXECUTION ESMA 2012	48
ANNEX I: BUDGET EXECUTION 2012	52
ANNEX II: AUTOMATIC CARRY FORWARD 2012-2013 - C8 CREDIT	54
ANNEX III: BUDGET TRANSFERS.....	55
ANNEX IV: ESTABLISHMENT PLAN.....	58

Statement of the Accounting Officer

The final annual accounts of the European Securities and Markets Authority for the year 2012 have been prepared in accordance with the Financial Regulation applicable to the general budget of the European Union and the accounting rules adopted by the Commission's Accounting Officer, as are to be applied by all the institutions, agencies and joint undertakings.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the European Securities and Markets Authority in accordance with Title VII, Chapter 1 of the Financial Regulation.

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

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

Paris, 1st June 2013



Christine KLEINSASSER
Principal Accounting Officer

PRESENTATION OF THE ORGANISATION

1.1- Introduction

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

1.2- Mission in 2012

Since its establishment in January 2011, ESMA is charged to enhance the protection of investors and promote stable and well-functioning financial markets in the European Union (EU). As an independent institution, ESMA achieves this aim by building a single rule book for EU financial markets and ensuring its consistent application across the EU. ESMA contributes to the regulation of financial services firms with a pan-European reach, either through direct supervision or through the active co-ordination of national supervisory activity. Sound and effective regulation of securities markets is key for the growth, integrity and efficiency of the EU's financial markets and economy.

Effective regulation is a vital factor in securing and maintaining confidence amongst market participants. In order to foster these conditions, ESMA was created as an independent EU Authority to improve harmonisation in both supervisory rules and practices. In order to achieve harmonised rule implementation throughout the Union, ESMA serves as a standard setter in relation to securities legislation and provides technical advice where mandated by the Commission. It also has an important role in directly supervising financial player with pan-European reach, such as currently credit rating agencies (CRAs).

To facilitate a better understanding of ESMA's role, it has set itself five objectives to which its work contributes, namely:

Financial stability

In order for ESMA to contribute to safeguarding the financial stability of the EU's securities markets it is crucial that ESMA continuously analyses trends and, at an early stage, identifies potential risks and vulnerabilities at a micro-prudential level. To achieve this, across borders and sectors, ESMA conducts economic analyses of European securities markets and models the impact of potential

market developments. ESMA informs the European Institutions, the other European Supervisory Authorities (ESA)s and the European Systemic Risk Board (ESRB) on a regular and, if necessary, on an ad-hoc basis about its findings.

Investor protection

Ensuring the interest of investors is always properly met, is another important task of ESMA. ESMA achieves this through promoting transparency, simplicity and fairness in securities markets for consumers of financial products or services. In order to ensure that investors enjoy the same level of protection regardless of the point of sale or the product being sold, ESMA collects, analyses and reports on consumer trends, while promoting both financial literacy and education initiatives and contributing to the enhancement of common disclosure rules. It is important for ESMA to monitor new and existing financial activities as this allows the Authority to assess the need of whether to adopt guidelines and recommendations that promote safe and sound securities markets, and the convergence of regulatory practice to ensure that investor protection across the Union is enhanced.

Single rulebook

In its role as a standard setter, ESMA works on establishing harmonised regulatory technical standards (RTS) in different areas of securities regulation. By drafting those standards and by providing advice to the Commission on legislation, ESMA contributes to establishing a single EU rulebook applicable to all market participants and creating a level-playing-field across the Union. The single rulebook contributes to the quality and consistency of national supervision, the enhanced and consistent protection of investors across the Union and strengthens the oversight of cross-border groups.

Convergence

ESMA was set up to foster supervisory convergence thereby reducing regulatory arbitrage resulting from different practices across the Union. Different supervisory practices have the potential of undermining not only the integrity, efficiency and orderly functioning of markets but ultimately also financial stability.

In order to foster fair and balanced supervisory practices, ESMA conducts peer reviews of existing EU legislation in the field of securities regulation. In addition, ESMA has a number of tools to achieve regulatory convergence, including issuing opinions, enter into mediation and as a last resort, a breach of Union law procedure.

The Authority aims to use its convergence work to also drive its activities in other areas of the Work Programme, including enhancing the single rulebook through issuing guidelines and recommendations in areas where difference of application exists and through providing advice to the Commission on areas where revised legislation might be necessary to align supervisory practices.

Supervision

ESMA's direct supervisory powers are focused on two groups of participants in the financial markets, namely credit rating agencies and trade repositories. Since 1 July 2011, ESMA is the sole body responsible for the registration and supervision of CRAs in the European Union. Starting from 2013, ESMA will also have direct supervisory powers regarding trade repositories and participate in the supervisory colleges that will oversee CCPs. In undertaking supervision of financial market participants with pan-EU reach who may have an impact on the integrity of the EU's financial markets; ESMA contributes to sound and safe financial markets thereby supporting investor protection.

The main deliverables of the Authority against these objectives in 2012 were:

- Establishing a single European rulebook – ESMA developed technical standards and provided technical advice to the Commission in order to upgrade and achieve consistent regulation in areas such as alternative investment management, prospectuses and credit rating agencies.
- Establishing a single European rulebook – ESMA developed technical standards and provided technical advice to the Commission in order to upgrade and achieve consistent regulation in areas such as short-selling and market infrastructures (EMIR).
- Promoting supervisory convergence – ESMA issued opinions and guidance & recommendations, conducted peer reviews, coordinated supervisory actions and promoted common supervisory practices to enhance consistent application and supervision of the regulation across the EU, covering issues such as IFRS, alternative investment funds, exchange-trade-funds (ETFs), and others.
- Enhancing consumer protection – ESMA monitored new and existing financial activity and the comprehensiveness and clarity of information provided to investors, issued investor warnings and adopted guidelines & recommendations to enhance consumer protection on issues such as suitability of financial products, investment advice and ETFs.

- Establish direct supervision – in 2012, ESMA continued to supervise the day-to-day activity of credit rating agencies. As of December 2012, 19 CRAs were registered with ESMA, and one certified. ESMA's supervision in 2012 included thematic work on bank ratings.
- Monitoring financial stability risks – ESMA worked with the ESRB and the other ESAs to analyse trends and to identify potential risks and vulnerabilities to EU securities markets. The authority continued to issue internal bulletins and periodic reports to other EU bodies, and the ESRB on a macro-level, to raise the awareness of potential risks. ESMA also enhanced cooperation and information flow between national securities regulators during difficult market situations.
- Building the organisation – in its second year of operation, ESMA continued a steady growth accommodating new task, staff and further maturing its financial, HR and procurement procedures as well as its internal control functions.

1.3- Legal status and principal office

The Authority is a body of the Community as referred to in article 185 of The Financial Regulation (EC, Euratom) n°1605/2002 of the Council of 25 June 2002, amended by Council Regulation (EC, Euratom) n° 1995/2006 of 13 December 2006. It has legal personality. The Authority is represented by its Chair, Mr Steven MAJJOOR, and its management is entrusted to the Executive Director, Mrs Verena ROSS, both appointed by the Authority's Board of Supervisors.

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

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

1.4- Governing structure

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

The Board of Supervisors is composed of the heads of the 27 national competent authorities from the EU Member States, an observer each from the European Commission, EBA and EIOPA and the ESRB and observer national competent authorities, in 2012 these were Iceland, Norway and Liechtenstein.

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

The Management Board is composed of six members (and alternates) selected from the Board of

Supervisors and an observer from the European Commission.

The Management Board deals with the management of the Authority.

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

1.5- Further information sources

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

LEGAL BASE FOR DRAWING UP THE ANNUAL ACCOUNTS

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

The Financial Regulation of ESMA as adopted by its Board of Supervisors and its Implementing Rules.

The "Framework Financial Regulation" Commission Regulation (EC, EURATOM) No 652/2008 of July 2008 amending Regulation (EC, EURATOM) No 2343/2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, EURATOM) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities.

The accounting rules, methods and guidelines as adopted and provided by the Accountant of the Commission.

PART I

-

FINANCIAL STATEMENTS

- 1 - BALANCE SHEET - ASSETS
- 2 - BALANCE SHEET - LIABILITIES
- 3 - ECONOMIC OUTTURN ACCOUNT
- 4 - CASH FLOW TABLE
- 5 - STATEMENT OF CHANGES IN CAPITAL
- 6 - ANNEX TO THE FINANCIAL STATEMENTS

1 - ESMA-BALANCE SHEET - ASSETS

	Notes n°	31.12.2012	31.12.2011
ASSETS			
A. NON CURRENT ASSETS			
Fixed Assets	A1	2.620.445,00	1.697.900,60
Intangible fixed assets		1.516.214,00	616.291,43
Tangible fixed assets		1.104.231,00	1.081.609,17
Land and buildings		616.012,00	614.607,26
Plant and equipment		4.483,00	625,00
Computer hardware		237.629,00	246.120,81
Furniture and vehicles		200.654,00	163.662,10
Other fixtures and fittings		45.453,00	56.594,00
Long term receivables	A2	0,00	69.845,14
TOTAL NON CURRENT ASSETS		2.620.445,00	1.767.745,74
B. CURRENT ASSETS	A3		
Short-term receivables			
Current receivables		1.613.404,29	1.117.407,39
Sundry receivables		3.639,88	8.886,52
Other			
Deferred charges		59.618,37	71.434,10
Cash and cash equivalents	A4	9.591.276,98	6.325.318,37
TOTAL CURRENT ASSETS		11.267.939,52	7.523.046,38
TOTAL ASSETS		13.888.384,52	9.290.792,12

2 - ESMA-BALANCE SHEET - LIABILITIES

	Notes n°	31.12.2012	31.12.2011
LIABILITIES			
A. NET ASSETS	L1	5.535.062,17	2.122.190,73
Accumulated surplus/deficit		2.122.190,73	0,00
Economic result of the year – profit+/loss-		3.412.871,44	2.122.190,73
B. MINORITY INTERESTS		0,00	0,00
C. NON CURRENT LIABILITIES		0,00	0,00
TOTAL NON CURRENT LIABILITIES		5.535.062,17	2.122.190,73
D. CURRENT LIABILITIES		8.353.322,35	7.168.601,39
Provisions for risks and charges	L2	322.431,05	318.379,81
Accounts payable	L3	8.030.891,30	6.850.221,58
		647.871,00	960.956,08
		39.942,57	199.731,62
		1.126.274,10	1.232.289,06
		1.759.558,81	
		4.457.244,82	4.457.244,82
TOTAL CURRENT LIABILITIES		8.353.322,35	7.168.601,39
TOTAL LIABILITIES		13.888.384,52	9.290.792,12

3 – ESMA – ECONOMIC OUTTURN ACCOUNT

	Notes n°	2012	2011
Recovery of expenses		0,00	91.217,77
Revenues from administrative operations	E1	132.814,70	422.954,16
Fixed assets related revenue (fixed assets from 2010)		0,00	363.303,00
Other administrative revenue		62.969,56	59.651,16
Revenue from unused provisions		69.845,14	0,00
Operating revenue - Contributions	E2	13.790.641,19	12.503.955,18
Contributions MS NCAs		8.773.460,36	9.862.735,96
Contribution EC		4.648.441,19	2.326.755,18
Contribution observers NCAs		368.739,64	314.464,04
Operating revenue – Fees from Supervised Entities	E3	3.041.001,00	0,00
CRA Fees		3.041.001,00	0,00
Other operating revenue	E4	4.512,62	5.340,69
Other		4.512,62	5.340,69
TOTAL OPERATING REVENUE		16.968.969,51	13.023.467,77
Administrative expenses	E5	-13.498.319,66	-10.657.153,06
Staff expenses		-7.787.768,95	-6.285.311,34
Fixed asset related expenses		-451.738,26	-219.958,62
Other administrative expenses		-5.258.812,45	-4.151.883,10
Operational expenses	E6	-51.690,51	-220.769,84
Other operational expenses		-51.690,51	-220.769,84
TOTAL OPERATING EXPENSES		-13.550.010,17	-10.877.922,90
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES		3.418.959,34	2.145.544,87
Financial revenues	E7	670,76	0,00
Financial expenses	E8	-6.758,66	-23.354,14
SURPLUS/ (DEFICIT) FROM NON OPERATING ACTIVITIES		-6.087,90	-23.354,14
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES		3.412.871,44	2.122.190,73
SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS		0,00	0,00
ECONOMIC RESULT OF THE YEAR	E9	3.412.871,44	2.122.190,73

4 – ESMA – CASH FLOW TABLE (indirect method)

	2012	2011
Cash Flows from ordinary activities		
Surplus/(deficit) from ordinary activities	3.412.871,44	2.122.190,73
Operating activities		
<u>Adjustments</u>		
Amortization (intangible fixed assets) +	229.827,10	74.695,08
Depreciation (tangible fixed assets) +	249.103,08	413.912,61
Increase/(decrease) in Provisions for risks and liabilities	4.051,24	318.379,81
Increase/(decrease) in Value reduction for doubtful debts	0,00	0,00
(Increase)/decrease in Stock	0,00	0,00
(Increase)/decrease in Long term Pre-financing	0,00	0,00
(Increase)/decrease in Short term Pre-financing	0,00	0,00
(Increase)/decrease in Long term Receivables	69.845,14	-69.845,14
(Increase)/decrease in Short term Receivables	-478.934,53	-1.197.728,01
(Increase)/decrease in Receivables related to consolidated EC entities	0,00	0,00
Increase/(decrease) in Other Long term liabilities	0,00	0,00
Increase/(decrease) in Accounts payable	3.896.543,42	2.359.002,32
Increase/(decrease) in Liabilities related to consolidated EC entities	-2.715.873,70	4.491.219,26
(Gains)/losses on sale of Property, plant and equipment		
Net cash Flow from operating activities	4.667.433,22	8.511.826,66
Cash Flows from investing activities		
Increase of tangible and intangible fixed assets (-)	-1.401.474,61	-2.186.508,29
Proceeds from tangible and intangible fixed assets (+)	0,00	0,00
Net cash flow from investing activities	-1.401.474,61	-2.186.508,29
Cash flow from CECA specific transactions		
(Increase)/decrease in Other Investments (281000)	0,00	0,00
(Increase)/decrease in Long term Loans (290000)	0,00	0,00
(Increase)/decrease in Short term Investments (501000)	0,00	0,00
Increase/(decrease) in Long term Financial Liabilities	0,00	0,00
Increase/(decrease) in Short term Financial Liabilities	0,00	0,00
Other CECA	0,00	0,00
Net Cash Flow from CECA specific transactions	0,00	0,00
Increase/(decrease) in Employee benefits	0,00	0,00
Net increase/(decrease) in cash and cash equivalents	3.265.958,61	6.325.318,37
Cash and cash equivalents at the beginning of the period	6.325.318,37	
Cash and cash equivalents at the end of the period	9.591.276,98	6.325.318,37

5 – ESMA – STATEMENT OF CHANGES IN CAPITAL

Capital	Reserves		Accumulated Surplus / Deficit	Economic result of the year	Net assets (total)
	Fair value reserve	Other reserves			
Balance as of 1 January 2012 (if restated)	0,00	0,00	0,00	2.122.190,73	2.122.190,73
Other					
Fair value movements					
Movement in Guarantee Fund reserve					
Allocation of the Economic Result of Previous Year			2.122.190,73	-2.122.190,73	
Amounts credited to Member States					
Economic result of the year				3.412.871,44	3.412.871,44
Balance as of 31 December 2012	0,00	0,00	2.122.190,73	3.412.871,44	5.535.062,17

6 – ANNEX TO THE FINANCIAL STATEMENTS

6.1 Accounting principles (summary)

Generally accepted accounting principles as defined by the Authority's Financial Regulation are

6.1.1 Going-concern principle

The going-concern principle means that the Authority is deemed to be established for an indefinite duration. Would there be objective indications that the Authority is to cease its activities, the accounting officer shall present this information in the annex, indicating the reasons. She shall apply the accounting rules with a view to determining its liquidation value.

6.1.2 Principle of prudence

The principle of prudence means that assets and income shall not be overstated and liabilities and charges shall not be understated. However, the principle of prudence does not allow the creation of hidden reserves or undue provisions.

6.1.3 Principle of consistent accounting methods

The principle of consistent accounting methods means that the structure of the components of the financial statements and the accounting methods and valuation rules may not be changed from one year to the next.

The Authority's accounting officer may not depart from the principle of consistent accounting methods other than in exceptional circumstances, in particular:

- (a) in the event of a significant change in the nature of the entity's operations,
- (b) where the change made is for the sake of a more appropriate presentation of the accounting operations.

6.1.4 Principle of comparability of information

The principle of comparability of information means that for each item the financial statements shall also show the amount of the corresponding item in the previous year. Where, the presentation or the classification of one of the components of the financial statements is changed, the corresponding amounts for the previous year shall be made comparable and reclassified. Where it is impossible to reclassify items, this shall be explained in the annex to the financial statements.

6.1.5 Principle of Materiality

The materiality principle means that all operations which are of significance for the information sought shall be taken into account in the financial statements. Materiality shall be assessed in particular by reference to the nature of the transaction or the amount.

Transactions may be aggregated where:

- (a) the transactions are identical in nature, even if the amounts are large;
- (b) the amounts are negligible;
- (c) aggregation makes for clarity in the financial statements.

6.1.6 Principle of No-netting

The no-netting principle means that receivables and debts may not be offset against each other, nor may charges and income, save where charges and income derive from the same transaction, from similar transactions or from hedging operations and provided that they are not individually material.

6.1.7 Principle of reality over appearance

The principle of reality over appearance means that accounting events recorded in the financial statements shall be presented by reference to their economic nature.

6.1.8 Accrual-based accounting Principle

The accrual-based accounting principle means that transactions and events shall be entered in the accounts when they occur and not when amounts are actually paid or recovered. They shall be booked to the financial years to which they relate.

The accounts are set up in EURO.

Exceptions to the accounting principles

Where, in a specific case, the accounting officer considers that an exception should be made to the content of one of the accounting principles defined above this exception must be duly substantiated and reported in the annex to the financial statements.

6.2 Notes to the Balance Sheet

6.2.1 FIXED ASSETS: A1

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

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

TABLE OF DEPRECIATION RATES

Intangible assets

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

Tangible assets

Buildings

4%

Plant and equipment

Tools for industry and workshops	12,5%
Specific electric equipment	25%

Furniture and vehicles

Office, laboratory and workshop furniture	10%
Electrical office equipment, printing and mailing equipment	25%
Printshop and postroom equipment	12,5%
Equipment and decorations for garden, kitchen, canteen, restaurant, crèche and school	12,5%
Furniture for restaurant/cafeteria/bar area	10% / 12,5%
Cash registers and card acceptor devices	25%
Antiques, artistic works, collectors' items	0%
Transport equipment (vehicles and accessories)	25%

Computer hardware

Computers, servers, accessories, data transfer equipment, printers, screens	25%
Copying equipment, digitising and scanning equipment	25%

Other fixtures and fittings

Telecommunications equipment	25%
Audiovisual equipment	25%
Computer, scientific and general books, documentation	
Computer books, CDs, DVDs	33%
Scientific books, general books, CDs, DVDs	25%
Health, safety and protective equipment, medical equipment, fire-fighting, surveillance, security, Medical and nursing equipment	12,5%
Other	25%
	10%

Tangible fixed assets under construction

0%

The net value of the Authority's fixed assets at year end is **2.620.445,00 €**.

These consist of

- 462.463,06 € Internally generated computer software: applications mainly developed in 2011 to carry out specific ESMA tasks (CEREP, SOCRAT)
- 195.552,94 € Other computer software: licenses and other externally acquired applications
- 858.198,00 € Internally generated software under constructions, under development in 2012, to carry out specific ESMA tasks and for internal purposes (SOCRAT II, Intranet, AIFMD, Article 41, Omnibus, Short Selling). These applications will be put into production at the beginning and during 2013.
- 616.012,00 € investments in the new premises at rue de Grenelle
- 4.483,00 € other equipment
- 237.629,00 € computer hardware: partly new acquisitions for new staff and the residual values of hardware from earlier year
- 200.654,00 € mainly furniture acquired for the new premises and new staff and the residual values of furniture from earlier year
- 45.453,00 € other fixtures and fitting

Details are listed in the table overleaf.

TABLE OF ASSETS

		Computer Software Internally generated	Other Computer Software	Intangible assets under constructions	Buildings	Plant and Equipment	Computer hardware	Furniture and vehicles	Other Fixtures and Fittings	Total
Gross carrying amounts 31.12.2011		555.267,85	135.718,66	0,00	652.680,28	658,86	421.868,20	337.669,16	82.645,28	2.186.508,29
Additions	+	88.725,00	182.826,67	858.198,00	79.770,60	4.912,50	108.829,07	71.639,98	6.572,79	1.401.474,61
Disposals	-									0
Transfer between headings	+/-									0
Other changes	+/-									0
Gross carrying amounts 31.12.2012		643.992,85	318.545,33	858.198,00	732.450,88	5.571,36	530.697,27	409.309,14	89.218,07	3.587.982,90
Accumulated amortization and impairment 31.12.2011		-20.405,79	-54.289,29	n/a	-38.073,02	-33,86	-175.747,39	-174.007,06	-26.051,28	-488.607,69
Amortization	-	-161.124,00	-68.703,10		-78.365,86	-1.054,50	-117.320,88	-34.648,08	-17.713,79	-478.930,21
Write-back of amortization	+									0
Disposals	+									0
Impairment	-									0
Write-back of impairment	+									0
Transfer between headings	+/-									0
Other changes	+/-									0
Accumulated amortization and impairment 31.12.2012		181.529,79	122.992,39		-116.438,88	-1.088,36	293.068,27	-208.655,14	-43.765,07	-967.537,90
Net carrying amounts 31.12.2012		462.463,06	195.552,94	858.198,00	616.012,00	4.483,00	237.629,00	200.654,00	45.453,00	2.620.445,00

6.2.2 LONG TERM RECEIVABLES: A2

The guarantee given for the rent of the former premises at avenue de Friedland of 69.845,14 € was reimbursed to ESMA during 2012.

6.2.3 CURRENT ASSETS: A3

The main categories of current assets are:

- **Current Receivables:**

Current Receivables amount to 1.613.404,29 €, thereof:

- 890.954,79 € VAT invoiced and to be reimbursed by France as host country where most business takes place
 - 650.814,65 € additional VAT remaining to be invoiced to France
 - 2.000,00 € outstanding fees from CRAs
 - 69.634,85 € other receivables
- **Sundry Receivables:**
 - 3.639,88 € for staff advances
 - **Deferred Charges:**
 - 59.618,37 € prepaid expenses for data services and other subscriptions
 - **Cash and cash equivalents: A4**

The Cash and Cash equivalents position of the Authority at 31st December 2012 amounts to **9.591.276,98 €** consisting of:

- 8.792.469,33 € on the current account of ESMA with CitiBank
- 710.783,02 € on the current account of ESMA with Société Generale
- 88.024,63 € of securities held at Société Generale stemming from an additional guarantee for the previous premises

For the execution of payments the Authority makes use of bank transfers from the current account with CitiBank which are processed by the centralised ABAC/SAP system .

6.2.3 NON CURRENT LIABILITIES

- **Capital: L1**

The capital of ESMA at year end amounts to 5.535.062,17 €.

It consists of:

- 2.122.190,73 € accumulated capital from 2011.
- 3.412.871,44 € additional result of the year 2012 mainly consisting of further growth in fixed assets including internally generated assets and cash reserves from the budgetary surplus of the year.

6.2.4 CURRENT LIABILITIES

- **Provisions for risks and charges: L2**

Provisions for risks have been established consisting of:

- 322.431,05 € for staff related payments (salary increase refused by the Council) accumulated for the period July 2011 to December 2012.

- **Accounts payable: L3**

Accounts payables amount to 8.030.891,30 € and consist of:

- 647.871,00 € funds belonging to the NCAs (overpayments on 2012 contributions remaining as credits for 2013 payments)
- 39.942,57 € invoices received from the suppliers of goods and services provided to the Authority
- 1.126.274,10 € accrued charges for goods and services provided to the Authority in 2012 but not registered as invoiced at year end including an amount of 191.333,53 € for untaken leave of staff members
- 1.759.558,81 € surplus pre-financing European Commission for the year 2012
- 4.457.244,82 € surplus pre-financing European Commission for the year 2011

The last two items - surplus pre-financing European Commission - are calculated as the total of the budget outturn (budgetary revenues received in the given year and reduced by budgetary expenditure for the given year). These surpluses shall be reimbursed to the European Commission up to the

amount contributed by the European Commission as stipulated in article 16 of the ESMA financial regulation.

According to a present agreement with the European Commission these surpluses shall be reallocated to fund the following years' budgets with the same shares between the Commission and the National Competent Authorities as for the original funding of the surplus.

6.3 Notes to the Economic Outturn Account

6.3.1 OPERATING REVENUE

- **Revenue from administrative operations: E1**

The revenue under this heading is **132.814,70 €** and consists of:

- 62.969,56 € revenue mainly for IT services to other European Supervisory Authorities
- 69.845,14 € revenue from unused provisions for a guarantee

- **Operating revenue – Contributions: E2**

The operating revenue from Contributions to the Authority for the financial year 2012 is **13.790.641,19 €** composed of:

- 8.773.460,36 € contributions from MS NCAs (90% of the originally budgeted amounts)
- 4.648.441,19 € effective contribution from the European Commission
(pre-financing received from the EC reduced by the foreseen reimbursement of the budget outturn for 2012)
- 368.739,64 € contributions from observer NCAs (90% of the originally budgeted amounts)

- **Fees from supervised entities: E3**

Revenue from fees from supervised entities for the financial year 2012:

- 3.001.001,00 € CRA (Credit Rating Agencies) supervision fees
- 40.000,00 € CRA (Credit Rating Agencies) registration fees

- **Other operating revenue: E4**

The other operating for the financial year:

- 4.512,62 € exchange rate gains on operating activities and other fees

6.3.2 OPERATING EXPENSES:

- **Administrative expenses: E4**

Administrative expenses amount to **13.498.319,66 €** and include:

- 7.787.768,95 € staff expenses which mainly consist of staff salaries and allowances
- 451.738,26 € depreciation of fixed assets which for 2012 includes only normal depreciation, no extraordinary impairment or similar
- 5.258.812,45 € Other administrative expenses, thereof:
 - 2.016.196,68 € for the rent, maintenance, security, insurance and other costs related to the office premises
 - 213.406,35 € expenditures for training and recruitment costs
 - 567.040,19 € expenditure for staff missions
 - 178.226,57 € expenditure related to reimbursement of experts and other costs related to external expert
 - 1.316.288,56 € for IT related expenditure
 - 613.530,79 € expenditure for office supplies, communications, publicity, legal expenses, insurances and several service level agreements with other EU bodies (e.g. personnel administration services, translation, IT services)

- **Operational expenses, other: E6**

Expenses for other operational activities amount to **51.690,51 €** and include:

- 3.720,67 € realised exchange rate losses
- 47.969,84 € ESMA specific operational activities like training activities on supervisory culture and similar

6.3.3 NON OPERATING REVENUES: E7

Non operating revenues of **670,76** consist of gains on the securities held with Societe General.

6.3.3 NON OPERATING EXPENSES: E8

Non operating expenses of **6.758,66** consist of bank charges and interests for late payments.

6.3.4 ECONOMIC RESULT OF THE YEAR: E9

The economic result of the year is **3.412.871,44 €**.

Due to the application of the EC accounting rules the economic outturn is impacted

- on the one hand, by a calculation which is based on a cash principle and commitment of funds and delivers the budgetary outturn for the determination of the revenue from the Communities (EC subsidy) to inscribe in the Economic Outturn Account,
- and, on the other hand, by the calculation of the expenditures in the Economic Outturn Account on a full accrual-based accounting principle.

6.4 Notes to the Cash Flow Table

The cash flow provides a basis to assess the ability of the Authority to generate cash and cash equivalents, and the needs of the entity to utilise those cash flows.

The cash flows are classified by operating, investing and financing activities.

The cash flow table is prepared using the indirect method. The economic outturn for the financial year is adjusted for the effects of transactions of a non-cash nature (e.g. deferrals, accruals, depreciation).

6.5 Notes to the Statement of changes in capital

For financial year 2012, the statement of changes in capital of the Authority comprises the

- 2.122.190,73 € accumulated capital at 31.12.2011
- 3.412.871,44 € the economic result of 2012

resulting in net assets of **5.535.062,17 €**.

6.6 Contingent liabilities and commitments for future funding

Unconsumed budgetary commitments for future funding (C8 carry-forward) have been registered by the Authority with an amount of 4.238.890,85 € at year end.

These commitments correspond in principle to an amount of 919.515,81 € accrued charges for 2012 already registered in liabilities 2012 and additional expenditure expected for 2013 with an estimated amount of 3.319.375,04 € for which budgetary commitments have been registered but which do not impact the 2012 accruals based accounting.

An additional contingent liability relates to potential costs which might be incurred if and when ESMA would leave its present premises. An exact amount cannot be calculated as there are variable factors laid down in the rent agreement. At present no change of premises is foreseen and the going-concern for ESMA's activity applies.

Therefore the probability of such expenditure in the near future is very low.

In addition ESMA provided the landlord of its premises with a bank guarantee for the lease contracts providing for potential reimbursements to be made to the landlord.

6.7 Related Party disclosure

Key management personnel hold positions of responsibility within the Authority. They are responsible for the strategic direction and operational management of the entity and are entrusted with significant authority to execute their mandate.

Highest grade description	Grade	Number of persons of this grade
Chair	AD15	1
Executive Director	AD14	1

The balance position of the Authority with the key management personnel for its activity period as autonomous entity during financial year 2012 is composed of the salary and allowances as determined for grade AD 14 and AD 15 by the Staff Regulations of the Officials of the European Communities.

6.8 Events after the balance sheet date

All events after balance sheet date with any material impact are recorded in the annual annual accounts.

PART II

-

BUDGET IMPLEMENTATION REPORTS

1 – BUDGET OUTTURN ACCOUNT

2 a – BUDGET IMPLEMENTATION CREDIT OF THE YEAR – C1

2 b - BUDGET IMPLEMENTATION CREDIT OF THE PREVIOUS YEAR – C8

3 – RECONCILIATION OF THE ACCRUAL BASED WITH THE BUDGET RESULT

4 – ANNEX TO THE BUDGET IMPLEMENTATION REPORTS

1 – BUDGET OUTTURN ACCOUNT

			2012	2011
REVENUE				
	Contributions from MS NCAs	+	8.867.745,23	9.857.457,23
	Commission subsidy received by the Authority for 2012	+	6.408.000,00	6.784.000,00
	Contributions from Observer NCAs	+	336.908,80	257.288,76
	Fees from Supervised Entities	+	3.041.000,00	0,00
	Other Fee income	+	3.400,00	0,00
	Other revenue	+	74.275,03	66.167,93
	TOTAL REVENUE (a)		18.731.329,06	16.964.913,92
EXPENDITURE				
Title I: Staff				
	Payments	-	8.586.450,69	6.127.954,46
	Appropriations carried over	-	705.124,76	508.656,58
Title II: Administrative Expenses				
	Payments	-	3.312.899,64	3.407.809,71
	Appropriations carried over	-	2.080.993,71	675.478,73
Title III: Operating Expenditure				
	Payments	-	1.326.285,50	1.066.037,76
	Appropriations carried over	-	1.452.772,38	717.083,30
	TOTAL EXPENDITURE (b)		17.464.526,68	12.503.023,54
OUTTURN FOR THE FINANCIAL YEAR (a-b)			1.266.802,38	4.461.890,38
	Cancellation of unused payment appropriations carried over from previous year	+	495.463,51	0,00
	Adjustment for carry-over from the previous year of appropriations available at 31.12 arising	+		0,00
	Exchange differences for the year (gain +/- loss -)	+/-	-2.707,08	-4.645,56
BALANCE OF THE OUTTURN ACCOUNT FOR THE FINANCIAL YEAR			1.759.558,81	4.457.244,82
	Balance year N-1	+/-	4.457.244,82	0,00
	Positive balance from year N-1 reimbursed in year N to the Commission (actual payment/offset of debit in 2013)	-	-4.457.244,82	0,00
Result used for determining amounts in general accounting			1.759.558,81	4.457.244,82
Commission subsidy - Authority registers accrued revenue and Commission accrued expense			4.648.441,19	2.326.755,18
Pre-financing remaining open to be reimbursed by Authority to Commission in year N+1			1.759.558,81	4.457.244,82
Not included in the budget outturn				
	Interests generated by 31/12/2012 on the EC subsidy and to be reimbursed to the Com ^o (liability) (amounts related to EC subsidy PF only)	+	8.688,36	6.372,89

2 - BUDGET IMPLEMENTATION CREDIT OF THE YEAR:

2 a BUDGET IMPLEMENTATION CREDIT OF THE YEAR – Fund Source : C1

Fund source C1

Title I: Staff Expenditure

B.L.	Description	Commitment & Payment Appropriations (1)	Commitment (2)	% Committed (2/1)	Paid (3)	% Paid (3/1)	RAL (2-3)
A-1100	Basic salaries	4.327.000,00	4.299.558,89	99,37%	4.299.558,89	99,37%	-
A-1101	Family allowances	600.000,00	340.155,05	56,69%	340.155,05	56,69%	-
A-1102	Expatriation and foreign residence allowances	663.000,00	544.766,32	82,17%	544.766,32	82,17%	-
A-1110	Seconded national experts	566.000,00	202.928,54	35,85%	202.928,54	35,85%	-
A-1111	Contract agents	368.000,00	365.705,07	99,38%	365.705,07	99,38%	-
A-1112	Trainees	69.000,00	68.136,60	98,75%	68.136,60	98,75%	-
A-1120	Local Salaries	710.000,00	692.733,02	97,57%	343.278,67	48,35%	349.454,35
A-1121	French Social Security System Contributions	181.000,00	145.272,88	80,26%	143.622,88	79,35%	1.650,00
A-1122	Taxes / French system	-	-	-	-	-	-
A-1130	Insurance against sickness	310.000,00	161.511,09	52,10%	160.941,09	51,92%	570,00
A-1131	Insurance against accidents and occupational disease	50.000,00	21.612,99	43,23%	21.612,99	43,23%	-
A-1132	Insurance against unemployment	82.000,00	55.595,00	67,80%	55.595,00	67,80%	-
A-1133	Contribution to the Community pension scheme	-	-	-	-	-	-
A-1140	Birth and death grants	1.000,00	793,24	79,32%	793,24	79,32%	-
A-1141	Travel expenses for annual leave	105.000,00	81.872,99	77,97%	81.872,99	77,97%	-
A-1142	Other allowances and repayments	419.000,00	300.392,54	71,69%	300.392,54	71,69%	-
A-1160	Salary weighting	1.000.916,00	743.910,77	74,32%	743.910,77	74,32%	-
A-1200	Expenditure relating to staff management and recruitment	200.000,00	176.792,38	88,40%	128.253,20	64,13%	48.539,18
A-1300	Administrative mission expenses	693.500,00	599.650,94	86,47%	533.187,89	76,88%	66.463,05
A-1400	Medical service	34.000,00	5.641,66	16,59%	5.641,66	16,59%	-
A-1410	Schools and kindergartens	-	-	-	-	-	-
A-1420	Canteen	252.000,00	182.668,97	72,49%	149.264,34	59,23%	33.404,63
A-1600	Training	300.000,00	288.384,85	96,13%	86.502,08	28,83%	201.882,77
A-1700	Representation expenses/ receptions and events	13.500,00	13.491,66	99,94%	10.330,88	76,53%	3.160,78
Title I: Staff Expenditure		10.944.916,00	9.291.575,45	84,89%	8.586.450,69	78,45%	705.124,76

Fund source C1

Title II: Infrastructure and Administrative Expenditure

B.L.	Description	Commitment & Payment Appropriations (1)	Commitment (2)	% Committed (2/1)	Paid (3)	% Paid (3/1)	RAL (2-3)
A-2000	Rental of building	1.574.000,00	1.574.929,32	99,62%	1.574.929,32	99,62%	-
A-2010	Taxes	244.000,00	243.854,46	99,94%	243.854,46	99,94%	-
A-2020	Maintenance	268.000,00	220.543,50	82,29%	215.324,40	80,34%	5.219,10
A-2030	Works - refurbishment	602.000,00	601.475,66	99,91%	26.350,00	4,38%	575.125,66
A-2090	Other expenditure on buildings	107.000,00	100.296,43	93,73%	71.016,43	66,37%	29.280,00
A-2100	Licences and software	146.000,00	112.384,25	76,98%	95.590,25	65,47%	16.794,00
A-2101	Maintenance contracts	135.000,00	128.821,19	95,42%	34.840,87	25,81%	93.980,32
A-2102	Services	327.000,00	313.484,21	95,87%	173.842,15	53,16%	139.642,06
A-2103	Hardware	275.084,00	274.388,50	99,75%	70.946,04	25,79%	203.442,46
A-2200	Movable property and associated costs	375.000,00	314.185,31	83,78%	42.577,56	11,35%	271.607,75
A-2300	Stationery	35.000,00	31.748,10	90,71%	22.695,21	64,84%	9.052,89
A-2301	Printing and photocopying	70.000,00	64.266,66	91,81%	16.933,49	24,19%	47.333,17
A-2302	Banking and financial charges	25.000,00	8.920,37	35,68%	920,37	3,68%	8.000,00
A-2303	Insurances	6.000,00	3.582,03	59,70%	3.364,50	56,08%	217,53
A-2304	Services	365.000,00	334.525,38	91,65%	88.977,92	24,38%	245.547,46
A-2305	Newspapers subscriptions	47.000,00	3.443,27	7,33%	3.443,27	7,33%	-
A-2306	Other administrative expenditure	50.000,00	49.650,51	99,30%	39.566,54	79,13%	10.083,97
A-2400	Postal charges	19.200,00	8.019,00	41,77%	7.419,00	38,64%	600,00
A-2401	Telephones	200.000,00	179.064,33	89,53%	32.332,41	16,17%	146.731,92
A-2402	Conference calls	35.000,00	30.000,00	85,71%	24.958,30	71,31%	5.041,70
A-2403	Internet	76.800,00	75.136,16	97,83%	67.761,12	88,23%	7.375,04
A-2500	Translation and interpretation	407.000,00	406.857,00	99,96%	179.343,50	44,06%	227.513,50
A-2501	ESMA publications	30.000,00	21.262,41	70,87%	21.262,41	70,87%	-
A-2502	Library expenditure	2.000,00	1.472,43	73,62%	1.472,43	73,62%	-
A-2503	Studies	103.000,00	98.190,00	95,33%	98.190,00	95,33%	-
A-2600	General meeting expenses	115.000,00	100.908,02	87,75%	78.701,07	68,44%	22.206,95
A-2610	Stakeholder groups - Consultations	50.000,00	49.300,00	98,60%	45.297,15	90,59%	4.002,85
A-2620	Governance	55.000,00	25.136,25	45,70%	19.084,87	34,70%	6.051,38
A-2630	Board of Appeal costs	20.000,00	18.048,60	90,24%	18.048,60	90,24%	-
Title II: Infrastructure and Administrative Expenditure		5.771.084,00	5.393.893,35	93,46%	3.319.043,64	57,51%	2.074.849,71

Fund source C1

Title III: Operating Expenditure

B.L.	Description	Commitment & Payment Appropriations (1)	Commitment (2)	% Committed (2/1)	Paid (3)	% Paid (3/1)	RAL (2-3)
B3-100	Training costs	253.000,00	182.860,77	72,28%	98.514,17	38,94%	84.346,60
B3-110	Operational missions of staff	-	-	-	-	-	-
B3-200	Meeting costs	1.000,00	66,50	6,65%	-	0,00%	66,50
B3-210	Software development	885.000,00	560.790,40	63,37%	23.095,00	2,61%	537.695,40
B3-220	Hardware services	80.000,00	18.573,21	23,22%	12.905,61	16,13%	5.667,60
B3-230	Maintenance	530.000,00	353.826,15	66,76%	259.910,81	49,04%	93.915,34
B3-240	Services	1.764.000,00	1.631.504,26	92,49%	894.279,32	50,70%	737.224,94
B3-300	On-site inspections CRA	-	-	-	-	-	-
B3-310	Operational mission expenses CRA	50.000,00	31.436,59	62,87%	31.436,59	62,87%	-
Title III: Operating Expenditure		3.563.000,00	2.779.057,88	78,00%	1.320.141,50	37,05%	1.458.916,38
C1	TOTAL FUND SOURCE C1	20.279.000,00	17.464.526,68	86,12%	13.225.635,83	65,22%	4.238.890,85

2 b BUDGET IMPLEMENTATION CREDIT OF THE YEAR – Fund Source : C8

Fund source C8

B. L.	Description	Appropriation (1)	Committed (2)	% Committed (2/1)	Paid (3)	% Paid (3/1)
C8	TITLE I: STAFF EXPENDITURE					
11	Staff in active employment	307.391,12	199.594,01	64,93 %	199.594,01	64,93 %
12	Expenditure relating to staff management and recruitment	12.146,80	11.389,19	93,76 %	11.389,19	93,76 %
13	Mission expenses, travel and incidental expenses	174.301,49	120.784,09	69,30 %	120.784,09	69,30 %
14	Socio-medical infrastructure	7.519,35	5.342,40	71,05 %	5.342,40	71,05 %
16	Training	6.799,00	5.000,00	73,54 %	5.000,00	73,54 %
17	Representation expenses, receptions and events	498,82	498,82	100,00 %	498,82	100,00 %
C8	TOTAL TITLE I	508.656,58	342.608,51	67,36%	342.608,51	67,36%

B. L.	Description	Appropriation (1)	Committed (2)	% Committed (2/1)	Paid (3)	% Paid (3/1)
C8	TITLE II: INFRASTRUCTURE AND ADMINISTRATIVE EXPENDITURE					
20	Rental of building and associated costs	249.530,29	141.482,81	56,70 %	141.482,81	56,70 %
21	Information and communication technology	89.856,89	65.239,23	72,60 %	65.239,23	72,60 %
22	Movable property and associated costs	44.050,53	30.177,34	68,51 %	30.177,34	68,51 %
23	Current administrative expenditure	90.869,15	73.924,20	81,35 %	73.924,20	81,35 %
24	Postage and telecommunications	32.524,82	18.161,28	55,84 %	18.161,28	55,84 %
25	Information and publishing	97.950,00	87.753,00	89,59 %	87.753,00	89,59 %
26	Meeting expenses	70.697,05	44.539,04	63,00 %	44.539,04	63,00 %
C8	TOTAL TITLE II	675.478,73	461.276,90	68,29%	461.276,90	68,29%

B. L.	Description	Appropriation (1)	Committed (2)	% Committed (2/1)	Paid (3)	% Paid (3/1)
C8	TITLE III: OPERATING EXPENDITURE					
31	Common Supervisory Culture: training for national supervisors and staff exchanges and secondments	69.553,39	24.890,72	35,79 %	24.890,72	35,79 %
32	Collection of information: developing and maintenance of a central European database	607.529,91	543.193,04	89,41 %	543.193,04	89,41 %
33	On site inspections CRA	40.000,00	33.785,93	84,46 %	33.785,93	84,46 %
C8	TOTAL TITLE III	717.083,30	601.869,69	83,93%	601.869,69	83,93%

TOTAL FIGURES BUDGET EXECUTION 2012 (In €) – C8

Description	Appropriation (1)	Committed (2)	% Committed (2/1)	Paid (3)	% Paid (3/1)
TOTAL FUND SOURCE C8	1.901.218,61	1.405.755,10	73,94 %	1.405.755,10	73,94 %

3 – RECONCILIATION OF THE ACCRUAL BASED RESULT WITH THE BUDGET RESULT

	+/-	amount
Economic result (- for loss) of the consolidation reporting package including table M2	+/-	3.412.871,44
<i>Ajustment for accrual items (items not in the budgetary result but included in the economic result)</i>		
A Adjustments for Accrual Cut-off (reversal 31.12.N-1)	-	-1.160.920,82
B Adjustments for Accrual Cut-off (cut- off 31.12.N) (excluding +4.457.244,82 € cleared budget outturn 2011, see below, line 1b)	+	958.000,00
C Amount from liaison account with Commission booked in the Economic Outturn Account	-	0,00
D Unpaid invoices at year end but booked in charges (class 6)	+	12.243,17
E Depreciation of intangible and tangible fixed assets (1)	+	478.930,18
F Provisions (1)	+	74.000,00
G Value reductions (1)	+	0,00
H Recovery Orders issued in year N in class 7 and not yet cashed	-	-64.000,00
Ia Prefinancing given in previous year and cleared in the year Prefinancing received in previous year and cleared in the year (excluding -4.457.244,82 € cleared budget outturn 2011 invoiced by EC but not yet refunded; see above, line B: deducted from accrued charges of the year)	+	0,00
Ib	-	0,00
J Payments made from carry-over of payment appropriations	+	1.405.755,10
K Other (other financial income)	+/-	-670,76
L Exchange rate differences	+/-	0,00

<i>Ajustment for budgetary items (item included in the budgetary result but not in the economic result)</i>		
M	Asset acquisitions (less unpaid amounts)	-1.413.671,75
N	New pre-financing paid in the year N and remaining open as at 31.12. year N	0,00
O	New pre-financing received in the year N and remaining open as at 31.12. year N	1.759.558,81
P	Budgetary recovery orders issued before year N and cashed in the year	63.000,00
Q	Budgetary recovery orders issued in year N on balance sheet accounts (not 7 or 6 accounts) and cashed	0,00
R	Capital payments on financial leasing (they are budgetary payments but not in the economic result)	0,00
S	Payment appropriations carried over to year N	-4.238.890,85
T	Cancellation of unused carried over payment appropriations from previous year	495.463,51
U	Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	0,00
V	Payments for pensions (they are budgetary payments but booked against provisions)	0,00
W	Payments for stocks of leave and supplementary hours (they are budgetary payments but booked against provisions)	0,00
X	Other (here: deferred charges (1))	+/- -11.816,00
	Total	1.769.852,03
	Budgetary result (+ for surplus)	1.759.558,81
	Delta	10.293,22

Year N: reporting year: 2012

(1) impact of the year



4 – ANNEX TO THE BUDGET IMPLEMENTATION REPORT

4.1 Budgetary principles (summary)

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

4.1.1 Principle of unity and budget accuracy

The budget is the instrument which, for each financial year, forecasts and authorises the revenue and expenditure considered necessary for the Authority's activities.

No revenue shall be collected and no expenditure effected unless booked to a line in the budget.

An appropriation must not be entered in the budget if it is not for an item of expenditure considered necessary.

No expenditure may be committed or authorised in excess of the appropriations authorised by the budget.

4.1.2 Principle of annuality

The appropriations entered in the budget shall be authorised for one financial year which shall run from 1 January to 31 December, inclusive.

Commitments shall be entered in the accounts on the basis of the legal commitments entered into up to 31 December.

Payments shall be entered in the accounts for a financial year on the basis of the payments effected by the accounting officer by 31 December of that year at the latest.

4.1.3 Principle of equilibrium

The Authority's budget revenue and payment appropriations must be in balance.

Commitment appropriations may not exceed the amount of the voted budget, plus own revenue and any other revenue. The Authority may not raise loans.

4.1.4 Principle of unit of account

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

4.1.5 Principle of universality

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

4.1.6 Principle of specification

The appropriations in their entirety shall be earmarked for specific purposes by title and chapter; the chapters shall be further subdivided into articles and items.

The Executive Director may authorise transfers from one article to another within each chapter.

4.1.7 Principle of sound financial management

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

The principle of economy requires that the resources used by the Authority for the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price.

The principle of efficiency is concerned with the best relationship between resources employed and results achieved.

The principle of effectiveness is concerned with attaining the specific objectives set and achieving the intended results.

4.1.8 Principle of transparency

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

4.2 Types of appropriations

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

4.3 Description of the budget accounts

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

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

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

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

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

PART III

-

BUDGETARY AND FINANCIAL MANAGEMENT REPORT

1 – FINANCIAL SYSTEMS AND MANAGEMENT

2 - BUDGET EXECUTION 2012

1 - Legal framework – Financial Regulation

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

2 - Financial Systems and Management

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

2012 was ESMA's second year of operation. It was characterised by ongoing strains in the EU financial markets and significant work on delivering post-crisis regulation (including producing 53 draft technical standards, 4 pieces of advice to the Commission, and 6 sets of detailed guidance, recommendations or guidelines for markets regulators and participants). Fulfilling the demanding regulatory agenda presented challenges to the operation of this young organisation. However ESMA was able to strengthen its internal procedures (bringing them up to EU agency standards) and controls, as well as expand its staff to meet its demanding objectives.

3 – Budget Execution ESMA 2012

The ESMA 2012 budget was adopted by ESMA's Management Board at their meeting of 19 December 2011. €7,120,000 was set as contribution to ESMA from the total subsidy of the European Union and €10,158,000 was set as contributions from the National Competent Authorities of the Member States of the EU and observers to ESMA's Board of Supervisors. In addition, ESMA started collecting fees from Credit Rating Agencies to cover the costs of their supervision; €3,001,000 was included in the budget for fees. No amendments were proposed for ESMA's 2012 budget.

By the end of the year ESMA had committed 86% of the total budget and had paid out 65% of the total available payment appropriations. In total, the uncommitted budget in 2012 equalled €2,814,473 there were four main reasons for the underspend:

- The budget prepared at the beginning of 2011 for 2012 budgeted for the whole year for each new position. In reality, these new positions were not filled in January and recruitment was staggered throughout 2012. This represents the costs of 44 staff members (as only 57 staff members were in place end 2011). This had a major corresponding effect on budget execution. This issue has been addressed in the 2013 budget considering only 75% of the salary costs of the new staff and in the 2014 budget considering 50% of the salary costs;

- Three people left ESMA in 2012; thereby reducing the salary cost;
- Limited resources had an impact on the speed of procurements, thus leading to finalising some only late in 2012; and
- A large procurement of a contract estimated at € 350,000 related to an IT project failed; the procurement of that contract will now take place in 2013.

€ 4,238,891 of commitments were carried forward. The area where it was particularly difficult to judge expenditure was on translation; a large translation planned for December had to be postponed until 2013. Approximately € 1.5m of commitments on title III were carried forward to cover:

- a) IT projects that were part of the 2012 work programme but, due to delays in the legislative process for these new regulations, had had their start dates delayed;
- b) To cover supervisor training that needs to be organised far in advance (i.e. in 2012 for 2013); and
- c) A further € 500,000 was carried forward to cover internal IT work begun in 2012 but finishing in 2013.
- d) € 600,000 was carried forward for contracts for renovation work for new floors that ESMA has rented to accommodate its growing staff. These contracts could not be signed until the European Budgetary Authorities had given their approval for the rental of the new floors; the approval was received in October of 2012 and work began in January 2013.

	VOTED BUDGET 2012 (after transfers)	COMMITMENTS		PAYMENTS	
TITLE	BUDGET 2012	Consumed (Euro)	% exec¹	Consumed (Euro)	% exec²
TITLE I	10.944.916,00	9.291.575,45	84,89%	8.586.450,69	78,45%
TITLE II	5.771.084,00	5.393.893,35	93,46%	3.312.899,64	57,41%
TITLE III	3.563.000,00	2.779.057,88	78,00%	1.326.285,50	37,22%
Common Supervisory Culture	253.000,00	182.860,77	72,28 %	98.514,17	38,94 %
Central European database	3.260.000,00	2.564.760,52	78,67 %	1.196.334,74	36,70 %
On-site inspections CRA	50.000,00	31.436,59	62,87 %	31.436,59	62,87 %
TOTAL	20.279.000,00	17.464.526,68	86,12 %	13.225.635,83	65,22 %

¹ = Consumed in commitments / voted budget

² = Paid/ payment appropriations after transfers

The total automatic and non automatic carry over amounts are presented below:

	Automatic Carry Forward 2012-2013 to C8		Non automatic Carry over
	Commitments RAL	Payment Credit	Payment appropriations
TITLE I - Staff Expenditure	705.124,76	705.124,76	
TITLE II - Administrative Expenditure	2.080.993,71	2.080.993,71	
TITLE III - Operational Expenditure	1.452.772,38	1.452.772,38	
TOTAL	4.238.890,85	4.238.890,85	n/a

Additional details on activities of the ESMA and its performance during year 2012 can be found in the Annual Report 2012 of ESMA.

ANNEX I: BUDGET EXECUTION 2012

B.L.	Description	Appropriation (1)	Committed (2)	% Committed (2/1)	Paid (3)	% Paid (3/1)
C1	TITLE I: STAFF EXPENDITURE					
11	Staff in active employment	9.451.916,00	8.024.944,99	84,90%	7.673.270,64	81,18%
12	Expenditure related to recruitment	200.000,00	176.792,38	88,40%	128.253,20	64,13%
13	Administrative Missions and duty travel	693.500,00	599.650,94	86,47%	533.187,89	76,88%
14	Socio Medical Infrastructure	286.000,00	188.310,63	65,84%	154.906,00	54,16%
16	Training	300.000,00	288.384,85	96,13%	86.502,08	28,83%
17	Representation costs	13.500,00	13.491,66	99,94%	10.330,88	76,53%
C1	TOTAL TITLE I	10.944.916,00	9.291.575,45	84,89%	8.586.450,69	78,45%
B.L.	Description	Appropriation (1)	Committed (2)	% Committed (2/1)	Paid (3)	% Paid (3/1)
C1	TITLE II: ADMINISTRATIVE EXPENDITURE					
20	Rental of building and associated costs	2.802.000,00	2.741.099,37	97,83%	2.131.474,61	76,07%
21	Information and communication techn.	883.084,00	829.078,15	93,88%	369.075,31	41,79%
22	Movable property and associated costs	375.000,00	314.185,31	83,78%	42.577,56	11,35%
23	Current administrative expenditure	598.000,00	496.136,32	82,97%	175.901,30	29,41%
24	Postage and telecommunications	331.000,00	292.219,49	88,28%	132.470,83	40,02%
25	Information and publishing	542.000,00	527.781,84	97,38%	300.268,34	55,40%
26	Meeting expenses	240.000,00	193.392,87	80,58%	161.131,69	67,14%
C1	TOTAL TITLE II	5.771.084,00	5.393.893,35	93,46%	3.312.899,64	57,41%

B.L.	Description	Appropriation (1)	Committed (2)	% Committed (2/1)	Paid (3)	% Paid (3/1)
C1	TILE III: OPERATIONAL EXPENDITURE					
31	Common Supervisory Culture: training for national supervisors and staff exchanges and secondments	253.000,00	182.860,77	72,28%	98.514,17	38,94%
32	Collection of information: developing and maintenance of a central European database	3.260.000,00	2.564.760,52	78,67%	1.196.334,74	36,70%
33	On-site inspections CRA	50.000,00	31.436,59	62,87%	31.436,59	62,87%
C1	TOTAL TITLE III	3.563.000,00	2.779.057,88	78,00%	1.326.285,50	37,22%

TOTAL FIGURES BUDGET EXECUTION 2012 (In €)

Description	Appropriation (1)	Committed (2)	% Committed (2/1)	Paid (3)	% Paid (3/1)
TOTAL BUDGET 2012	20.279.000,00	17.464.526,68	86,12%	13.225.635,83	65,22%

ANNEX II: Automatic Carry Forward 2012-2013 – C8 credit

The commitment and payment credits carried forward in the change of the year 2012-2013 are detailed in the following table:

CHAPTER/ TITLE	DESCRIPTION	Automatic Carry Forward 2012-2013	
		Commitments RAL	Payment Credit
11	Staff in active employment	351.674,35	351.674,35
12	Expenditure related to recruitment	48.539,18	48.539,18
13	Administrative missions and duty travel	66.463,05	66.463,05
14	Socio-medical infrastructure, training	33.404,63	33.404,63
16	Training	201.882,77	201.882,77
17	Reception and representation expenses	3.160,78	3.160,78
TITLE I	STAFF EXPENDITURE	705.124,76	705.124,76
20	Rental of building and associated costs	609.624,76	609.624,76
21	Data processing expenditure and associated costs	453.858,84	453.858,84
22	Movable property and associated costs	271.607,75	271.607,75
23	Current administrative expenditure	320.235,02	320.235,02
24	Postal charges and telecommunications	159.748,66	159.748,66
25	Information and publishing	227.513,50	227.513,50
26	Meeting expenses	32.261,18	32.261,18
TITLE II	ADMINISTRATIVE EXPENDITURE	2.074.849,71	2.074.849,71
31	Common Supervisory Culture: training for national supervisors and staff exchanges and secondments	84.346,60	84.346,60
32	Collection of information: developing and maintenance of a central European database	1.374.569,78	1.374.569,78
33	On-site inspections CRA	0,00	0,00
TITLE III	OPERATIONAL EXPENDITURE	1.458.916,38	1.458.916,38
TOTAL		4.238.890,85	4.238.890,85

ANNEX III: Budget Transfers

BUDGET TRANSFERS 2012 (BALANCE PER BUDGET LINE)

BL	BUDGET CHAPTER / LINE	BUDGET 2012 (€)	Transferred (€)	Amount after Transfer (€)
TITLE I - STAFF EXPENDITURE				
	11. Staff in active employment	10.677.000	-1.225.084	9.451.916
1100	Basic salaries	5.620.000	-1.293.000	4.327.000
1101	Family allowances	600.000	0	600.000
1102	Expatriation and foreign residence allowances	800.000	-137.000	663.000
1110	Seconded national experts	800.000	-234.000	566.000
1111	Contract agents	300.000	68.000	368.000
1112	Trainees	35.000	34.000	69.000
1120	Local salaries	260.000	450.000	710.000
1121	French Social Security System contributions	155.000	26.000	181.000
1122	Taxes / French system	-	0	-
1130	Insurance against sickness	310.000	0	310.000
1131	Insurance against accidents and occupational disease	50.000	0	50.000
1132	Insurance against unemployment	82.000	0	82.000
1133	Contribution to the Community pension scheme	-	0	-
1140	Birth and death grants	-	1.000	1.000
1141	Travel expenses for annual leave	105.000	0	105.000
1142	Other allowances and repayments	420.000	-1.000	419.000
1160	Salary weighting	1.140.000	-139.084	1.000.916
	12. Expenditure relating to staff management and recruitment	200.000	0	200.000
1200	Expenditure relating to staff management and recruitment	200.000	0	200.000
	13. Mission expenses, travel and incidental expenses	770.000	-76.500	693.500
1300	Administrative mission expenses	770.000	-76.500	693.500
	14. Socio-medical infrastructure	116.000	170.000	286.000
1400	Medical service	34.000	0	34.000
1410	Schools and kindergartens	-	0	-
1420	Canteen	82.000	170.000	252.000
	16. Training	100.000	200.000	300.000
1600	Training	100.000	200.000	300.000
	17. Representation expenses, receptions and events	2.000	11.500	13.500
1700	Representation expenses, receptions and events	2.000	11.500	13.500
	TOTAL TITLE 1	11.865.000	-920.084	10.944.916

BL	BUDGET CHAPTER / LINE	BUDGET 2012 (€)	Transferred (€)	Amount after Transfer (€)
TITLE II - INFRASTRUCTURE AND ADMIN. EXPENDITURE				
	20. Rental of building and associated costs	2.805.000	-3.000	2.802.000
2000	Rental of building	2.100.000	-519.000	1.581.000
2010	Taxes	225.000	19.000	244.000
2020	Maintenance	270.000	-2.000	268.000
2030	Works - refurbishment	125.000	477.000	602.000
2090	Other expenditure on buildings	85.000	22.000	107.000
	21. Information and communication technology	590.000	289.084	879.084
2100	Licences and software	185.000	-39.000	146.000
2101	Maintenance contracts	25.000	110.000	135.000
2102	Services	200.000	123.000	323.000
2103	Hardware	180.000	95.084	275.084
	22. Movable property and associated costs	150.000	225.000	375.000
2200	Movable property and associated costs	150.000	225.000	375.000
	23. Current administrative expenditure	336.000	266.000	602.000
2300	Stationery	35.000	0	35.000
2301	Printing and photocopying	90.000	-20.000	70.000
2302	Banking and financial charges	35.000	-6.000	29.000
2303	Insurances	6.000	0	6.000
2304	Services	140.000	225.000	365.000
2305	Newspapers subscriptions	10.000	37.000	47.000
2306	Other administrative expenditure	20.000	30.000	50.000
	24. Postage and telecommunications	161.000	170.000	331.000
2400	Postal charges	1.000	18.200	19.200
2401	Telephones	65.000	135.000	200.000
2402	Conference calls	35.000	0	35.000
2403	Internet	60.000	16.800	76.800
	25. Information and publishing	412.000	130.000	542.000
2500	Translation and interpretation	230.000	177.000	407.000
2501	ESMA publications	50.000	-20.000	30.000
2502	Library expenditure	2.000	0	2.000
2503	Studies	130.000	-27.000	103.000
	26. Meeting expenses	310.000	-70.000	240.000
2600	General meeting expenses	135.000	-20.000	115.000
2610	Stakeholder groups - Consultations	50.000	0	50.000
2620	Governance	75.000	-20.000	55.000
2630	Board of Appeal costs	50.000	-30.000	20.000
	TOTAL TITLE II	4.764.000	1.007.084	5.771.084

BL	BUDGET CHAPTER / LINE	BUDGET 2012 (€)	Transferred (€)	Amount after Transfer (€)
TITLE III - OPERATING EXPENDITURE				
	31. Common Supervisory Culture: training for national supervisors and staff exchanges and secondments	550.000	-297.000	253.000
3100	Training costs	500.000	-247.000	253.000
3110	Operational missions of staff	50.000	-50.000	-
	32. Collection of information; developing and maintenance of a central European database	2.950.000	310.000	3.260.000
3200	Meeting costs	1.000	0	1.000
3210	Software development	510.000	375.000	885.000
3220	Hardware services	59.000	21.000	80.000
3230	Maintenance	430.000	100.000	530.000
3240	Services	1.950.000	-186.000	1.764.000
	33. On-site inspections CRA	150.000	-100.000	50.000
3300	On-site inspections CRA	100.000	-100.000	-
3310	Operational mission expenses CRA	50.000	0	50.000
	TOTAL TITLE III	3.650.000	-87.000	3.563.000
	TOTAL BUDGET 2012	20.279.000	0	20.279.000



ANNEX IV: Establishment Plan

ESTABLISHMENT PLAN OF THE EUROPEAN SECURITIES AND MARKETS AUTHORITY						
POSITIONS/ CATEGORY AND GRADE	2011 FILLED AS AT 31.12.2011		2012 FINAL BUDGET		2012 FILLED AS AT 31.12.2012	
	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
AD16						
AD15		1		1		1
AD14		1		1		1
AD13				1		
AD12		2		4		2
AD11		1		4		1
AD10		2		5		3
AD9		1		5		5
AD8		11		11		10
AD7		11		11		17
AD6		4		11		13
AD5		7		9		12
Total AD		41		63		65
AST11				1		
AST10				1		
AST9				2		
AST8		1		1		1
AST7				1		
AST6						
AST5		2				1
AST4		1		1		3
AST3		2		2		2
AST2				1		
AST1		3		2		3
Total AST		9		12		10
Total AD + AST		50		75		75
GRAND TOTAL		50		75		75

In addition to the above mentioned personnel ESMA had 12 contractual agents, 12 SNEs (seconded national experts) and 8 trainees at 31/12/2012.