



Legal status and Financial capacity Guarantee Fund

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Outline of the presentation:

1. Validation of Legal Entities

- Validation workflow
- Documents for validation
- The **L**egal **E**ntity **A**ppointed **R**epresentative (LEAR)

2. Financial Validation

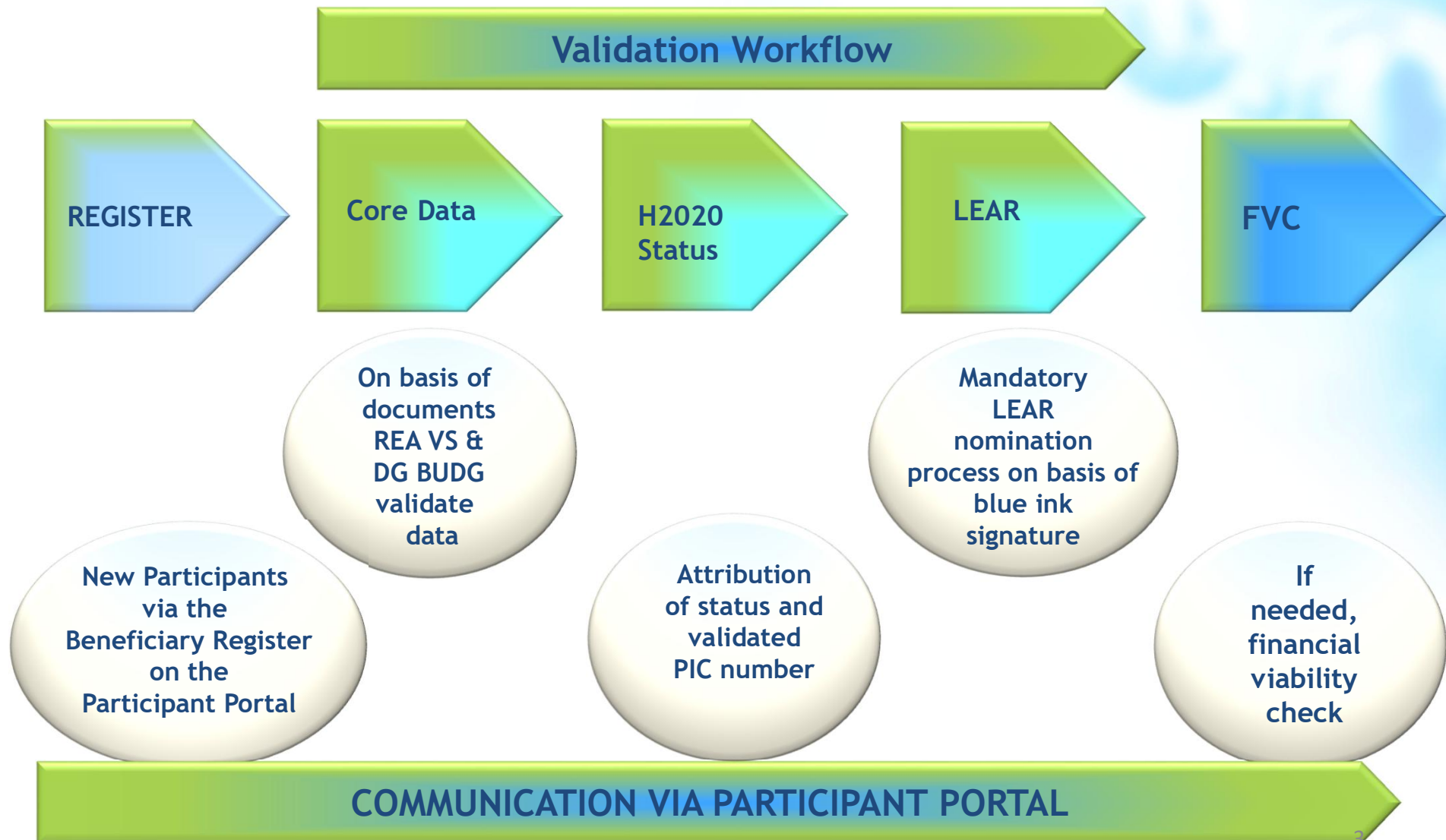
- Financial Viability Check (**FVC**)
- Bank accounts

3. Guarantee Fund

- Overview

1. Validation of Legal Entities

Validation Workflow (1)



1. Validation of Legal Entities Validation Workflow (2)

- Validation is required for all entities (including 3rd parties)
- The validation of a participant is unique and valid throughout the entire H2020 programmes.
- Validation process carried out by the Research Executive Agency (REA)
- During the validation of a legal entity, REA verifies:
 - (i) legal existence,
 - (ii) H2020 status of an applicant,
 - (iii) Extended Mandate of the LEAR and
 - (iv) FVC (when required)

Validation is generally performed on the basis of supporting documents

- Legal entities form (duly completed and signed)
- VAT extract (if applicable)
- Copies of Registration extract (for private organisations), law/decreree (for public entities), Treaty (for international organisations)
- If entity declares non-profit status
 - Copies of Statutes
- If Research organisation
 - Non-profit status
 - Self-declaration on performing research activities (no legal documents required)
- If SME
 - Self-assessment via the web-based SME wizard (no documents required for VS). However, if an ex-post checked is carried out by REA randomly, or upon request of the operational services then supporting documents will be required.

1. Validation of Legal Entities

The LEAR - Roles and documents for validation (1)

The LEAR (Legal Entity Appointed Representative)

Under H2020 the LEAR nomination is mandatory. Even if there is LEAR nominated in FP7, the LEAR's mandate must be extended in H2020. The LEAR:

- Notifies the EU of changes in legal data/status;
- Submits FVC documents if required;
- Nominates in the Participant Portal the persons who act as legal representatives and signatories for the organisation (LSIGN)
- Nominates in the PP the persons who sign financial statements (FSIGN)
- Informs own staff about the organisation's Participant Identification Code (PIC)

Important:

No LEAR nomination or no extension of the mandate may cause delays in the whole validation process and the signature of the GA, thus give priority to LEAR validation

1. Validation of Legal Entities

The LEAR - Roles and documents for validation (2)

Documents required for LEAR:

1. Letter of Appointment (duly signed by legal representative)
 2. Roles and Duties (duly signed by LEAR and legal representative)
 3. Declaration of Consent (duly signed by legal representative)
 4. Copy ID card of the LEAR
 5. Copy ID card of the legal representative
 6. Proof of empowerment of the legal representative
- **Send original signed forms via postal mail: pdf copies and electronic signatures are NOT accepted**

1. Validation of Legal Entities

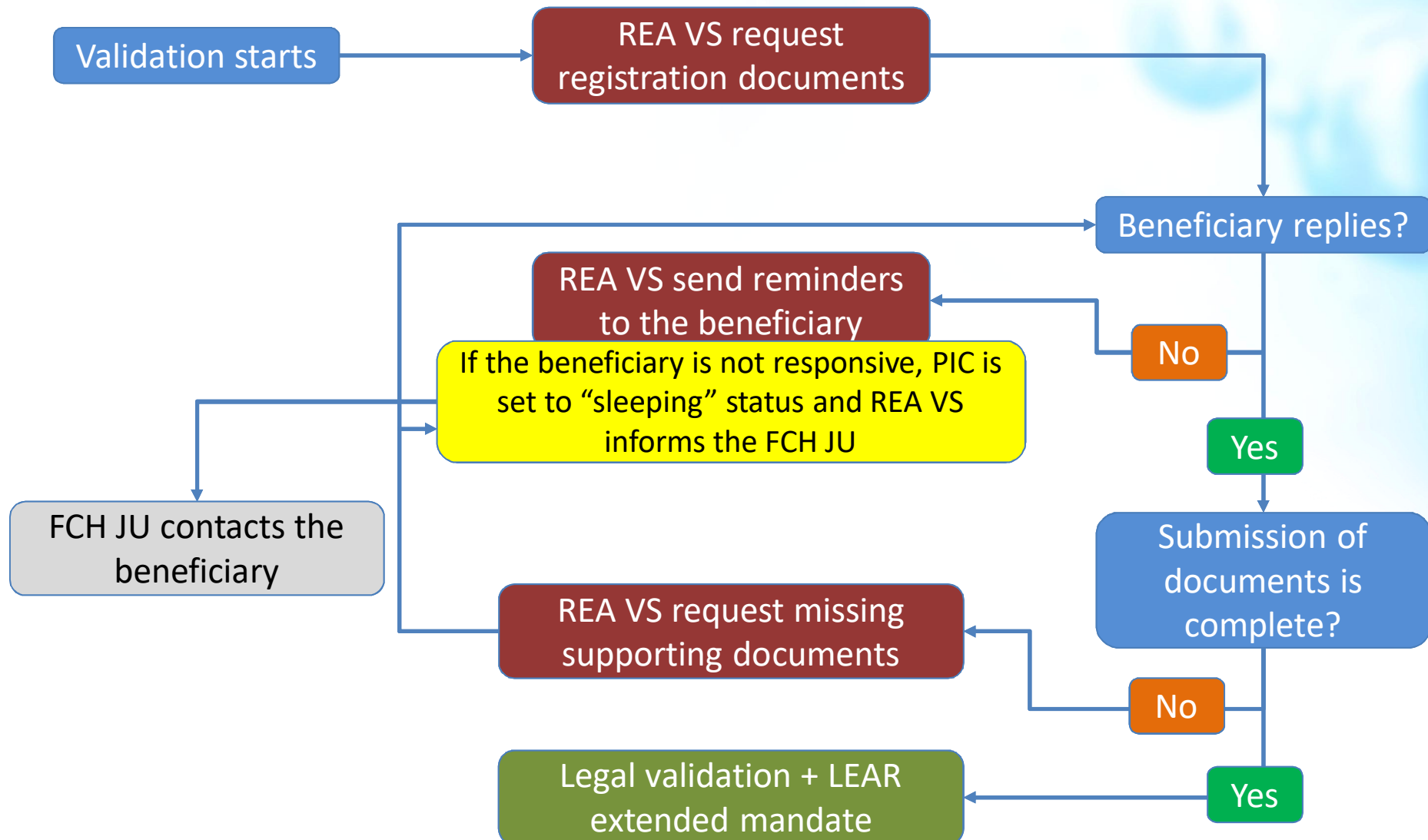
The LEAR - Roles and documents for validation (3)

Once LEAR data is encoded in database:

1. The LEAR's name and email address are sent to service desk for creation of the LEAR account
 - Name LEAR and email for LEAR account shall match name and email address of the known EU Login (European Commission's user authentication service) account
 - New LEAR or new email = new account
2. REA confirms the LEAR appointment
3. PIN code is sent by service desk via postal mail
 - Urgent request for PIN code : send an email to EC-Research-IT-helpdesk@ec.europa.eu

1. Validation of Legal Entities

Legal validation/LEAR appointment workflow



2. Financial Validation

Financial Viability Check (1)

The FVC proceeds in four steps:

- Legal entities subject to a mandatory verification of their financial capacity are identified
- These Legal entities provide - if not already available - their financial information and relevant supporting documents covering the last closed financial year; the information is then verified by the validation services.
- REA validation services proceed with financial analysis and provide with ratios
- On the basis of the above, FCH JU takes the appropriate decisions and measures.

2. Financial Validation

Financial Viability Check (2)

Categories of Legal entities not subject to FVC:

- natural persons in receipt of scholarships
- public bodies
- international organisations (e.g. Red Cross)
- Higher and secondary education establishments
- Legal entities guaranteed by a Member State or associated country

Subject to FVC:

- All other Legal entities if:
 - Coordinators
 - the requested FCH JU funding for the project is ≥ 500.000 EUR

! FVC can also be performed on Coordinators requesting less than 500.000 or other beneficiaries if based on available information there are grounds to doubt the financial capacity (e.g. if found or subject to pending legal procedures or judicial proceedings for serious administrative errors or fraud; recovery order for an outstanding amount on which the payment is significantly overdue; subject to substantial financial findings relating to its financial capacity following a financial audit)

2. Financial Validation

Financial Viability Check (3)

Requested data and documents

- Each legal person subject to a verification of its financial capacity shall provide the validation services for the last financial year for which the accounts are closed:
 - Balance sheet;
 - Profit and loss account;
 - Statutory audit report on the 2 above financial statements if available. If the statutory reports are available, no further audit report is required.
- to complete the synthesis of its last available balance sheet and profit and loss account in a specific format called 'Simplified accounts' (via the EC electronic exchange system or by other means).
- Each legal person subject to a verification of its financial capacity requesting an estimated financial contribution exceeding EUR 750.000 shall provide the validation services with a full audit report certifying the accounts of the last available financial year. It can only be delivered by a professionally qualified external auditor.

! Business plan or similar relevant document of prospective activities if young LE (e.g. start-up company) without closed accounts.

2. Financial Validation

Financial Viability Check (4)

Conclusions of financial viability check and protection measures

FVC result		Protection measures
Negative	Insufficient	The Legal Entity cannot participate, except in duly justified reasons to be considered by the Authorising Officer.
	Weak	<ul style="list-style-type: none"> • The LE cannot be coordinator but can participate in the project • Audits and reviews • Reinforced monitoring
Positive (*)	Acceptable, Good	<ul style="list-style-type: none"> • The LE can be excluded from the coordination but can participate in the project • Audits and reviews • Reinforced monitoring
Positive	Acceptable, Good	None

(*) FVC is positive (acceptable or good), but:

- Audit report with serious qualification
- Found or subject to pending legal procedures or judicial proceedings for serious administrative errors or fraud
- Recovery order for an outstanding amount on which the payment is significantly overdue
- Subject to substantial financial findings relating to its financial capacity following a financial Audit

2. Financial Validation

Bank accounts

- Search for bank account is available in Participant Portal Grant Management Service (PPGMS) when session is open
- If bank account does not exist, PPGMS displays message to send BA forms to REA VS functional mailbox
- Coordinator should inform LEAR to start BA creation request
- REA VS encode BA and inform LEAR when validation by EC financial department is completed

➤ Pdf copies are accepted. Original forms not required

➔ Ensure the Bank Account is in EURO!!!!

3. Guarantee Fund

Overview

- The GF is an internal fund that covers the risk of non-payment by H2020 beneficiaries
- Already existed in FP7 but the FCH JU didn't participate in it during FP7
- The Fund belongs to all beneficiaries, is kept by the European Investment Bank and is managed by the European Commission (DG ECFIN invests funds in the financial markets)
- Benefits:
 - Reduced FVC
 - Limited protection measures following weak FVC results (e.g. no reduction on pre-financing, no trust accounts, no bank guarantees...)

- The H2020 Grants Manual is published on the Participant Portal http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/lev/h2020-guide-lev_en.pdf
- It includes a dedicated section on the legal and financial validation rules as well as the LEAR role and tasks.

