



- Legal & Financial Validation
- Guarantee Fund

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Outline of the presentation:

1. Validation of Legal Entities

- Validation workflow
- Documents for validation
- The LEAR

2. Financial Validation

- Financial Viability Check
- Bank accounts

3. Guarantee Fund

- Principles
- Intervention

1. Validation of Legal Entities

Validation Workflow (1)

Validation Workflow

REGISTER

Core Data

**H2020
Status**

LEAR

FVC

On basis of
documents
REA VS &
DG BUDG
validate
data

New Participants
via the
Beneficiary Register
on the
Participant Portal

Attribution
of status and
validated
PIC number

Mandatory
LEAR
nomination
process on basis of
blue ink
signature

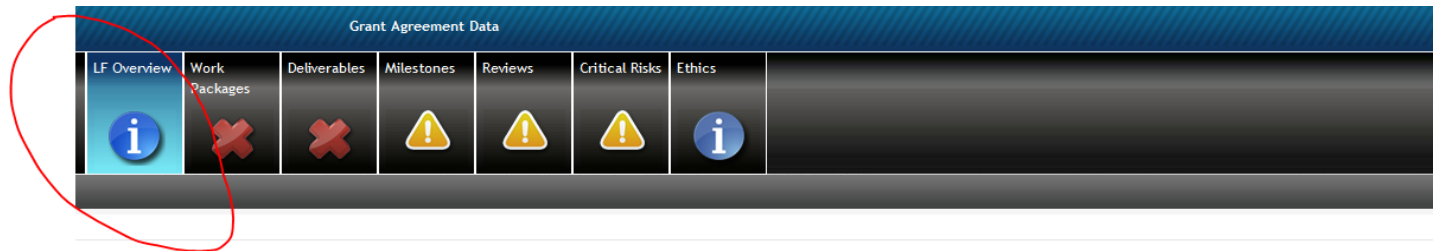
If
needed,
financial
viability
check








COMMUNICATION VIA PARTICIPANT PORTAL





























































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. 40.000 FP7 validated entities are migrated into H2020
- During the validation of a legal entity, the REA VS verifies:
 - (i) legal existence,
 - (ii) H2020 status of an applicant,
 - (iii) Extended Mandate of the LEAR and
 - (iv) FVC (when required)



LF Overview	Work Packages	Deliverables	Milestones	Reviews	Critical Risks	Ethics	
							

PIC	Role	Legal Information	Financial Information	Request for financial	Lear Appointment	Lear extended mandate
963282363	CO					
999709064	BEN					
953376432	BEN					
999987260	BEN					
935152751	BEN					
987098094	BEN					
986197837	BEN					
997456918	BEN					
968665863	BEN					
957762287	BEN					
996127921	BEN					
999992401	BEN					

1. Validation of Legal Entities

Validation Workflow (3)



Only when the PPGMS (Participant Portal Grant Management Service) session is closed, the REA VS are alerted that an additional validation is needed for that project => Close session!

1. Validation of Legal Entities

Documents for validation - Legal existence and H2020 status

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/decreed (for public entities), Treaty (for international organisations)
- If entity declares non-profit status - Copies of Statutes
 - Upload can be done from the Participant Portal: pdf copies are accepted
 - For doing so, select 'my organisations' on the Participant Portal, and click on 'View Organisation' or 'Modify Organisation'
 - This can be done by LEAR (for valid PIC) or self-registrant (for declared PIC)
 - Check messages under PIC for follow-up requests from VS
- If Research organisation
 - Non-profit status (verified by REA VS and same action as above)
 - 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 check 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

- Under H2020 the LEAR nomination is mandatory because the LEAR's mandate has been extended. The LEAR:
 - (i) Notifies the EU of changes in legal data/status;
 - (ii) Submits FVC documents if required;
 - (iii) Nominates in the PP the persons who act as legal representatives and signatories for the organisation (LSIGN)
 - (iv) Nominates in the PP the persons who sign financial statements (FSIGN)
 - (v) Informs own staff about the organisation's PIC

Important: no LEAR nomination or the mandate is not extended 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's extended mandate:

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 (2)

Once Lear data are 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 ECAS account
 - New LEAR or new email= new account
2. REA VS confirm 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

2. Financial Validation

Financial Viability Check (1)

The FVC proceeds in four steps:

- LE subject to a mandatory verification of their financial capacity are identified
- These LE 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.
- The validation services will proceed with a financial analysis and provide with the ratios
- On the basis of the above, FCH JU will take the appropriate measures.

2. Financial Validation

Financial Viability Check (2)

Categories of LE not subject to FVC:

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

Subject to FVC:

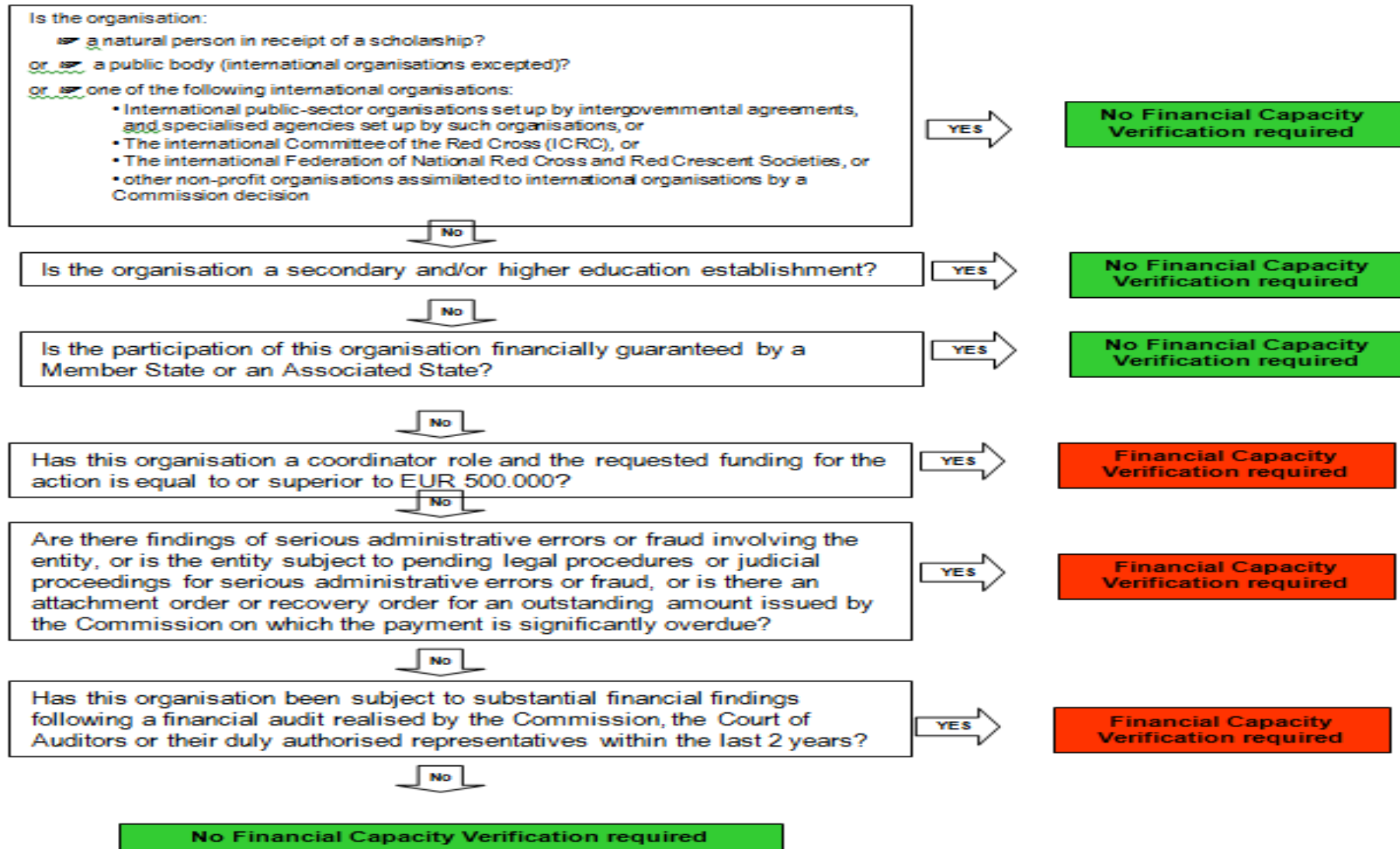
- All other LE:
 - if Coordinators and the requested FCH funding for the project is ≥ 500.000 EUR

! 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)

DECISION TREE ON FINANCIAL CAPACITY VERIFICATION



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:
 - o Balance sheet;
 - o Profit and loss account;
 - o 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 any closed accounts

2. Financial Validation

Financial Viability Check (5)


Conclusion of financial capacity following FVC

	Negative		Positive	
Result of FVC	Insufficient	Weak	Acceptable	Good
Conclusion of financial capacity	Insufficient	Weak	Acceptable	Good
			<p>BUT if</p> <ul style="list-style-type: none"> * 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 	
			Weak	

2. Financial Validation

Financial Viability Check (6)

Conclusions of financial capacity and protection measures

	Negative		Positive		Positive	
Result of FVC	Insufficient	Weak	Acceptable	Good	Acceptable	Good
					BUT if * 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 	
Conclusion of financial capacity	Insufficient	Weak	Acceptable	Good	Weak	
Protection measures	The LE cannot participate, except if duly justified reasons are provided by the authorising officer according to his/her own risk assessment	1. The LE cannot be the Coordinator but it can participate in the project 2. Audits and reviews 3. Reinforced monitoring	None	None	1. A LE with a "weak" financial capacity based on other reasons than FVC can be excluded of the coordination of an indirect action by decision of the Authorising Officer. This LE will nonetheless be able to be a participant. 2. Audits and reviews 3. Reinforced monitoring	

In a nutshell:

- Under H2020 too few LE are subject to FVC. Actually, FVC only for Coordinators being private LE and the requested FCH funding for the project is ≥ 500.000 EUR
- If subject to FVC, please submit the necessary documents ASAP because if “weak” the consortium must seek for another Coordinator
- Have you all checked the financial capacity of your organisations at proposal level? Self-declaration using the relevant tool in the Participant Portal?

2. Financial Validation

Bank accounts

- Search for bank account is available in Participant Portal Grant Management Service (PPGMS) when session is open
 - If no account exists, 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

Legal & Financial Validation

Communication messages and documents via PP (1)

- Documents can be uploaded via the Portal. If the system requires a particular document, like in this example VAT extract, please upload the corresponding document.

The screenshot shows a web portal interface with a top navigation bar containing tabs: Messages, Documents, Organisation, Legal Address, Contact Person, and LEAR. The 'Documents' tab is active.

Documents

On this page you can review, add and update documents for the current organisation. You can upload document files with sizes up to 6 Mb per file.

Important: Your updates here take immediate effect when you click the 'Submit for processing.' button.

Disclaimer: Before you upload a supporting document, always ensure their consistency and quality. Scan your documents for viruses or any other data, which may potentially harm recipient user systems. It is recommended to use PDF file format when you submit the following document types: FEL Form (Legal Entity Form), VAT extract, VAT exemption and Registration Documents (Extract of registration).

[Click here to find out how to submit a requested document.](#)

Add a new document

Filter

VAT Extract **REQUESTED**

File name No file selected.

Document Type

Description

Original Language ☐

Legal & Financial Validation

Communication messages and documents via PP (2)

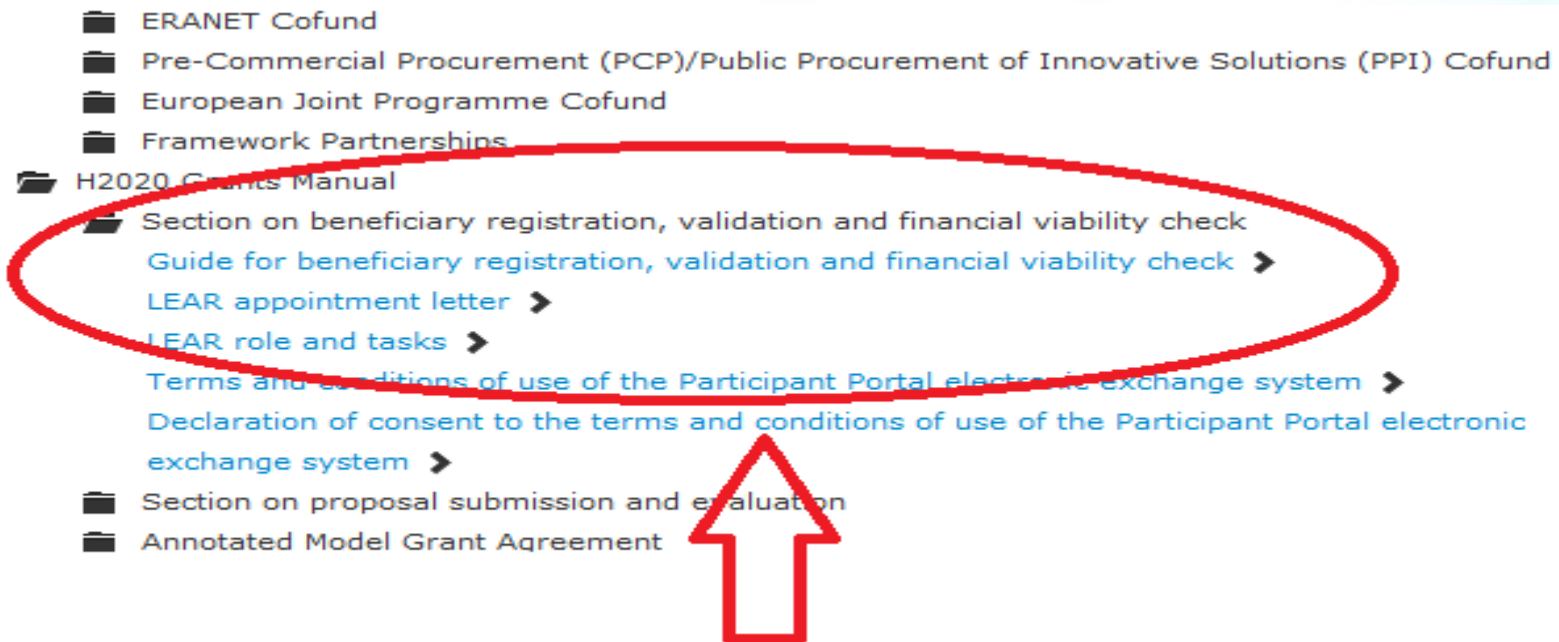
- Messages can be exchanged via the Participant Portal and they can be seen in the system.
- Messages from the REA VS are also sent as email to the participant.

The screenshot shows the Participant Portal interface with a navigation bar at the top containing tabs: Messages, Documents, Organisation, Legal Address, Contact Person, and LEAR. A blue sidebar on the left contains the text: "On this page you can review, add and update messages for the current organisation." followed by "Messages" and "Click here to find out how to submit a requested document." The main content area displays a table of messages with columns: Type, Subject, Edit a reply message, and Date. There is an "Add new message" button and a search bar at the top of the table. The table lists three messages, all dated 2014-10-10. The first message is a document request, the second is a LEAR appointment request, and the third is a first message. Below the table, it says "Showing 1 to 3 of 3 entries" with navigation links: First, Previous, 1, Next, Last.

Type	Subject	Edit a reply message	Date
	* Document(s) requested	***** THIS IS AN AUTOMATED MESSAGE. DIRECT REPLIES...	2014-10-10 13:14
	* LEAR appointment request - 950156...	Reference: Call ref.: Proposal No: Legal Name: tes...	2014-10-10 13:13
	* First message - 950156032	Reference: Call ref.: Proposal No: Legal Name: tes...	2014-10-10 13:13

The screenshot shows a detailed view of a message in the Participant Portal. The URL in the browser address bar is "https://ec.europa.eu/research/participants/ur/secure/research/updateview.do?pic=950156032". The page has a "Welcome Katrie" message and a navigation bar with tabs: Messages, Documents, Organisation, Legal Address, Contact Person, and LEAR. The main content area displays the details of a message with the subject "* LEAR appointment request - 950156032" and the date "2014-10-10 13:13". There is a "CLOSE" button in the top right corner. The message content is titled "EDIT A REPLY MESSAGE" and contains the following text: "Appointed Representative). In order to speed-up the administrative procedures, you can provide us with the following documents:" followed by a list of three documents: "the LEAR Appointment Letter, duly signed by the Legal Representative;", "the Roles and Duties document, duly signed by both LEAR and the Legal Representative;", and "the Declaration of Consent (document accompanying the Terms and Conditions of use of The Electronic Exchange System), duly signed by the Legal Representative." Below the list, it says "For all three documents, you must use the templates provided by the European Commission via the Participant". The message details section includes a "Subject:" field with the value "* LEAR appointment request - 950156032" and an "Edit a reply message:" section with a rich text editor. At the bottom, there are two buttons: "Send the message" and "Close".

- The H2020 Grants Manual is published on the Participant Portal http://ec.europa.eu/research/participants/portal/desktop/en/funding/reference_docs.html#h2020-grants-manual-lev
- It includes a dedicated section on the legal and financial validation rules as well as the LEAR role and tasks.



- 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:
 - No collective financial responsibility anymore
 - Reduced FVC
 - Limited protection measures following weak FVC results (e.g. no reduction on prefinancing, trust accounts, bank guarantees etc)

3. Guarantee Fund

Overview (2)

Mechanism: “CRI”

- Contribution to the GF
- Reimbursement to participants
- Interventions of the GF

PARTICIPANTS' GUARANTEE FUND

CONTRIBUTION

- 5% Max grant amount
- Retained at 1° PF payment

REIMBURSEMENT

- Returned with calculation of the balance

CAPITAL

INTERESTS

INTERVENTION

- INDIRECT
Fund covers unpaid ROs
(except: liquidated damages
& financial penalties)
- DIRECT
When action still ongoing →
Fund can transfer lost
amount to consortium*

Situation interests of the PGF

Situation on 30/11/2014

❑ Interests yielded	82.408.031 EUR
❑ Interventions	31.782.742 EUR
❑ Available for interventions	53.036.267 EUR

Contributions

- ❑ 5 % Max grant amount fixed in the GA 
- ❑ Deduction from first pre-financing (PF)

Example

- ❑ *Grant agreement:* 100.000 EUR
- ❑ *Contribution to PGF 5%:* 5.000 EUR
- ❑ *Initial pre-financing 60%:* 60.000 EUR

→ PF payment order:

- ❑ *Coordinator:* 60.000 EUR
- ❑ *PGF off-budget account:* - 5.000 EUR
- ❑ *Actually paid to the coordinator:* 55.000 EUR

Reimbursements

- ❑ At the end of the action (at the payment of the balance)
- ❑ 3 possibilities :
 - Reimbursement to **participants** (100%)
 - Reimbursement to **budget line** (100%)
 - **Partial** reimbursement (coordinator/budget line)

Interventions:

- **Ongoing project (final payment of balance not yet executed)**
 - If a terminated beneficiary does not reimburse to the Coordinator any amount requested by the FCH JU and
 - The remaining beneficiaries and the FCH JU agree to continue

Then:

- The FCH JU orders the EIB to transfer an equivalent amount directly from the GF to the Coordinator.
- The FCH JU starts the recovery procedure against the beneficiary to the benefit of the GF
- **Closed project (final payment of balance executed)**
 - If for whatever reason the FCH JU issues a recovery order (e.g. due to audit results, termination of the project, payment of balance is negative, non distribution of payments by the Coordinator)
 - If the recovery order is not satisfied by the due date and no offsetting is possible (against any sums the FCH JU owes to the beneficiary concerned)

Then:

- The FCH JU recovers from the GF the amounts due
- The GF recovers (re-issues the recovery order) against the beneficiary

THANK YOU FOR YOUR ATTENTION!