



- 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 3<sup>rd</sup> parties)
- The validation of a participant is unique and valid throughout the entire H2020 programmes.
- 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)

# 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/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

- 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:
  - (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:

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 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 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](mailto: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.
- REA validation services proceed with financial analysis and provide with ratios
- On the basis of the above, FCH take the appropriate decisions and 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:

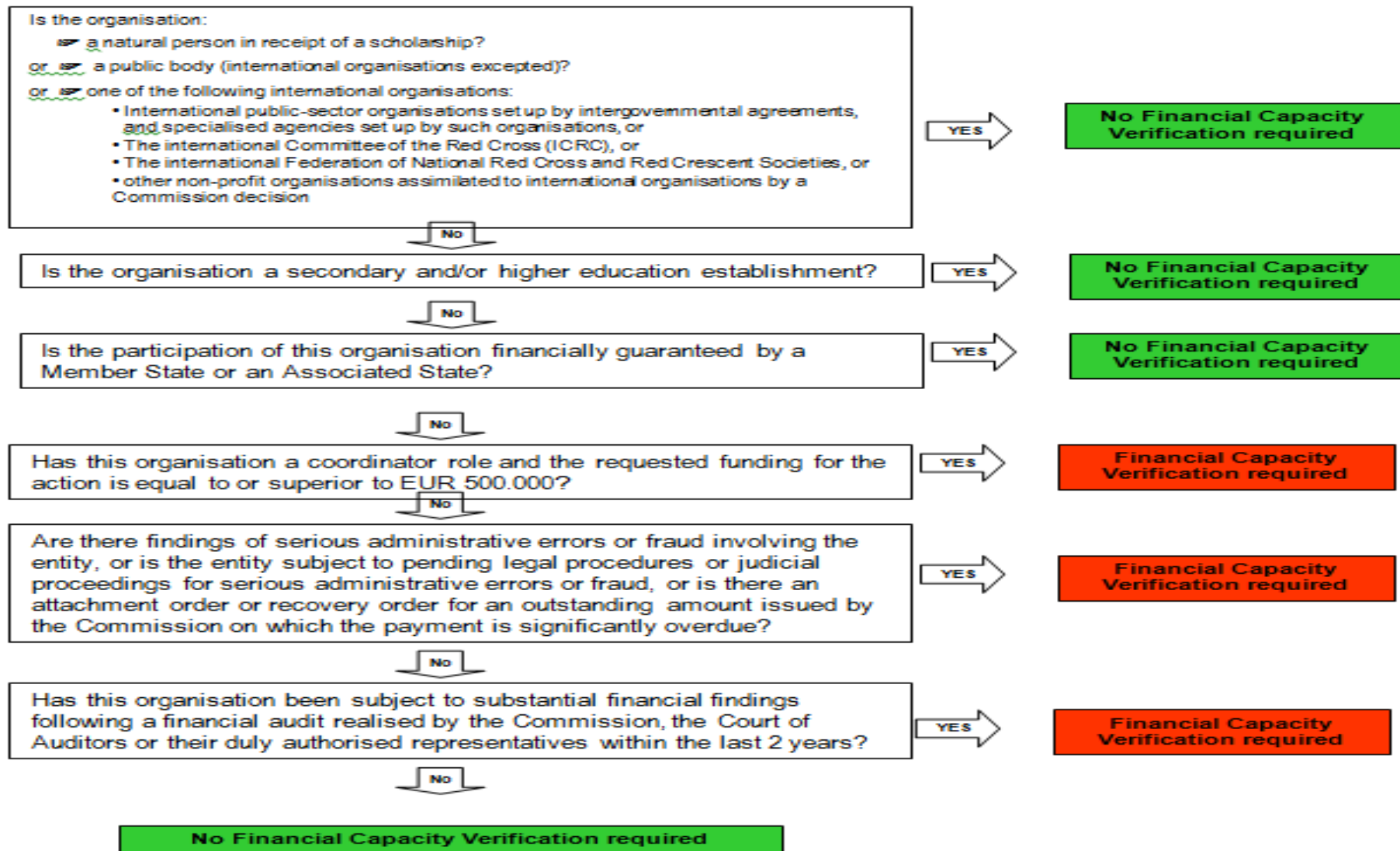
- All other LE:
  - if Coordinators and the requested FCH funding for the project is  $\geq 500.000$  EUR

! 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 closed accounts.

## 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
					<b>BUT if</b> * 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	

## 2. Financial Validation

### Financial Viability Check (7)

In a nutshell:

- Under H2020, FVC s are done only for Coordinators who are private LE and requested FCH funding for the project  $\geq$  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 entity at proposal level? Self-declaration using the relevant tool in the Participant Portal?

## 2. Financial Validation

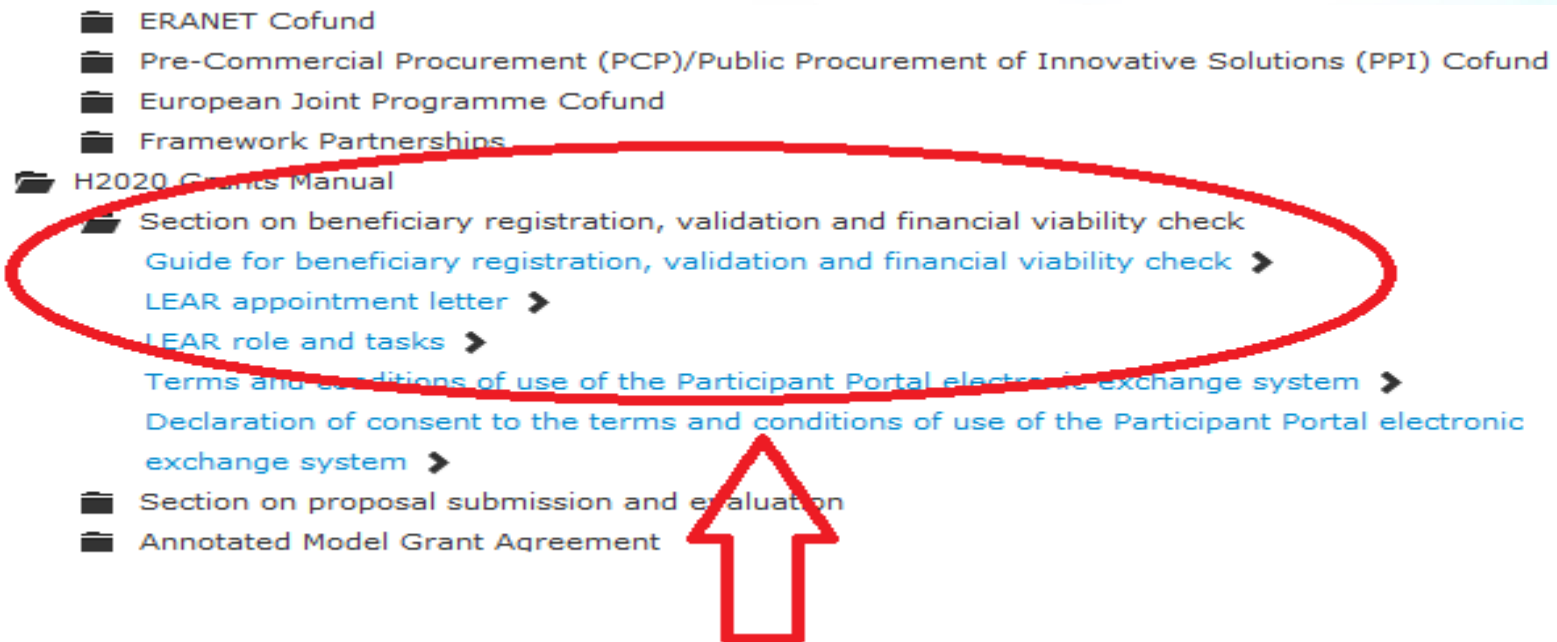
### Bank accounts

- Search for bank account is available in Participant Portal Grant Management Service (PPGMS) when session is open
- If 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!!!!

- 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](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:
  - Reduced FVC
  - Limited protection measures following weak FVC results (e.g. no reduction on pre-financing, no trust accounts, no bank guarantees etc)

### 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)//

**THANK YOU FOR YOUR ATTENTION!**