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Delegations will find attached Commission document COM(2012) 367 final.

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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

The financial statement accompanying a proposal for Regulation COM(2011) 747 final on credit rating agencies and a proposal for Directive COM(2011) 746 final on excessive reliance on credit ratings

(Text with EEA relevance)

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

The financial statement accompanying a proposal for Regulation COM(2011) 747 final on credit rating agencies and a proposal for Directive COM(2011) 746 final on excessive reliance on credit ratings

(Text with EEA relevance)

The Commission adopted on 15 November 2011 a proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 1060/2009 on credit rating agencies and a proposal for a Directive of the European Parliament and of the Council amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings of collective investment in transferable securities (UCITS) and Directive 2011/61/EU on Alternative Investment Funds Managers in respect of the excessive reliance on credit ratings (hereafter, the CRA3 proposal).

Regarding the impact on the Union budget, section 4 of the Explanatory Memorandum accompanying the proposed Regulation stated:

'The Commission's proposal has no impact on the European Union budget. In particular, tasks that would be entrusted to ESMA [European Securities and Markets Authority] as mentioned in the proposal would not entail additional EU funding. It should also be noted that Article 19 of the CRA Regulation [footnote 11] provides that ESMA's expenditure necessary for the registration and supervision of CRAs according to the Regulation shall be fully covered by fees charged to the credit rating agencies.'

Footnote 11: '1. ESMA shall charge fees to the credit rating agencies in accordance with this Regulation and the regulation on fees referred to in paragraph 2. Those fees shall fully cover ESMA's necessary expenditure relating to the registration and supervision of credit rating agencies and the reimbursement of any costs that the competent authorities may incur carrying out work pursuant to this Regulation, in particular as a result of any delegation of tasks in accordance with Article 30.'

An Impact Assessment of the CRA3 proposal assessed cost implications of individual measures and stated: '*policy measures would not have an impact on the EU budget*'.[1] However, it has been estimated that the CRA3 proposal would result in a substantial increase in ESMA's workload, requiring more human resources at the agency. Consequently, in its Draft General Budget of the European Union for the financial year 2013 (COM(2012) 300)[2] (hereafter — the Draft Budget 2013), the Commission proposed an increase of 15 posts in the establishment plan for ESMA. They will be fully financed from

[1] See page 59 of the Impact Assessment http://ec.europa.eu/internal_market/securities/docs/agencies/SEC_2011_1354_en.pdf .

[2] http://eur-lex.europa.eu/budget/data/DB2013/EN/SEC03.pdf, p. 801.

fees paid by credit rating agencies, and hence, they will have no impact on the EU contribution to ESMA.

This Communication provides detailed information to the Budgetary Authority in the form of a legislative financial statement for the CRA3 proposal, which also includes information on the allocation of resources required according to ESMA's tasks and objectives stemming from the CRA3 proposal. Finally, a general overview of the impact of all Commission proposals on ESMA's resources for 2013 is provided in annex 2 to this Communication.

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LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Regulation of the European Parliament and of the Council amending Regulation (EC) No 1060/2009 on credit rating agencies (CRA)

1.2. Policy area(s) concerned in the ABM/ABB structure[3]

Internal Market – Financial markets

1.3. Nature of the proposal/initiative

☒ The proposal/initiative relates to **a new action**

1.4. Objectives

1.4.1. The Commission's multiannual strategic objective(s) targeted by the proposal/initiative

Contribute to reducing the risks to financial stability and restoring investor and other market participants' confidence in financial markets and ratings quality

1.4.2. Specific objective(s) and ABM/ABB activity(ies) concerned

Specific objectives:

In the light of the general objectives above, the following specific objectives are sought:

- reduce reliance on external credit ratings
- mitigate the risks of contagion effects linked to sovereign debt
- improve credit rating market conditions
- ensure right of redress for investors
- reinforce CRA independence and improve credit rating methodologies and processes

1.4.3. Expected result(s) and impact

- all references to credit ratings in existing guidelines and recommendations will be reviewed and where appropriate removed by EBA, EIOPA and ESMA

3 ABM: Activity-Based Management – ABB: Activity-Based Budgeting.

- on-going disclosure of structured finance products will be improved; this will provide more incentives for investors to perform own due diligence and will reduce overreliance on external ratings
- transparency on sovereign ratings will improve; investors will have an increased understanding of sovereign ratings; risks of contagion and spill over effects will be reduced
- The rating market will become more open to new entrants; the current largest credit rating agencies will face more competition; issuers and investors will have an increased choice among credit rating agencies
- Investors' damages resulting from the CRAs' intentional behaviour or gross negligence will be compensated
- Conflicts of interest resulting from an issuer-pays model and from long business relationship will be mitigated
- Market participants will properly understand and will be in a position to scrutinise CRA methodologies for all asset classes

1.4.4. Indicators of results and impact

- Number of references to external ratings in documents issued by ESMA
- Changes in the use of standardised and internal ratings based approaches used for regulatory purposes by financial firms.
- The number or proportion of solicited and unsolicited rating issued for various asset classes.
- The frequency of review and issuance of ratings, particularly sovereign debt ratings.
- Frequency and types of changes to CRA methodologies, and how often these were rejected or challenged.
- Number of new entrants and changes to the market structure. This could include market share of existing players in terms of both revenue and number of outstanding ratings in various classes.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term

Credit rating agencies are important financial market participants and need to be subject to an appropriate legal framework. Regulation (EC) No 1060/2009 on credit rating agencies[4] (CRA

[4] Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, OJ L 302, 17.11.2009.

Regulation) entered into full application on 7 December 2010. It requires credit rating agencies (CRAs) to comply with rigorous rules of conduct in order to mitigate possible conflicts of interest, ensure high quality and sufficient transparency of ratings and the rating process. Existing CRAs had to apply for registration and to comply with the requirements of the Regulation by 7 September 2010.

An amendment to the CRA Regulation (Regulation (EU) No 513/2011) entered into force on 1 June 2011, entrusting the European Securities and Markets Authority (ESMA) with exclusive supervisory powers over CRAs registered in the EU in order to centralise and simplify their registration and supervision at European level[5].

Whilst providing a good basis, a number of issues related to credit rating activities and the use of ratings have not been sufficiently addressed in the existing CRA Regulation. These relate notably to the risk of overreliance on credit ratings by financial market participants, the high degree of concentration in the rating market, civil liability of credit rating agencies vis-à-vis investors, conflicts of interests with regard to the issuer-pays model and CRAs' shareholder structure. The specifics of sovereign ratings which became evident during the current sovereign debt crisis are also not specifically addressed in the current CRA Regulation.

The European Commission pointed to these open issues in its Communication of 2 June 2010 ("Regulating financial services for sustainable growth")[6] and in a consultation paper of the Commission services of 5 November 2010[7] announcing the need for a targeted review of the CRA Regulation which is delivered with a CRA3 proposal on 15 November 2011.

On 8 June 2011, the European Parliament issued a non-legislative resolution on CRAs[8]. The report supports the need to enhance the regulatory framework for credit rating agencies and to take measures to reduce the risk of overreliance on ratings. More specifically, the European Parliament supports, amongst others, enhanced disclosure requirements for sovereign ratings, the establishment of a European Rating Index, increased disclosure of information on structured finance instruments and civil liability of credit rating agencies. The European Parliament also regarded stimulation of competition as an important task and considered that the establishment of an independent European Credit Rating Agency should also be explored

5 Regulation (EU) No 513/2011 of the European Parliament and of the Council of 11 May 2011 amending Regulation (EC) No 1060/2009 on credit rating agencies, OJ L 145, 31.5.2011.

6 COM(2010)301 final.

7 Available at http://ec.europa.eu/internal_market/consultations/2010/cra_en.htm.

8 http://www.europarl.europa.eu/oeil/FindByProcnum.do?lang=en&procnum=INI/2010/2302.

9 http://www.financialstabilityboard.org/publications/r_101027.pdf .

10 Commission proposal of 20 July 2011 for a Directive of the European Parliament and of the Council on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and amending Directive 2002/87/EC of the European Parliament and of the Council on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate, COM(2011) 453 final. See point (b) of Article 77.

11 Commission proposal of 15 November 2011 for a Directive of the European Parliament and of the Council amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings of collective investment in transferable securities (UCITS) and Directive 2011/61/EU on Alternative Investment Funds Managers in respect of the excessive reliance on credit ratings, COM(2011) 746 final.

12 OJ L 302, 17.11.2009, p.32.

13 OJ L 174, 1.7.2011, p.1.

and assessed by the Commission.

At informal ECOFIN meetings of 30 September and 1 October 2010 the Council of the European Union acknowledged that further efforts should be made to address a number of issues related to credit rating activities, including the risk of overreliance on credit ratings and the risk of conflict of interests stemming from the remuneration model of rating agencies. The European Council of 23 October 2011 concluded that progress is needed on reducing overreliance on credit ratings.

In addition, the European Securities Committee and the European Banking Committee composed of representatives of Member States' ministries of finance discussed the need to further strengthen the regulatory framework for credit rating agencies at their meetings of 9 November 2010 and 19 September 2011.

At the international level, the Financial Stability Board (FSB) issued in October 2010 principles to reduce authorities' and financial institutions' reliance on CRA ratings[9]. The principles call for removing or replacing references to such ratings in legislation where suitable alternative standards of creditworthiness are available and for requiring investors to make their own credit assessments. Those principles were endorsed by the G20 Seoul Summit in November 2010.

The Commission has recently addressed the question of overreliance on ratings by financial institutions in the context of the reform of the banking legislation[10]. The Commission proposed the introduction of a rule requiring banks and investment firms to assess themselves the credit risk of entities and financial instruments in which they invest and not to simply rely on external ratings in this respect. A similar provision is proposed by the Commission in the draft amendments[11] to the Directives on UCITS[12] and on managers of alternative investment funds[13], which are proposed in parallel to this proposal.

1.5.2. *Added value of EU involvement*

According to the principle of subsidiarity (Article 5.3 of the TEU), EU level-action should be taken only when the aims envisaged cannot be achieved sufficiently by Member States alone and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the EU. Although all the problems in relation to credit ratings have important implications for individual Member States, their overall impact can only be fully perceived in a cross-border context. This is because ratings can be issued in one country for financial instruments issued in another, so that action taken on a national level might not have any effect, as ratings could continue to be issued and used if they were produced in a different EU or even third country jurisdictions. As a result, national responses to credit rating issuance risk being circumvented or ineffective without EU-level action. Therefore any further actions in the field of CRAs can best be achieved by a common effort. Accordingly, EU action appears appropriate in light of the principle of subsidiarity.

1.5.3. *Lessons learned from similar experiences in the past*

n/a

1.5.4. *Coherence and possible synergy with other relevant instruments*

Following a wave of "emergency" measures to manage the financial crisis that broke in 2007, the Commission launched a programme of reforms which implements the commitments taken by the G20 and aims at tackling more structural issues in the EU financial sector and address the main sources of its vulnerability as unveiled by the crisis:

- The low levels of high quality capital and insufficient liquidity in the banking sector, partly reflecting inadequate and pro-cyclical prudential requirements and failures in risk assessment and management;

- Supervisory shortcomings, particularly with regard to the supervision of individual institutions operating in a cross-border context and to the unregulated financial sector;

- Corporate governance failures which contributed to excessive risk taking practices in financial institutions;

- Insufficient market transparency and inadequate disclosure of information to the authorities including supervisors, particularly with reference to complex structured financial products;

- Lack of adequate regulation and supervision of Credit Rating Agencies;

- Insufficient macro prudential surveillance of the financial sector as a whole to prevent macro-systemic risks of contagion;

- The absence of a harmonised framework to facilitate the orderly wind-down of banks and financial institutions which has contributed to put pressure on Member States to inject public money into banks to prevent a general collapse.

The building blocks of this programme were illustrated in the Communication of 4 March 2009, Driving European Recovery, and the Communication of 2 June 2010 'Regulating financial services for sustainable growth" which set out the details of the financial reform package.

The first elements were put in place in the period 2009-2010. The most important is represented by the new architecture for financial supervision which involved the establishment of the European Systemic Risk Board, which will ensure that macro-prudential and macro-economic risks are detected at an early stage, and three new European Supervisory Authorities responsible for banking (European Banking Authority or EBA), insurance (European Insurance and Occupational Pensions Authority or EIOPA) and securities markets (European Securities Markets Authority ESMA) to ensure reinforced supervision and better co-ordination among supervisors.

An important gap in regulation has been plugged through the Regulations on credit rating agencies ('CRA I' and 'CRA II') introducing strict authorisation requirements and supervision for CRAs, and entrusting ESMA with the supervision on CRAs. Moreover the Capital Requirements Directive (CRD) was amended ('CRD III') to reinforce capital rules for the trading book and for complex derivatives and to introduce binding rules on remuneration and bonuses in financial institutions. A further regulatory and supervisory gap has been plugged with the Directive on managers of alternative investment funds, including hedge funds (AIFM Directive) providing robust and harmonised regulatory standards for all managers and enhancing transparency towards investors.

1.6. Duration and financial impact

☒ Proposal/initiative of **unlimited duration**

– Implementation with a start-up period from 2013 to 2015,

– Followed by full-scale operation.

1.7. Management mode(s) envisaged[14]

☐ **Centralised indirect management** with the delegation of implementation tasks to:

– ☒ bodies set up by the Communities[15]

[14] Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

[15] As referred to in Article 185 of the Financial Regulation.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Article 81 of the Regulation establishing the European Securities and Markets Authority (ESMA) requires the Commission by 2 January 2014, and every 3 years thereafter, to publish a general report on the experience acquired as a result of the operation of ESMA. To this end, the Commission will publish a general report that will be forwarded to the European Parliament and to the Council.

2.2. Management and control system

2.2.1. Risk(s) identified

A specific risk associated with the management of ESMA appropriations in relation to CRA registration and supervision results from the fact that differently from many other bodies set up by the Communities, the supervision of CRA will be exclusively financed by CRA themselves.

Otherwise, in relation to the legal, economical, efficient and effective use of appropriations resulting from the proposal it is expected that the proposal would not bring about new risks that would not be currently covered by an ESMA existing internal control framework.

2.2.2. Control method(s) envisaged

To ensure a transparent and effective use of these resources by ESMA, Commission adopted a Delegated Regulation of 7 February 2012 (No 272/2012) with regard to fees charged by the European Securities and Markets Authority to credit rating agencies[16].

2.3. Measures to prevent fraud and irregularities

For the purposes of combating fraud, corruption and any other illegal activity, the provisions of Regulation (EC) No 1073/1999 of the European Parliament and of the Council of 25 May 1999 concerning investigations conducted by the European Anti-Fraud Office (OLAF) shall apply to the ESMA without any restriction.

ESMA shall accede to the Interinstitutional Agreement of 25 May 1999 between the European Parliament, the Council of the European Union and the Commission of the European Communities concerning internal investigations by the European Anti-Fraud Office (OLAF) and shall immediately adopt appropriate provisions for all ESMA staff.

The funding decisions and the agreements and the implementing instruments resulting from them shall explicitly stipulate that the Court of Auditors and OLAF may, if need be, carry out on-the-spot checks on the beneficiaries of monies disbursed by ESMA as well as on the staff responsible for allocating these monies.

[16] OJ L 90, 28.3.2012, p. 6–10

Articles 64 and 65 of the Regulation establishing ESMA set out the provisions on implementation and control of the ESMA budget and applicable financial rules.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing expenditure budget lines

The increase in ESMA budget expenditure on the supervision of credit rating agencies (CRA) will be fully covered by the fees paid by CRA to ESMA[17]

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution		
	Number [Description………………………...……….]	Diff./non-diff. (18)	from EFTA[19] countries	from candidate countries[20]	from third countries
	12.0404 ESMA – Subsidy under Titles 1, 2 & 3	Diff	NO	NO	NO

17 For more information, see Annex 1
18 Diff. = Differentiated appropriations / Non-diff. = Non-Differentiated Appropriations
19 EFTA: European Free Trade Association
20 Candidate countries and, where applicable, potential candidate countries from the Western Balkans

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to 3 decimal places)

		Year **2013**[21]	Year **2014**	Year **2015**					**TOTAL**
TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework	Commitments	N.A.	N.A.	N.A.					N.A.
	Payments	N.A.	N.A.	N.A.					N.A.

[21] Year N is the year in which implementation of the proposal/initiative starts.

3.2.2. Estimated impact on operational appropriations

- ☒ The proposal/initiative does not require the use of operational appropriations

3.2.3. Estimated impact on appropriations of an administrative nature

3.2.3.1. Summary

- ☒ The proposal/initiative does not require the use of administrative appropriations

3.2.3.2. Estimated requirements of human resources

- ☒ The proposal/initiative does not require the use of human resources

Comment:

No additional human and administrative resources will be needed in DG MARKT as a result of the CRA3 proposal.

3.2.4. Compatibility with the current multiannual financial framework

- ☒ Proposal/initiative is compatible the current multiannual financial framework.

3.2.5. Third-party contributions

- ☒ The proposal/initiative does not provide for co-financing by third parties

3.3. Estimated impact on revenue

- ☒ Proposal/initiative has no financial impact on revenue.

Annex 1.

The external personnel (CAs and ENDs) required for ESMA in 2014 and 2015 to implement temporary tasks stemming from the CRA3 proposal are not meant to lead to a further increase in ESMA's external personnel

Table 1. Assessed resources needed for ESMA to implement CRA3 proposal

New tasks for ESMA	Required human resources			Additional IT resources
	Tempo-rary	*Other resources 2014-2015 in the form of seconded national experts (ENDs) or contract agents (CAs), expressed as full-time equivalents (fte)*	*Comments*	
1) Reviewing and removing where appropriate references to ratings in all the existing Guidelines, Recommendations and Regulatory Technical Standards (RTS)		- 0.5 fte		
2) Adopting 5 new RTS on: - disclosure on structured finance products - rotation of CRAs (handover file) - harmonised standard rating scale - EURIX - fees charged by CRAs		- 3.5 fte	Estimate based on the workload required during 2011 for the preparation of the four draft RTS and on the advanced specific methodologies that subjects will require.	
3) Adopting 2 new Guidelines and Recommendations on: - coordinating disclosure on CRAs' fees - acquiring market concentration data		- 1.5 fte	Estimate based on the consultation and adoption process required for Guidelines and Recommendations and on the advanced specific methodologies that the two subjects will require	
4) Renew the assessment of third-country endorsability		- 3.5 fte	Estimate based on the workload required during 2011 for the endorsement process	
5)	1.8 fte:	- 2.3 fte		Assumption (1.5 years project

New tasks for ESMA	Required human resources			Additional IT resources
	Tempo-rary	*Other resources 2014-2015 in the form of seconded national experts (ENDs) or contract agents (CAs), expressed as full-time equivalents (fte)*	*Comments*	
- Setting up and managing centralised webpage on structured finance underlying asset pools and their ratings' performance	CRA Unit: 1.0 fte IT: 0.8 fte (production + business analyst)	CRA Unit: 1.0 fte IT: 1.3 fte (0.5 project manager + 0.5 architect+0.3 procurement expert)		duration): 1)Software costs: 300000 euro HT 2)Hardware cost: 30000 euro HT 3)Services: Conception phase: 1 fte expert (6 months*1200 euro *22) =158000 Testing/Roll out: 1 fte junior (12 months *700*22) =185000 **TOTAL: 673000**
6) - preliminary assessment of CRAs' new methodologies	6 fte	-	This estimate represents an average of between 2 and 22 fte, depending on the final drafting of the provision, which would require from ESMA either about 50 or about 500 assessments every year.	
7) monitoring of the market developments and other implementation of other requirement CRA will have to comply with: - monitoring CRAs' cross-ownership links - monitoring mandatory rotation of CRAs and lead analysts - monitoring CRAs' major shareholders interests and consultancy services in rated entities - monitoring respect of double SF ratings - monitoring sovereign ratings publication (after cob and at least one hour before	4.8 fte	-		

New tasks for ESMA	Required human resources			Additional IT resources
	Tempo-rary	*Other resources 2014-2015 in the form of seconded national experts (ENDs) or contract agents (CAs), expressed as full-time equivalents (fte)*	*Comments*	
opening of EU trading venues) - monitoring CRAs informing rated entities full working day before publication of ratings and outlooks - monitoring CRAs disclosing all preliminary ratings - monitoring fees charged to CRAs - developing new methodology and monitoring market concentration risks				
8) - establishing and managing the European Rating Index (EURIX) /European Rating Platform, including establishing and managing disclosure database on fees charged by CRAs	2.4 fte : CRA Unit: 1.4 fte; IT: 1 fte (production + business analyst)	-	Estimate based on the advanced specific methodologies required	Assumption (1 year project duration; implementation based on synergies with CEREP and SoCRAT; EURIX calculations performed by CRAs): 1)Software costs: 200000 euro HT 2)Hardware cost: 15000 euro HT 3)Services: Conception phase: 2.25 fte (project manager, architect & other experts; 6 months*1200 euro *22)=356000 Testing/Roll out: 1 fte junior (6 months *700*22)=93000 **TOTAL: 664000**
Total	15	11.3		

EN EN

It is assumed the Regulation will enter into force before 2013, and that the additional ESMA resources are therefore required from 2013. Additional staff has been estimated only for the technical standards, guidelines and reports to be produced by ESMA. The proposal of the Commission includes tasks for ESMA that will require the establishment of 15 temporary posts from 2013. In addition, other tasks as described above will be covered by external staff, SNEs and contract agents over the period 2014–2015: 5.8 (man years) for 2014 and 5.5 (man years) for 2015.

Other assumptions:

- Average annual salary costs for different categories of personnel are based on DG BUDG guidance;
- Salary weighting coefficient for Paris of 1.161;
- Training costs assumed at € 1 000 per full-time equivalent (FTE) per year;
- Mission costs of € 10 000, estimated based on 2012 draft budget for missions per headcount;
- Recruitment-related costs (travel, hotel, medical examinations, installation and other allowances, removal costs, etc.) estimated at € 12 700, based on 2012 draft budget for recruitment per new headcount.

The method of calculating the increase in the required budget for the next three years is presented in more detail in the table below. The calculation reflects the fact that all costs related to CRA supervision will come from fees paid to ESMA by CRAs.

Table 2. Allocation of costs

Cost type	**Calculation**	**Amount (in million Eur)**			
		2013	**2014**	**2015**	**Total**
Title 1: Staff expenditure					
11 Salaries and allowances					
- of which temporary agents	=15*127*1,161	2,212	2,212	2,212	6,635
- of which SNEs	=(4.8 for 2014, 4.5 for 2015)*73*1,161	0	407	381	788
- of which contract agents	=1*64*1,161	0	74	74	148
12 Expenditure related to recruitment	=(15 for 2013, 5 for 2014)*12,7	191	64	0	255
13 Mission expenses	=(15 for 2013, 20.8 for 2014 and 20.5 for 2015)*10	150	208	205	563
15 Training	=(15 for 2013, 20.8 for 2014 and and 20.5 2015)*1	15	21	21	56

Total Title 1: Staff expenditure		2,568	2,986	2,893	8,445
Title 2: Infrastructure and operating expenditure	=(15 for 2013, 20.8 for 2014 and 20.5 for 2015)*30	450	624	615	1,689
Total Title2: Infrastructure and operating expenditure		450	624	615	1,689
Title 3: Operational expenditure					
EURIX		664	0	0	664
Centralised webpage on structure finance ratings' quality		0	300	373	673
Total Title 3: Operational expenditure		664	300	373	1337
Total		3,682	3,910	3,881	11,471
Of which revenues from registration and supervisory fees to be paid by CRAs (100%)		3,682	3,910	3,881	11,471

Table 3. The proposed establishment plan for the fifteen temporary agent positions.

Function group and grade	**Temporary posts**
AD 8	2
AD 7	3
AD 6	5
AD 5	5
AD total	**15**

Table 4. Allocation of estimated costs according to objectives and outputs stemming from the CRA3 proposal[22]

Objectives and outputs ⇩			Year **2012**		Year **2013**		Year **2014**		Year **2015**		**TOTAL**
	Type (-/+)	Average cost	Output	Total Cost	Output	Total Cost	Output	Total Cost	Output	Total Cost	Total Cost
Objective No 1 reduce reliance on external credit ratings											
references to external ratings in documents issued by ESMA have been reviewed and their number has been reduced			-	0	-	0	+	67	+	0	**67**
centralised webpage on structured finance underlying asset pools and their ratings' performance established and operational			-	0	-	362	-	814	+	836	**2012**
New RTS on disclosures in relation to structured finance instrument is issues			-	0	-	0	+	94	-	0	**94**
Sub-total for specific objective No 1				0		**362**		**975**		**836**	**2173**
Objective No 2. Mitigate the risks of contagion effects linked to sovereign debt											

22 Inaccuracies may appear due to rounding.

Objectives and outputs ⇩	Type (-/+)	Average cost	Year 2012 Output	Year 2012 Total Cost	Year 2013 Output	Year 2013 Total Cost	Year 2014 Output	Year 2014 Total Cost	Year 2015 Output	Year 2015 Total Cost	TOTAL Total Cost
ESMA annually reports on compliance by CRAs with requirements in respect to sovereign ratings			-	0	-	241	+	226	+	226	**693**
Sub-total for specific objective No 2				0		**241**		**226**		**226**	**693**
Objective No 3 improve credit rating market conditions											
EURIX (European Rating Index/European Rating Platform) is established, operational and maintained			-	0	-	1147	+	452	+	452	**2051**
New RTS on EURIX, harmonised rating scale and rotation of CRAs are issued			-	0	-	0	+	243	+	37	**280**
New Guidelines and Recommendations on: - coordinating disclosure on CRAs' fees - acquiring market concentration data			-	0	-	0	+	202	-	0	**202**
ESMA annually reports on credit rating market developments			-	0	-	483	+	452	+	452	**1387**
Sub-total for specific objective No 3				0	-	**1630**	+	**1349**	+	**941**	**3920**

Objectives and outputs ⇩			Year **2012**		Year **2013**		Year **2014**		Year **2015**		**TOTAL**
	Type (-/+)	Average cost	Output	Total Cost	Output	Total Cost	Output	Total Cost	Output	Total Cost	Total Cost
Objective No 4 ensure right of redress for investors											
Sub-total for specific objective No 4				0	+	0	+	0	+	0	**0**
Objective No 5 reinforce CRA independence and improve credit rating methodologies and processes											
All CRA's new methodologies preliminary assessed by ESMA			-	0	-	1207	+	1131	+	1131	**3469**
RTS on fees charged by CRAs			-	0	-	0	-	0	+	87	**87**
ESMA annually reports on independence risks stemming from ownership and control			-	0	-	241	+	226	+	226	**693**
Sub-total for specific objective No 5			-	0	-	**1448**	+	**1357**	+	**1444**	**4249**
Sub-output stemming from objectives 2 to 5 – third-country endorsability reassessed									+	**433**	**433**
TOTAL COST				0		**3681**	-	**3907**	-	**3880**	**11468**

Annex 2. An overview of the impact on ESMA 2013 budget of the legislative proposals in period of 2011-2013.

Since ESMA's establishment, the continuing EU response to the financial and economic crisis required the adoption of a series of important new proposals, several of which required significant increases in the powers of ESMA and therefore the reinforcement of the staffing of the authority as set out in the tables below.

The revision of the Markets in Financial Instruments Directive (MIFID) aims to ensure more robust and efficient market structures, to take account of technological innovations, to improve the transparency of trading activities, to reinforce supervisory powers and a ensure stricter framework for commodity derivatives markets and to strengthen investor protection. ESMA was given a major role in developing most of the technical implementing measures necessary to ensure the full functioning of the regulatory framework and specific supervisory tasks, for example an increased role in determining the conformity with MiFID of individual cases where venues propose to waive pre-trade transparency ("dark pools").

The revision of the Market Abuse Directive (MAD) aims to strengthen the fight against market abuse across commodity and related derivative markets, reinforce the sanctioning powers of regulators and reduce administrative burdens on small and medium-sized issuers. ESMA was tasked, inter alia, with ensuring the coordination of rules with respect to technical means for ensuring the appropriate disclosure of inside information, procedures for exchange of information among EU and foreign competent authorities, and coordinating, on request, investigations and inspections for cross-border cases of market abuse.

The proposal on Central Securities Depositories aims to harmonise both the timing and conduct of securities settlement in Europe and the rules governing Central Securities Depositories (CSDs) which operate the infrastructures enabling settlement. With regard to settlement, the proposal harmonises timing and discipline of securities settlement in the EU. Regarding CSDs, it creates, for the first time at European level, a common authorisation, supervision and regulatory framework for CSDs.

ESMA's role under the CSD Regulation includes drafting technical standards for the application of the CSDR – in total 22 regulatory and implementing technical standards; providing guidelines/best supervision practices for settlement discipline and CSD measures – in total 3 guidelines; ensuring consistent application of the CSDR; recognition of third country CSDs and reporting requirements (annual report on market developments, in particular on settlement efficiency, internalised settlement, cross-border activity).

The role of ESMA in the context of the revised Regulation on Credit Rating Agencies (CRA III) is set out in the main body of the Legislative Financial Statement.

Table 1. An overview of the staff request and the financial impact

An overview of the staff request

estimated statutory staff necessary			estimated external staff necessary			TOTAL estimated staff necessary		
2013	**2014**	**2015**	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
I. 8	8	8	3	3	3	**11**	**11**	**11**
II. 3	3	3	3	3	3	**6**	**6**	**6**
III. 4	4	4	2	2	2	**6**	**6**	**6**
IV. 15	15	15	0	5.8	5.5	**15**	**20.8**	**20.5**

where:

I – a proposal on Markets in Financial Instruments Directive (MiFID) COM(2011) 656 final [2011/0298 (COD)]

II – a proposal on Market Abuse Directive (MAD) COM(2011) 651 final [2011/0295 (COD)]

III – a proposal on Central Securities Depositories (CSD) COM(2012) 73 final [2012/0029 (COD)]

IV – a proposal on Regulation on credit rating agencies (CRA3) COM(2011) 747 final and 746 final [0361 (COD) and 0360 (COD)]