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PROPOSAL

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

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Subject:	ANNEX to the Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the implementation and functioning of the .eu Top Level Domain name and repealing Regulation (EC) No 733/2002 and Commission Regulation (EC) No 874/2004
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Delegations will find attached document COM(2018) 231 final.

Encl.: COM(2018) 231 final



Brussels, 27.4.2018
COM(2018) 231 final

ANNEX

ANNEX

to the

**Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE
COUNCIL**

**on the implementation and functioning of the .eu Top Level Domain name and repealing
Regulation (EC) No 733/2002 and Commission Regulation (EC) No 874/2004**

{SEC(2018) 205 final} - {SWD(2018) 120 final} - {SWD(2018) 121 final} -
{SWD(2018) 122 final}

Legislative financial statement

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LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council on the implementation and functioning of the .eu Top Level Domain name and repealing Regulation (EC) No 733/2002 and Commission Regulation (EC) No 874/2004

Policy area(s) concerned

Policy area: 09 - Communications networks, content and technology

Activity: 09.02 digital single market

1.2. Nature of the proposal/initiative

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

The proposal/initiative relates to **a new action following a pilot project/preparatory action¹**

The proposal/initiative relates to **the extension of an existing action** [*it is a REFIT initiative*]

The proposal/initiative relates to **an action redirected towards a new action**

1.3. Objective(s)

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

The general objective of the initiative is to ensure the stability and sustainability of the .eu TLD, so as to better enable it to achieve its intended mission to:

Encourage online cross-border activities in Europe and support the Digital Single Market

Enable/build an online European identity

1.3.2. *Specific objective(s) and Specific objective No []*

Specific objective(s)

Specific objective N1: Remove outdated legal/administrative requirements.

Specific objective N2: Ensure the rules are future-proof and allow the .eu to adapt to the rapid evolution of the TLD market and the dynamic digital landscape, while at the same time incorporating and promoting EU priorities in the on line world

Specific objective N3: Ensure a governance structure that both reflects technical and governance best practices and serves EU public interest.

Specific objective N4: Promote the attractiveness of .eu.

In the remainder of the fiche, we focus on Specific objective N3.

¹ As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

1.3.3. *Expected result(s) and impact*

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

In relation to Specific objective N3, the proposal introduces a separate governance framework: while the current model of outsourcing the daily operational activities to an external operator would continue, the creation of a separate multistakeholder body with an advisory role is foreseen. The introduction of a multistakeholder body (the .eu Multistakeholder Council) would effectively strengthen and widen the input into the good governance of the .eu Registry and increase the transparency of its corporate governance.

The .eu Multistakeholder Council will need to be adequately resourced. The cost is estimated around €50.000 annually (for reimbursing experts travel and subsistence, organising the meetings, and costs in relation to activities such as production of external reports and studies) to be covered by the Commission.

1.3.4. *Indicators of results and impact*

Specify the indicators for monitoring implementation of the proposal/initiative.

For specific objective N3: Number and importance of findings of external audits on the .eu Registry; Robustness and resilience of the technical infrastructure; Annual vulnerability and penetration tests rates; Long-term financial sustainability indicators including percentage of bad-debtors; Number of assessed risks, number of business continuity plan exercises over a year, non-conformities out of BCP exercises; Disaster recovery timeframes; Number of Court cases per year and possible financial costs.

1.4. **Grounds for the proposal/initiative**

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

The introduction of a multistakeholder body would effectively strengthen and widen input into the good governance of the .eu Registry and increase the transparency of its corporate governance, and would be designed to reflect the multi-stakeholder approach. This will bring the model into line with the Commission's stated policy on Internet Governance.

Representatives of all relevant stakeholders will be able to participate in the dialogue and shed further light on the likely consequences of decisions and advise on the implementation of .eu ccTLD. The members of the new governance body will be appointed by the Commission on the basis of an open and transparent procedure aimed at limiting any risk of potential conflicts of interest.

1.4.2. *Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.*

Expected generated EU added value (ex-post): The existence of the .eu TLD is highly symbolic and reflects the existence of a European online community (of citizens, institutions and businesses) who wishes to be clearly identified as such. The

.eu TLD gives users wishing to operate across the Single Market a specific European connotation which is recognised globally.

A regulatory framework at EU level for the .eu is useful in order to continue providing for and expanding a domain name space on the Internet under the .eu TLD, in which relevant EU law, data and consumer protection rules are applicable.

Regulatory action taken at Member States level would not be able to deliver on the fundamental objectives standing behind the creation and management of a trusted and innovative namespace for the EU, to promote the European Union's image on the Internet and to deliver added value in terms of increased choice for users, in addition to the national ccTLDs.

1.4.3. Lessons learned from similar experiences in the past

The current regulatory framework is not providing for an optimum governance structure in terms of oversight and accountability in line with the Commission's stated approach to internet governance.

1.4.4. Compatibility and possible synergy with other appropriate instruments

1.5. Duration and financial impact

- Proposal/initiative of **limited duration**
 - Proposal/initiative in effect from [DD/MM]YYYY to [DD/MM]YYYY
 - Financial impact from YYYY to YYYY
- Proposal/initiative of **unlimited duration**²
 - Implementation with a start-up period from 2020 to 2020,
 - followed by full-scale operation.

1.6. Management mode(s) planned³

- Direct management** by the Commission
 - by its departments, including by its staff in the Union delegations;
 - by the executive agencies
- Shared management** with the Member States
- Indirect management** by entrusting budget implementation tasks to:
 - third countries or the bodies they have designated;
 - international organisations and their agencies (to be specified);
 - the EIB and the European Investment Fund;
 - bodies referred to in Articles 208 and 209 of the Financial Regulation;
 - public law bodies;
 - bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
 - bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
 - persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
 - *If more than one management mode is indicated, please provide details in the 'Comments' section.*

Comments

² Possible impact on the next MFF 2021-27 will be dealt with in the negotiations on the latter.
³ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site:
<https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The Commission will monitor the application of the Regulation and submit a report on its evaluation to the European Parliament and the Council and the European Economic and Social Committee no later than five years after the date of application of this Regulation.

Further to that, the progress of the .eu TLD will be regularly monitored through the submission of a report to the European Parliament and the Council on the implementation, effectiveness and functioning of the domain name three years after the submission of the aforementioned evaluation report and every three years thereafter.

2.2. Management and control system

2.2.1. Risk(s) identified

Risks identified relate to the need to guarantee independence from the .eu registry, and to possible conflict of interests of the expert members of the .eu Multistakeholder Council.

2.2.2. Information concerning the internal control system set up

The basic practical modalities of setting up the separate body are spelled out in the legal text of the regulation. The set-up of the .eu Multistakeholder Council will be executed by the Commission using established principles on expert groups. The legal requirements will include:

- a) Measures to guarantee that the newly formed governance body has the necessary autonomy and independence from the Registry;
- b) The guarantee that the newly formed governance body will work in line with Commission's objectives and policies;
- c) The key tasks (in principle, only advisory) entrusted to the newly formed governance body and its relations vis-à-vis the Commission and the Registry;
- d) The role and powers of the Commission vis-à-vis the Registry and the newly formed governance body (e.g. the oversight power of the Commission over the Registry).

2.2.3. Estimate of the costs and benefits of the controls and assessment of the expected level of risk of error

The functioning of the .eu Multistakeholder Council follows the rules on the creation and operation of Commission expert groups.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures.

Article 13 of the .eu ccTLD legal Proposal provides specific supervisory powers to the Commission vis-a-vis the Registry operator which would include measures to prevent fraud and irregularities

Additionally, the contract with the registry shall include detailed provisions to prevent fraud and irregularities.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

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

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number Heading	Diff./Non-diff. ⁴	from EFTA countries ⁵	from candidate countries ⁶	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
Definition and implementation of Union's policy in the field of electronic communications	09.0201	Diff.	NO	NO	NO	NO

⁴ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

⁵ EFTA: European Free Trade Association.

⁶ Candidate countries and, where applicable, potential candidates from the Western Balkans.

3.2. Estimated impact on expenditure

[This section should be filled in using the **spreadsheet on budget data of an administrative nature** (second document in annex to this financial statement) and uploaded to DECIDE for interservice consultation purposes.]

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework		1a	Competitiveness for growth and employment					Enter as many years as necessary to show the duration of the impact (see point 1.6)	TOTAL
DG CONNECT			Year 2019	Year 2020	Year 2021	Year 2022			
09 02 01	Commitments	(1a)		0.050					0.050
	Payments	(2a)		0.025	0.025				0.050
Appropriations of an administrative nature financed from the envelope of specific programmes ⁷									
Number of budget line									
		(3)							
TOTAL appropriations for DG CONNECT									
	Commitments	=1+1a+3		0.050					0.050
	Payments	=2+2a+3		0.025	0.025				0.050
• TOTAL operational appropriations			(4)	0.050					0.050

⁷ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

Heading of multiannual financial framework	5	‘Administrative expenditure’
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EUR million (to three decimal places)

	Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)	TOTAL
DG:						
• Other administrative expenditure (.eu Multistakeholder Council)						
TOTAL DG Connect						

TOTAL appropriations under HEADING 5 of the multiannual financial framework	(Total commitments = Total payments)					
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EUR million (to three decimal places)

	Year 2019	Year 2020	Year 2021	Year 2022	Enter as many years as necessary to show the duration of the impact (see point 1.6)	TOTAL
TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework		0.050				0.050
		0.025	0.025			0.050

3.2.2. Estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ↓	Type ⁸	Average cost	Year					Enter as many years as necessary to show the duration of the impact (see point 1.6)					TOTAL				
			2020	2021	2022	Year N+3	0	1	2	3	4	5		Total No	Total cost		
			0	0	0	0	0	0	0	0	0	0					
OUTPUTS																	
.eu Multistakeholder Council																	
- reimbursement of experts travel and subsistence		0,001	32	0.032													0.032
- Meetings organisation		0,004	2	0.008													0.008
- Other costs (external reports, studies)		0,005	2	0.010													0.010
Subtotal for specific objective No 3				0.050													0.050
TOTAL COST				0.05													0.05

⁸ Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

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 appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

	Year 2019	Year 2020	Year 2021	Year 2022	Enter as many years as necessary to show the duration of the impact (see point 1.6)				TOTAL
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HEADING 5 of the multiannual financial framework									
Human resources									
Other expenditure of an administrative nature									
Subtotal HEADING 5 of the multiannual financial framework									

Outside HEADING 5⁹ of the multiannual financial framework									
Human resources									
Other expenditure of an administrative nature									
Subtotal outside HEADING 5 of the multiannual financial framework									

TOTAL									
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The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

⁹ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources.
- The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

	Year 2019	Year 2020	Year 2021	Year 2022	Enter as many years as necessary to show the duration of the impact (see point 1.6)		
• Establishment plan posts (officials and temporary staff)							
XX 01 01 01 (Headquarters and Commission's Representation Offices)							
XX 01 01 02 (Delegations)							
XX 01 05 01 (Indirect research)							
10 01 05 01 (Direct research)							
• External staff (in Full Time Equivalent unit: FTE)¹⁰							
XX 01 02 01 (AC, END, INT from the 'global envelope')							
XX 01 02 02 (AC, AL, END, INT and JED in the delegations)							
XX 01 04 yy ¹¹	- at Headquarters						
	- in Delegations						
XX 01 05 02 (AC, END, INT - Indirect research)							
10 01 05 02 (AC, END, INT - Direct research)							
Other budget lines (specify)							
TOTAL							

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	
External staff	

¹⁰ AC= Contract Staff; AL = Local Staff; END= Seconded National Expert; INT = agency staff; JED= Junior Experts in Delegations.

¹¹ Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

3.2.4. *Compatibility with the current multiannual financial framework*

- The proposal/initiative is compatible the current multiannual financial framework.
- The proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

No additional resources will be required from the EU budget compared to what already foreseen by financial programming.

- The proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.5. *Third-party contributions*

- The proposal/initiative does not provide for co-financing by third parties.
- The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to three decimal places)

	Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
Specify the co-financing body								
TOTAL appropriations co-financed								

3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
 - on own resources
 - on miscellaneous revenue

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative ¹²					Enter as many years as necessary to show the duration of the impact (see point 1.6)		
		Year N	Year N+1	Year N+2	Year N+3				
Article									

For miscellaneous 'assigned' revenue, specify the budget expenditure line(s) affected.

Specify the method for calculating the impact on revenue.

¹² As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25 % for collection costs.