

REPORT TO THE BOARD OF SUPERVISORS

2019 Budget

17 December 2018

1 Executive Summary

In January 2018 the Board of Supervisors approved ESMA's Programming Document (PD) for 2019-2021 including the draft budget and staffing proposal for 2019.

By the end of November, the Council of the European Union and the European Parliament did not reach an agreement on the EU budget for 2019, including ESMA's EU subsidy and establishment plan. Hence a second compromise version of the EU draft budget for 2019 was presented by the Commission and finally adopted by Council and Parliament in 11 and 12 of December 2018, respectively.

The Board of Supervisors is now requested to approve ESMA's opening budget for 2019, which is detailed in the expenditure and revenue annexes of this report.

2 Background of ESMA's budget request for 2019

1. The evolution of ESMA's request for the 2019 core budget¹, from the Board of Supervisors' draft budget request in January 2018 until the finally adopted EU budget, can be summarised as follows:

¹ Excluding NCAs' contribution for IT delegated projects.

(1) BoS 2019 draft budget request	(2) Commission (EC) first draft budget	(3) Council position on EC draft budget	(4) Parliament's position on Council draft budget	(5) Commission second draft budget, finally adopted by the EU
• €76.3m, of which: • ESAs' Review: €17.7m • EMIR 2.2: €8m • Total posts: 244 TA • MFF: +7 • ESA's Review: +40 • EMIR 2.2: +28 • SFTR: +4 • STS: +5 • EuVECA/EuSEF: +4	• €74m • ESAs' Review: €17.7m • EMIR 2.2: €8m • Total posts: 233 TA • MFF: +7 • ESA's Review: +38 • EMIR 2.2: +28 • Cross-border funds: +2 • Crowdfunding: +2	• €65m • Global cut of €9m on ESAs Review & on EMIR 2.2 • Total posts: 233 TA • MFF: +7 • ESA's Review: +38 • EMIR 2.2: +28 • Cross-border funds: +2 • Crowdfunding: +2	• €74m, reinstating the EC figures but half of ESAs' Review budget to be in reserve, pending legislative outcome • Total posts: 242 TA • MFF: +7 • ESA's Review: +38 • EMIR 2.2: +28 • Cross-border funds: +2 • Crowdfunding: +2 • SFTR: +4 • STS: +5	• €44.5m + credits on hold until adoption of relevant legislations for: • ESAs' Review (€12.4m) • EMIR 2.2 (€7.8m) • Crowdfunding (€0.8m), Cross-border funds (€0.4m) • Total posts: 163 TA • MFF: +7 • On hold, ESA's Review (+38), EMIR 2.2 (+28), Cross-border funds (+2), Crowdfunding (+2)

3 Main features of ESMA's opening budget for 2019

2. ESMA's opening budget for 2019 totals €44,468,129, excluding delegated projects revenue, and 163 establishment plan posts².
3. ESMA's revenues for 2019 are based on the overall EU budgetary assumption of a Brexit scenario with a transition period. As such, ESMA revenue is defined by the following components:
 - a. The contribution from the National Competent Authorities (NCAs) and the fees from the Credit Rating Agencies (CRAs) and Trade Repositories (TRs) are set at the same level as approved by the Board of Supervisors in January 2018;
 - b. The level of the EU subsidy is in line with the EU Multiannual Financial Framework (MFF) and it has been agreed with the Commission;
 - c. As regards the fees on transparency of securities financing transactions (SFTR) and on securitisation repositories (STS), the relevant Commission Delegated Regulations will enter into force next year, therefore in 2019 the total income from this funding source is equal to the total registration fees estimated to be collected, regardless of ESMA's incurred costs for these supervisory activities. Consequently, given the level of registration fees, it is worth noting that in 2019 SFTR and STS' fees are likely to not totally cover ESMA's yearly costs necessary to duly carry out

² The Establishment Plan lists ESMA's Temporary Agents by grade and is approved as part of the budget by the EU institutions. ESMA can hire Contract Agents and Seconded National Experts without this being approved, although this is of course subject to the necessary budgetary resources being available.

these supervisory tasks. This was also the case for CRAs and TRs during ESMA's first year of supervisory activity.

4. The opening budget for 2019 does not include the budget and the staff for the ESAs' Review, EMIR 2.2. and CMU tasks (Crowdfunding and Cross-border funds in particular). The resources for these activities are kept on hold by the Commission until there is confirmation of the relevant legislations. As soon as the legislative ground is duly set, ESMA will follow up accordingly with an amendment of the 2019 budget and establishment plan (likely in April/May 2019). Meanwhile, ESMA will start clarifying with the Commission the way the EU subsidy advance for EMIR 2.2 and the ESAs' Review will be treated, in case these proposals are adopted in 2019.
5. The expenditure breakdown of the 2019 budget has been adjusted in line with the above-mentioned total revenue and with the most updated estimates of expenditure.
6. As regards ESMA's establishment plan for 2019, it does not include the 13 additional posts initially requested by the Board of Supervisors for STS, SFTR and EuVECA/EuSEF, as these posts have not been endorsed by the Commission in its second and final 2019 budget. Therefore, the implementation of these tasks will have to be re-assessed in light of partial redeployment of available staff and also de-prioritisation.
7. In relation to the 2019 budget for ESMA's IT delegated tasks, the total amount of NCAs' contribution³ is initially set at €235,000 for TRACE and €1,843,744 for FIRDS, in agreement with the Delegated Project Board.

4 2019 budget adoption

8. The Board of Supervisors is requested to approve ESMA's opening budget for 2019, which is detailed in the expenditure and revenue annexes of this report.

Related ESMA documents:

- 2019 Budget expenditure
- 2019 Budget revenue
- 2019 NCAs' contributions to ESMA's core budget

³ The NCAs' contribution for ESMA's delegated tasks should not be treated as general revenue and therefore is not subject to the budgetary principle of universality.