



Financial Instruments: the regulatory framework

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Principles underpinning the regulatory framework of EU financial instruments:

- **Flexibility** to ensure reactivity and compatibility with market conditions.
- **Accountability** to verify pertinence regularly.

How is flexibility achieved?

- Basic rules established in the Financial Regulation (arts. 139-140).
- Generic authorization to use financial instruments in the basic acts (Horizon 2020, COSME, CEF...).
- Detailed design left to the Commission.

How is accountability achieved?

- Objective performance indicators (e.g. leverage, market demand).
- Detailed reporting obligations (art. 140.8 FR).
- Continuity conditional to performance (art. 140.9 FR).

Implementation modes:

- Both direct and indirect management are possible (art. 139.4 FR).
- Indirect management: by entrusting tasks to eligible entities (e.g. EIB, NPBs... art. 58.1.c FR)

Strengths of the regulatory framework:

- **Balanced set of rules: market compatibility vs. public accountability.**
- **Transparency.**
- **Implementation rests on public financial institutions.**

Challenges:

- Raise financial expertise on the design side (Commission, managing authorities) and the control side (EP, Council).
- Increase ex-ante assessment capability.
- Widen delivery channels.