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# Validation of legal entities and financial capacity check

Horizon 2020 Coordinators' Day

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# Outline of the Presentation

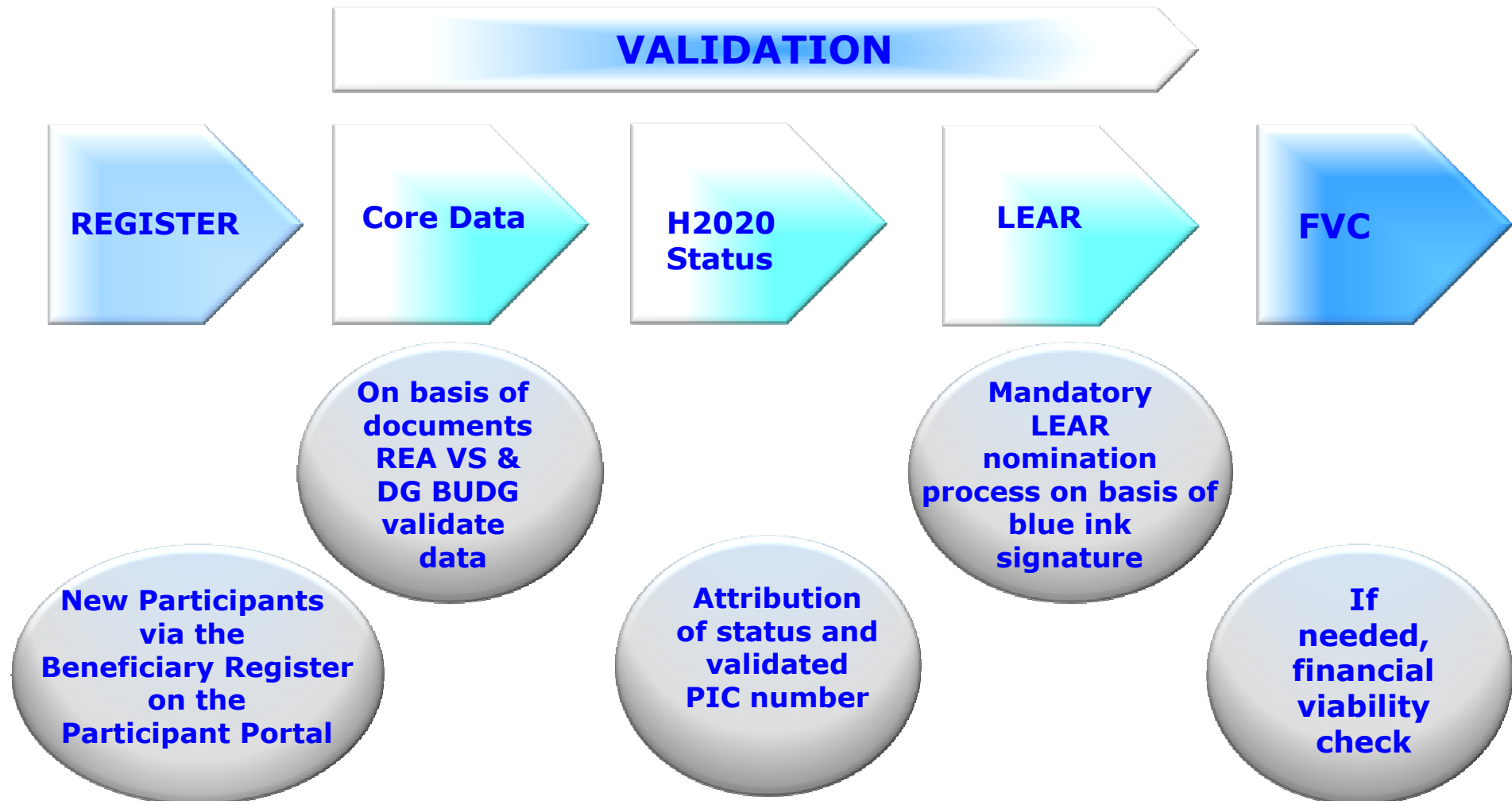
- 1. Validation workflow**
- 2. H2020 Rules – Changes compared to FP7**
- 3. The LEAR**
- 4. Financial Viability**
- 5. Bank accounts**
- 6. Guidance Documents**



# 1. Validation Workflow (1)



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# 1. Validation Workflow (2)



- The validation of a participant is unique and valid throughout the entire H2020 programmes. 40.000 FP7 validated entities are migrated into H2020
- 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) financial viability (when required)
- Updates of validated data are handled as a priority



# 1. Validation Workflow (3)



- Validation is generally performed on the basis of supporting documents
- The PIC number of third parties not included in the original proposal must be introduced in the Participant Portal Grant Management Service (PPGMS).  
NB: If the third party is a brand new participant, it has to go through the registration in order to obtain the PIC
- Only when the PPGMS session is closed, the REA VS are alerted that an additional validation is needed for that project => !Close session!



## 2. H2020 Validation Rules (1)



### Main changes compared to FP7 validation

- Large notion of legal entity:
  - Entities without legal personality may be assimilated to a legal entity and be eligible for grants
- Simplification for Research Organisation:
  - Via a self-declaration
- Simplification for SME:
  - Via a self-declaration (and for some cases a self-assessment via the SME wizard)
- Single model for indirect costs



## 2. H2020 Validation Rules (2)



### Large notion of legal entity

An entity without legal personality can be assimilated to a legal entity and obtain its own PIC, if:

**The conditions of the EC Financial Regulation\* are met:**

**Capacity of its representatives to undertake legal obligations on behalf of the entity**



**Financial and operational capacity of the entity equivalent to that of a legal person**

**\* (Article 131.2 of the Financial Regulation and Article 198 of its Rules of Application)**



## 2. H2020 Validation Rules (3)



### Research organisations:

2 conditions have to be met:

- Entity must be non-profit. This status is verified by the REA VS
- Entity performs research activities. This status is based on self-declaration

### NB Definition of non-profit organisations:

"A legal entity which, by its legal form, is non-profit making AND/OR which has a statutory obligation not to distribute profits to its shareholders or individual members "





## 2. H2020 Validation rules (4)



### SME status via the Web-based SME questionnaire

- Questionnaire was launched 27/02/14
- More than 9000 self-assessments have been done via the wizard:  
86% have got the SME "yes" (44% autonomous)
- Ex-post checks of the status will be carried out by the REA in 2015 on a random basis and/or upon request of the operational services



## 2. H2020 Validation rules (5)



NEW in  
H2020

If the participant wants to declare to be a 'SME', the self-assessment via SME wizard can be done:

What information to provide next You successfully entered data for **vrijdag**

Current Organisation: **vrijdag**

Enter information about:

Shareholders	Participations	Other Relationships
Please look at the list of possible shareholders below and select the appropriate option		
<ul style="list-style-type: none"><li>Public bodies</li><li>Private entities holding 25% or more of Shares/Voting Rights</li><li>Private persons ("natural persons") holding above 50% of Shares/Voting Rights</li></ul>		

Choose one of the 2 options to proceed

If any of the listed entities hold shares or voting rights in <b>vrijdag</b> , please click below.	If you want to declare that no entity of the listed types hold shares or voting rights in <b>vrijdag</b> , please click below
<input type="button" value="Add shareholder"/>	<input type="button" value="No shareholders to add"/>

Overview of ownership

Name	%	Type	Financial Data	Actions	S	P	O
<b>vrijdag</b>		MO	TO: 128,000.00 EUR BS: 30,000.00 EUR Employees: 25.00	<input type="checkbox"/>	-	-	-

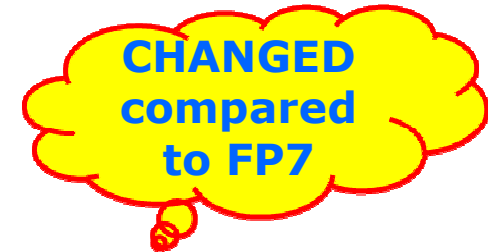
### 3. The LEAR



- Under H2020 the LEAR nomination is mandatory because the LEAR's mandate has been extended. 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 and
  - (iv) Nominates in the PP the persons who sign financial statements.
- The re-validation of FP7 LEAR's has started early this year. The REA has contacted all most recurrent FP7 clients and has already nominated more than 6500 LEARs with extended H2020 mandate.



## 4. Financial Viability Check (1)



- In general, the financial capacity is checked if:
  - The beneficiary is a **coordinator**, and
  - The requested EU **funding** for the action is  $\geq$  **500 000** EUR.
- Applicants for mono-beneficiary grants are not considered as "coordinators"
- Upon request by the Authorising Officer, a financial viability check can be performed on any participant



## 4. Financial Viability Check (2)



- The FVC assessment for successful applicants is carried out by the REA via the Beneficiary Register. Ratios (weak, acceptable, good) are displayed online
- At proposal level, coordinators are asked to self-declare on their financial capacity. For this self-declaration the same tool used for the formal assessment of the REA is available in the Participant Portal. Those results, though, do not commit the Commission and if needed later on, a FVC will be performed by the EC services against supporting documents
- Final decision on the participation of an applicant with a 'WEAK' FVC result (based on the ratios) is taken by the Authorising Officer for each individual grant



## 5. Bank accounts



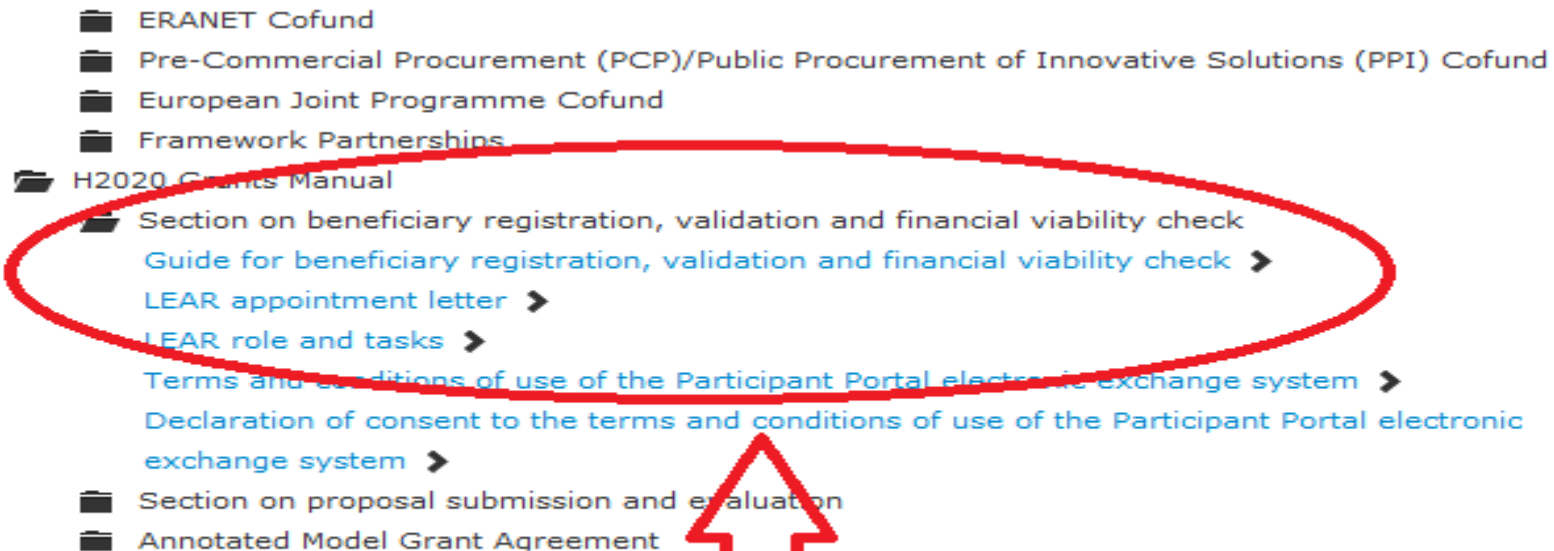
- Search for bank account is available in Participant Portal Grant Management Service (PPGMS) when session is open
- If account number cannot be found, PPGMS displays message to send BA forms to REA VS functional mailbox
- Coordinator should inform LEAR to start BA creation request
- REA VS encode BA and inform LEAR when validation by EC financial department is completed



## 6. Guidance documents



- 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.





**Thank you for your attention**

**Functional mailboxes:**

**[REA-URF-VALIDATION@EC.EUROPA.EU](mailto:REA-URF-VALIDATION@EC.EUROPA.EU)**

**[REA-FVC@EC.EUROPA.EU](mailto:REA-FVC@EC.EUROPA.EU)**

