



General Terms and Conditions for the European Union Primary Dealers

1. Scope and subject matter

1. The General Terms and Conditions ('GTC') for membership of the European Commission's Primary Dealer Network ('primary dealer network' or 'PDN'), as established by Commission Implementing Decision (EU, Euratom) 2023/1602¹ lay down the conditions under which the members of the European Union primary dealer network participate therein.
2. The GTC shall apply to any borrowing and debt management activity carried out by the Commission under the borrowing programmes in accordance with paragraph 2 of Article 1 of Commission Implementing Decision (EU, Euratom) 2023/1602.

2. Interpretation and definitions

1. The GTC shall be interpreted in accordance with Commission Decision (EU, Euratom) 2023/1602.
2. Terms used in the GTC which are defined in Article 2 of Commission Implementing Decision (EU, Euratom) 2023/1602 shall have the same meaning attributed to them as in Article 2 of Commission Implementing Decision (EU, Euratom) 2023/1602.
3. Members of the PDN are also referred to as 'primary dealers'.

3. Legal Force and Execution of the GTC

1. The GTC shall be legally binding on the members of the PDN and on the Commission.
2. By adhering to the GTC the primary dealer expressly acknowledges awareness of the content and requirements of Commission Implementing Decision (EU, Euratom) 2023/1602.

A. GENERAL PART

4. Membership: Eligibility Criteria for the primary dealer network

Primary dealers shall fulfil the conditions of membership of the PDN set out in Article 4 of Commission Implementing Decision (EU, Euratom) 2023/1602.

¹ Commission Implementing Decision (EU) 2023/1602 of 31 July 2023 on the primary dealer network and the definition of eligibility criteria for lead and co-lead mandates for syndicated transactions for the purposes of the borrowing activities by the Commission on behalf of the Union and of the European Atomic Energy Community, OJ L 196, 4.8.2023, p. 44.

5. Obligations

1. Primary dealers shall undertake the commitments set out in Article 5 and in the Annex I of Commission Implementing Decision (EU, Euratom) 2023/1602. The compliance with market practices and ethics pursuant to Article 5(e) shall include conduct in line with the principle of good faith.
2. In accordance with Article 5(f) of Commission Implementing Decision (EU, Euratom) 2023/1602, each primary dealer shall treat all information received from the Commission confidentially. Where disclosure is required by competent national and supranational authorities or courts in compliance with applicable law or regulation, primary dealers shall inform the Commission immediately and prior to the release of the information.
3. Notifications to be provided under points (iii) – (v) of Article 5(e) of Commission Implementing Decision (EU, Euratom) 2023/1602 shall be sent to the functional mailbox EU-PRIMARY-DEALER-NETWORK@ec.europa.eu. Such notifications shall include at least the following information:
 - a) Entity concerned by the sanction and their relation to the Primary Dealer
 - b) Entity imposing the sanction, size/effect of the sanction;
 - c) Description of the misconduct, including:
 - i. Date of misconduct, duration and recurrence;
 - ii. Whether the conduct was ruled to be intentional or negligent;
 - iii. Impact and consequences of the misconduct for stakeholders and third parties;
 - d) Information on the co-operation of the entity during the investigation;
 - e) Whether the fine is already paid by the entity;
 - f) Remedial measures taken;
 - g) Residual risk of recurrence after adoption of remedial measures;
 - h) Measures to compensate or redress the damage or harm caused since the misconduct.

6. Rights

Primary dealers shall have the rights set out in Article 7 of Commission Implementing Decision (EU, Euratom) 2023/1602.

7. Monitoring

1. In accordance with Article 16 of Commission Implementing Decision (EU, Euratom) 2023/1602, the Commission and other competent Union bodies may conduct verifications to check the compliance with relevant applicable provisions, including that same Decision and the GTC.
2. Primary dealers shall comply with obligations set out in points (a) to (c) of the second paragraph of Article 16 of Commission Implementing Decision (EU, Euratom) 2023/1602.
3. In accordance with Article 16 of Commission Implementing Decision (EU, Euratom) 2023/1602, by accepting the GTC, the primary dealer gives its consent to possible audits and verification and undertake to cooperate and facilitate the conduct of the verifications referred to under paragraph 1 of Article 16.

8. Application for membership to the PDN

1. The application for membership to the PDN is governed by Article 14 of Commission Implementing Decision (EU, Euratom) 2023/1602.
2. Admission and non-admission to the PDN are governed by Article 15 of Commission Implementing Decision (EU, Euratom) 2023/1602.

9. Publication and Review of the list of the members of the PDN

The list of the members of the PDN shall be published and reviewed in accordance with paragraphs 3 and 4 of Article 15 of Commission Implementing Decision (EU, Euratom) 2023/1602.

10. Annual Review

1. Primary dealers shall be invited to represent and declare to the Commission that they still fulfil all the eligibility criteria for the membership on an annual basis.
2. The information shall be reviewed annually by the Compliance Officer of the European Commission via the latest version of the Correspondent Banking Due Diligence Questionnaire (CBDDQ), periodically updated and published by the Wolfsberg Group, as submitted by the members of the PDN.
3. Compliance with criteria under Article 4 (c) of Commission Implementing Decision (EU, Euratom) 2023/1602 shall be reviewed subject to information on Primary Dealers published by the EFC Sub-Committee On EU Sovereign Debt Markets, European Securities and Markets Authority, and where relevant Member State public authorities.

B. SPECIFIC PROVISIONS ON PARTICIPATION IN SYNDICATED TRANSACTIONS

11. Lead and co-lead mandates for syndicated transactions

Eligibility for lead and co-lead mandates for syndicated transactions is subject to the fulfilment of the requirements set out in Articles 8 and 9 of Commission Implementing Decision (EU, Euratom) 2023/1602.

12. Fee schedule established by the Commission during the time of the duration of the NGEU issuance programme

1. The fee schedule established by the Commission in accordance with Article 10 of Commission Implementing Decision (EU, Euratom) 2023/1602 is included under Annex I to the GTC.
2. The Commission may amend the fee schedule in accordance with paragraphs 1 and 2 point 20 of the GTC. The Commission shall publish the amended fee schedule on the website https://ec.europa.eu/info/strategy/eu-budget/eu-borrower-investor-relations/primary-dealer-network_en not earlier than one month after their notification to the primary dealers in accordance with paragraph 1 of point 20.

13. Additional commitments

Selection of lead managers for syndicated transactions shall take into account, amongst others, the assessment of the performance of additional commitments listed in Article 12 of Commission Implementing Decision (EU, Euratom) 2023/1602. The assessment of the performance of the additional undertakings shall be carried out by the Commission in accordance with the evaluation methodology included under Annex II of the GTC.

14. Selection of Lead Managers for Syndicated Transactions and Evaluation

1. In accordance with Article 8 of Commission Implementing Decision (EU, Euratom) 2023/1602, the selection of the subgroup of lead managers receiving a request for proposal ('RfP') for a syndicated transaction shall be based on the following criteria:
 - a) evaluation of the performance of primary dealers ; and
 - b) a rotation mechanism ensuring that eligible primary dealers are regularly invited to respond to requests for proposals.
2. The evaluation of the performance shall be based on objective qualitative and quantitative criteria, relating to the proven capacity of eligible primary dealers in supporting sovereign and supranational issuance in primary and secondary markets, their ability to distribute debt securities to investors as well as the assessment of the performance of the primary dealers' obligations under points 5 and 13 of the GTC.
3. The criteria and associated weights relating to the evaluation of the performance in view of the selection of primary dealers to the RfPs are detailed in Annex II to the GTC.

4. The syndicate shall be established based on the assessment of proposals received from eligible members referred to under paragraph 1 and in view of ensuring a syndicate composition which is the best possible combination of managers for the optimal performance of a given transaction. The assessment of proposals shall be carried out by the Commission services on the basis of objective qualitative and quantitative criteria, codified in internal (and non-public) guidance.
5. The evaluation methodology may be amended by the Commission in accordance with paragraphs 1 and 2 of point 20. The Commission shall not publish the amended evaluation methodology on the website https://ec.europa.eu/info/strategy/eu-budget/eu-borrower-investor-relations/primary-dealer-network_en earlier than one month after their notification to the primary dealers in accordance with paragraph 1 of point 20.
6. In order to carry out the evaluation necessary for the selection of the syndicate, the Commission may request the eligible primary dealers to submit relevant document and data no later than 5 business days before the trade date foreseen for the transaction.
7. Reporting of inaccurate, incomplete or untrue data under Article 5(b) of Commission Implementing Decision (EU, Euratom) 2023/1602 shall imply ineligibility for lead mandates under point 11.

15. Selection of Co-lead Managers for Syndicated Transactions and Evaluation

1. In accordance with Article 9 of Commission Implementing Decision (EU, Euratom) 2023/1602, the selection of the subgroup of co-lead managers receiving an invitation for a syndicated transaction shall be based on the following criteria:
 - a. The compliance with the minimum requirements defined in accordance with Article 11 of Commission Implementing Decision (EU, Euratom) 2023/1602 and section 1(e) of Annex II of these GTC; and
 - b. not having been awarded with the mandate for lead manager during the observation period.
2. The Commission may invite either all primary dealers eligible in accordance with Article 11 Commission Implementing Decision (EU, Euratom) 2023/1602 or a subgroup of them based on alphabetical order and a rotation mechanism.
3. The invitation for a co-lead mandate shall be determined based on market practices and in view of ensuring a syndicate composition which is the best possible combination of managers for the optimal performance of a given transaction.
4. The amount of issuance dedicated to co-lead managers shall range between 5% and 10% of the overall issuance volume of the specific transaction.

C. FINAL PROVISIONS

16. Suspension and Exclusion from the primary dealer network

Suspension or exclusion of the membership of the primary dealer in the PDN shall be in accordance with Article 17 of Commission Implementing Decision (EU, Euratom) 2023/1602.

17. Withdrawal from the primary dealer network

1. A primary dealer wishing to resign from the primary dealer network in accordance with point (e) of Article 7 of Commission Implementing Decision (EU, Euratom) 2023/1602 may do so by communicating their intention to withdraw to the Commission via the functional mailbox EU-PRIMARY-DEALER-NETWORK@ec.europa.eu
2. The withdrawal shall take effect the first business day of the first month following the date of the notification. The primary dealer undertakes to continue fulfilling all of its obligations under the GTC and Commission Implementing Decision (EU, Euratom) 2023/1602 until this date.
3. The withdrawal of a primary dealer shall have no effect on the rights and obligations of the primary dealer in question in respect of contracts concluded prior to the effective date of the resignation

and no effect on its obligation to treat all information received from the Commission confidentially in accordance with Article 5(f) of Commission Implementing Decision (EU, Euratom) 2023/1602.

18. Calculation of time limits

Any time limit set under the GTC shall be calculated in accordance with Article 6(3) of Commission Implementing Decision (EU, Euratom) 2023/1602.

19. Address for notice and primary dealer coordinator

Any communication, notice or information under the GTC shall be made at the address for notice elected by primary dealers in their application form and shall be addressed to the person therein designated as 'coordinator'.

20. Revision and amendments

1. The Commission may unilaterally amend or review the GTC and shall notify the revised or amended GTC to each primary dealer at least one month before these revised or amended GTC take effect.
2. The primary dealer is considered to have accepted the revised or amended GTC if no communication to the contrary is received by the Commission within 15 days from the notification.
3. Where any primary dealer communicates to the Commission any objection or a remark or its intention not to accept the renewed or amended parts A and/or C of the GTC shall be treated by the Commission as reason for exclusion of the primary dealer under point (a) of Article 17(4) of Commission Implementing Decision (EU, Euratom) 2023/1602.
4. Where any primary dealer communicates to the Commission any objection or a remark or its intention not to accept the renewed or amended part B of the GTC, the primary dealer concerned shall not be eligible for lead and co-lead mandates for syndicated transactions.

21. Partial invalidity and severability

If a provision laid down in these GTC is or becomes invalid, this shall be without prejudice to the validity of all other provisions.

22. Publication

The GTC and their Annexes are published on the Europa website https://ec.europa.eu/info/strategy/eu-budget/eu-borrower-investor-relations/primary-dealer-network_en, together with the application form and the list of primary dealers set up in accordance with Article 14 of Commission Implementing Decision (EU, Euratom) 2023/1602.

23. Information on the European Union, the Euratom and the Commission

Annex VII to the GTC includes information on the European Union, the Euratom and the Commission with regard, in particular, to their public nature, the sound financial management of the Union's budget and the resulting low profile risk of the European Union and of Euratom.

24. Miscellaneous provisions

Transactions related to the payment of notes / issuance proceeds by the Primary Dealers are governed by the governing law of the borrowing documentation applicable to the specific borrowing operation.

25. Annexes

1. Annexes to the GTC shall form integral part thereof.
2. List of Annexes to the GTC:

- (a) Annex I - Fee Schedule
- (b) Annex II - Evaluation methodology
- (c) Annex III – Lead and co-lead managers selection
- (d) Annex IV – Feedback to primary dealers
- (e) Annex V – List of eligible securities in 2022
- (f) Annex VI – Recognition of interdealer platforms
- (g) Annex VII – Information on the European Union, the Euratom and the Issuer

[Name of the primary dealer]

Date

Signature

ANNEX I FEE SCHEDULE

In accordance with Article 9 of Commission Implementing Decision (EU, Euratom) 2023/1602, the remuneration hereunder established is commensurate with the costs and risks born by the eligible primary dealers in carrying out Union and Euratom borrowing and debt management operations and ensures cost-efficiency for the Union. In addition, it takes into account specificities of Union's debt issuance, in particular volumes and maturities.

Maturity in years	EU syndication fee
1 to 4	0.050%
above 4 to 6	0.070%
Above 6 to 9	0.090%
Above 9 to 14	0.100%
Above 14 to 19	0.120%
Above 19 to 28	0.150%
Above 28	0.170%

ANNEX II EVALUATION METHODOLOGY

1. 75 % of the evaluation scoring shall be established on the basis of quantitative criteria:

- a) For the primary markets transaction (auctions), the calculations of the volume purchased by primary dealers over the period of 6-month shall be weighted according to the following table:

Residual maturity	<3.5m	3.5m - 1Y	1Y - 4Y	4Y - 8Y	8Y - 12Y	12Y - 17Y	17Y - 23Y	>23Y
Coeff.	0,5	1	2,5	5,5	10	15	20	25

This calculation shall be applied for 6-month period referred to in letter a) of this paragraph as follows:

- i. for requests for proposal addressed between January and June, the preceding period from April to September shall be taken into account;
- ii. for requests for proposal addressed between July and December, the preceding period from October to March shall be taken into account.
- iii. In addition to the weighting for the calculation of the relative shares in the auction volumes, a cap of 5% applies on the share of each individual Primary Dealer achieved in any single auction. For auction dates with several maturities, the 5% cap applies to each maturity line separately.

- b) For the secondary markets:

- i. The volumes reported shall be based on the HRF report².
- ii. Weights of the volumes in order to discount for the maturity of the bonds:

Residual maturity	<3.5m	3.5m - 1Y	1Y - 4Y	4Y - 8Y	8Y - 12Y	12Y - 17Y	17Y - 23Y	>23Y
Coeff.	0,5	1	2,5	5,5	10	15	20	25

- iii. The coefficients referred to in subparagraph ii. shall be multiplied as follows to reflect the importance of sales to end customer counterparties:

	End customer counterparty	Interdealer counterparty
Coeff.	Maturity coeff. X 2	Maturity coeff. X 1

- iv. This calculations shall be applied for 6-month period referred to in letter b) of this paragraph as follows:
 - (a) for requests for proposal addressed between January and June, the preceding period from April to September shall be taken into account;
 - (b) for requests for proposal addressed between July and December, the preceding period from October to March shall be taken into account.

- c) The performance according to public league tables on EUR SSA and EGB established in accordance with best market practices³.

² See the last version of the specification published on the website of the EFC-ESDM that can also be provided on request.

³ Such as Dealogic or Bloomberg.

- d) An additional criteria reflecting the general presence of the primary dealers in primary and secondary markets of sovereign debt issuers, such as the number of primary dealership participations in the EU.
- e) The minimum requirements of the quoting arrangements referred to the Article 11 of the Decision (EU, Euratom) 2023/1602 shall be complied with for the purposes of eligibility for lead mandate under Article 8(c) of Decision (EU, Euratom) 2023/1602 or co-lead mandates under Article 9(b) of Decision (EU, Euratom) 2023/1602 if the primary dealers complies with the quoting requirements in respect of eligible EU debt securities on the recognized interdealer platform during the observation period relevant for the respective syndicated transaction as follows:
 - i. The primary dealers shall choose the interdealer platform recognized by the Commission and make the commitments in accordance with Annex V.
 - ii. The Union debt securities eligible for the quotes shall fulfil the following criteria:
 - (a) bonds issued, at least partially on the basis of the empowerment referred to in Article 5(3) of Decision (EU, Euratom) 2020/2053 or in application of Article 220a of Regulation (EU, Euratom) 2018/1046. For the sake of clarity, the list of eligible securities until the end of 2022 shall be set in annex V;
 - (b) minimum remaining time to maturity of 1 year; and
 - (c) minimum nominal outstanding amount of EUR 3 bn.

iii. The quotes meeting the following requirements (“quoting requirements”) shall be considered for the purposes of compliance with the quoting arrangements:

Bucket	Max. spreads (in cents)	Min. quantities (in M)
]1y-4y]	6	10
]4y-8y]	12	10
]8y-12y]	18	10
]12y-17y]	24	5
]17y-23y]	30	5
Above 23y	40	5

- iv. The observation period shall be:
 - (a) for requests for proposal in respect of lead managers and invitations in respect to co-lead managers addressed between January and June, the preceding period from April to September shall be taken into account;
 - (b) for requests for proposal in respect of lead managers and invitations in respect to co-lead managers addressed between July and December, the preceding period from October to March shall be taken into account.

2. 25% of the evaluation score will be based on qualitative criteria related to the performance of the commitments referred to in Article 10 of the Decision (EU, Euratom) 2023/1602 and the quality of the execution of the financial operations related to the debt management of EU and Euratom, including settlement issues in respect of debt issuances or other financial transactions.

ANNEX III

LEAD MANAGERS SELECTION

1. When selecting the primary dealers, whose eligibility has been established in accordance with Article 8 of Commission Implementing Decision (EU, Euratom) 2023/1602, to whom it addresses the RfP, the Commission shall be guided by the following criteria:
 - a) the ranking established on the basis on qualitative and quantitative criteria set out in points 1 and 2 of the Annex II,
 - b) a minimum of 2,00% of auctioned volumes by the Union and the Euratom, on weighted average based on the last eighteen auctions on a rolling basis when preparing the list of RfP recipients (such a weighted average is calculated applying the 5% as described in Annex II paragraph 1 (a) (iii) of the GTC),
 - c) a minimum of 2,00% market share, on the basis of a weighted average, in Union and Euratom debt securities on the secondary markets over the last six months on a rolling basis available when preparing the list of RfP recipients and,
 - d) a rotation mechanism ensuring that the eligible primary dealers are regularly invited to respond to requests for proposals.

2. When selecting the primary dealers, whose eligibility has been established in accordance with Article 9 of Commission Implementing Decision (EU, Euratom) 2023/1602 the Commission shall be guided by the following criterion:
 - a) The minimum requirements on the market-making activity as defined in point 4 (e) of Annex II of the GTC .

ANNEX IV

FEEDBACK TO PRIMARY DEALERS

1. When preparing the feedback on primary dealers' performance in accordance with Article 7c of Commission Implementing Decision (EU, Euratom) 2023/1602, the Commission shall be guided by the following criteria:

a) the ranking established on the basis on qualitative and quantitative criteria set out in points 1 and 2 of the Annex II.

ANNEX V

LIST OF ELIGIBLE SECURITIES AS OF 2022

The list of securities which constitute the pool of eligible securities until the end of 2022 shall be as follows:

EU000A3K4DJ5
EU000A3KTGV8
EU000A3K4DS6
EU000A3KWCF4
EU000A3K7MW2
EU000A3KSXE1
EU000A3K4DD8
EU000A3K4DW8
EU000A3K4C42
EU000A3KT6B1
EU000A3K4DV0
EU000A3K4DG1
EU000A3K4DM9
EU000A3KTGW6
EU000A3K4DT4
EU000A3K4DY4

The above is regularly updated on the webpage of the Commission dedicated to the EU Primary Dealer Network.

ANNEX VI

RECOGNITION OF INTERDEALER PLATFORMS

This Annex V shall apply for the purpose of complying with the requirements set in section (e) of Annex II of these GTC.

The EU primary dealers shall select one interdealer platform among those recognized in accordance with point 1 of this annex.

1. RECOGNITION PROCESS

The following steps shall apply for the recognition of a trading platform:

- The EU primary dealer shall send an email using the functional mailbox (EU-PRIMARY-DEALER-NETWORK@ec.europa.eu) dedicated to the management of the EU PDN indicating the identity of the trading platform intended to be used to perform the quoting activity. This email shall contain all relevant information about the trading platform, including the legal identifier and the contact persons of the trading platform.
- The Commission shall recognise the platform if it is a European business to business electronic trading venue as referred to in Article 4(1)(24) of Directive (EU) 2014/65/EU.
- A list of recognised platforms shall be published on the Commission website and updated at least on a yearly basis.

2. SELECTION OF THE TRADING PLATFORM

Primary dealers shall notify the Commission about the platform chosen among the recognised platform published on the Commission website to perform the quoting on the EU securities by sending an email using the functional mailbox.

Additionally, they shall make all necessary arrangements with the trading platform to submit data to the European Commission.

3. OBLIGATIONS OF PRIMARY DEALERS

Primary dealers shall be responsible for reporting on their trading activity, in accordance with section (e) of Annex II of these GTC. They shall submit the report about the number of hours of trading in accordance with the requirements (minimum quantities and maximum spreads) on the eligible securities, at least, by the end of April for the period covering October of the previous year to March of the current year and by the end of October for the period covering April of the year to September of the year.

They may provide that the obligation to report is carried out by the chosen platform. Primary dealers shall inform of such delegation by sending an email using the functional mailbox. Primary dealers shall remain solely responsible for the fulfilment of the reporting requirements. The delegation shall be considered valid as of the acceptance by the Commission services.

The primary dealer shall ensure and confirm to the Commission that it is authorised to receive, store and use the submitted data for the purpose of establishment of the ranking and assessment of the minimum requirements for co-lead managers.

The primary dealers shall be responsible for ensuring that personal data processing shall be done in compliance with Regulation (EU) 2016/679⁴.

⁴ Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), OJ L 119, 4.5.2016, <http://data.europa.eu/eli/reg/2016/679/2016-05-04>

ANNEX VII

INFORMATION ON THE EUROPEAN UNION, THE EURATOM AND THE COMMISSION

The European Union and the Euratom

The European Union (also referred to as 'Union') is a supranational entity composed of 27 Member States. The European Union has legal personality and possesses, in each of the Member States, the most extensive legal capacity accorded to legal persons constituted in that state.

The Euratom is a supranational entity whose Member States are the same as those of the Union. It retains a separate legal personality from the European Union with its own borrowing powers, while sharing the same institutions.

The European Commission is one of the institutions of European Union. It is composed of a Commissioner per Member State but it operates as a unique collective body governed by the principle of collegiality, providing for equal participation of its members in the decision-making function.

The Commission is responsible, among others, for the implementation of the Union's budget. In such framework, it is empowered by the TFEU and secondary legislation to act as borrower on the financial markets on behalf of the European Union and the Euratom for funding relevant financing programmes.

Immunity and Tax exemption

In accordance Protocol No 7 to the Treaty on the Functioning of the European Union ('TFEU') on the Privileges and Immunities of the European Union, the European Union and the Euratom are endowed, in each of the Member States, with the privileges and exemptions essential for the performance of their tasks. Accordingly, the property and assets of the Union shall not be the subject of any administrative or legal measure of constraint without the authorisation of the Court of Justice. In addition, their assets and income are exempt from any direct and – subject to Article 3 of Protocol 7 – indirect taxation.

Budget implementation and sound financial management

The implementation of the general budget of the European Union and of the Euratom is governed by the Treaty on the Functioning of the European Union⁵ and, in particular, Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012.⁶

⁵ Treaty on the Functioning of the European Union (OJ C 326, 26.10.2012, p. 47) ('TFEU')

⁶ OJ L 193, 30.7.2018, p. 1.

The Commission shall implement the Union budget in accordance with the principle of sound financial management.⁷ This entails compliance with an effective and efficient internal control, applying to all levels of management.⁸ The internal control builds on the best international practices and includes, in particular, segregation of tasks, avoidance of conflict of interests⁹, adequate audit trails, prevention, detection, correction and follow-up of fraud and irregularities, an adequate management of the risks relating to the legality and regularity of transactions as well as a compliance function¹⁰. The efficiency and efficacy of the internal management, control and audit systems are subject to internal audit¹¹. Internal audit function is performed in compliance with the relevant international standards¹² and enjoys complete independence¹³.

Budgetary implementation by the Commission is also subject to auditing by the European Court of Auditors. The control aims at verifying that all revenue has been received and all expenditure incurred in a lawful and regular manner and whether the financial management has been sound¹⁴. Through the establishment of the Early Detection and Exclusion System¹⁵ the Commission has further reinforced the protection of the Union's financial interests and the safeguards for a sound financial management. The Early Detection and Exclusion System aims at identifying persons or entities in the framework of budget implementation representing risks threatening the Union's financial interests, at establishing criteria for excluding such persons and entities from receiving Union's funds and at creating a system of financial penalties in case such persons or entities are beneficiaries or recipients of Union's funds.

In the framework of Next Generation EU, the Commission has set up a risk management and compliance framework with the aim of ensuring that the instrument's implementation is consistent with the highest standards of integrity, regularity and legality and sound financial and risk management. This includes the definition of policies for minimising liquidity and counterparty risks and for ensuring compliance with applicable laws and policies relating to anti-money laundering, prevention of terrorism financing, tax avoidance, tax fraud and tax evasion. In such regard, the implementation of the execution of borrowing transactions under Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom¹⁶ will not involve any counterparty incorporated or established in a country included in the EU list of non-cooperative jurisdictions for tax purposes¹⁷ or identified as high risk third countries pursuant to Article 9(2) of Directive EU No 2015/849¹⁸ and listed in Delegated Regulation 1675/2016¹⁹, as amended, novated, supplemented, extended,

⁷ Art. 310 TFEU.

⁸ Art. 36 Regulation (EU, Euratom) 2018/1046.

⁹ *Ibid.*, art. 61.

¹⁰ *Ibid.*, art. 24.

¹¹ *Ibid.*, art. 117.

¹² *Ibid.*

¹³ *Ibid.*, art. 120.

¹⁴ Art. 287 TFEU, art. 255 and ss. Regulation (EU, Euratom) 2018/1046.

¹⁵ Artt. 135 to 140 Regulation (EU, Euratom) 2018/1046.

¹⁶ OJ L 424, 15.12.2020, p. 1.

¹⁷ the EU list of "non-cooperative jurisdictions for tax purposes 2019/C 210/05 is published in the Official Journal of the European Union and on the website <https://www.consilium.europa.eu/en/policies/eu-listof-non-cooperative-jurisdictions/>

¹⁸ Directive (EU) No 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ L141, 5.6.2015, p.73)

replaced or restated from time to time²⁰ or that do not effectively comply with Union or internationally agreed tax standards on transparency and exchange of information and breaches of sanction regimes.

Data protection

When acting in implementing the Union and the Euratom budget²¹, the Commission shall comply with Regulations (EU) No 2016/679²² and (EU) 2018/1725²³.

MIFID exemption

As public body charged with the management of public debt, the Commission is exempted from Directive 2014/65/EU²⁴ based on Articles 2(1)(h) and 2 (2) of this same Directive.

¹⁹ Commission Delegated Regulation (EU) 2016/1675 of 14 July 2016 supplementing Directive (EU) 2015/849 of the European Parliament and of the Council by identifying high-risk third countries with strategic deficiencies (OJ L 254, 20.9.2016, p. 1).

²⁰ <https://eurlex.europa.eu/homepage.html> or any successor website

²¹ Art. 5 Regulation (EU, Euratom) 1046/2018.

²² Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (OJ L 119, 4.5.2016, p. 1).

²³ Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC (OJ L 295, 21.11.2018, p. 39).

²⁴ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).