



Annual Activity Report 2023

DG FISMA

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DG FISMA IN BRIEF

The mission of the European Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) is *"to preserve financial stability, protect savers and investors, fight financial crime, as well as to ensure the flow and access to capital for businesses and consumers in the European Union"*.

DG FISMA is based in Brussels and is composed of five directorates with 22 units and two task forces. The Resolution Task Force is the lead service for the resolution function of the Commission in the context of the Banking Union and the Anti-Money Laundering Authority Task Force leads the strengthening of the EU's institutional set-up for anti-money laundering.

The DG is managed by the Director-General John Berrigan under the political responsibility of Commissioner McGuinness. The DG supports the Commissioner to carry out the mission entrusted to her by the President of the European Commission. The DG is also part of the Commissioners' group on "An economy that works for people" steered by Executive Vice-President Dombrovskis.

By fulfilling its mission, DG FISMA focuses on the achievement of one of the Commission's political priorities, namely **"An economy that works for people"**. Its work for a stable and competitive EU financial system and the completion of the Capital Markets Union (CMU) and the Banking Union is crucial to support the EU economy and to contribute to promoting sustainable growth and jobs for EU citizens. DG FISMA also contributes to reducing burdens associated with reporting requirements. The core task of stability of the financial markets is reflected in its work on reviewing the financial services legislation, such as last year's packages on banking, insurance and asset management.

DG FISMA works on developing sustainable finance enabling private capital to support the transition to a climate-neutral economy, an essential precondition for the Commission's political priority **'The European Green Deal'**. The sustainable finance package adopted in 2023 aims to ensure that the EU sustainable finance framework continues to support companies and the financial sector, encouraging private funding and to make the framework easier to use. 2023 also saw the adoption of the European Sustainability Reporting Standards (ESRS) ensuring the availability of comprehensive and comparable sustainability information by corporates on the EU market. In addition, the Green Bond Standard was finalised.

DG FISMA also develops and implements the digital finance strategy facilitating the digital transformation of the financial sector, contributing to the Commission's political priority **'A Europe fit for a digital age'**. In 2023, it presented its financial data access and payments package and a proposal for a digital euro; political agreement was achieved on instant payments and both the Crypto Assets Regulation and the Digital Operational Resilience Act (DORA) entered into force.

Finally, by strengthening the euro, preparing and implementing sanctions and working on

enlargement policies, DG FISMA contributes to the Commission’s political priority **‘A stronger Europe in the world’**.

Following Russia’s war of aggression against Ukraine, the European economy and financial markets continue to face multiple challenges, due to a complex and uncertain geopolitical, economic, and social environment. DG FISMA, together with the other Commission services, drafted three new sanctions packages in 2023 against Russia, targeting its financial, energy and transport sectors and state-owned enterprises as well as one new sanctions package against Belarus. DG FISMA makes continuous efforts to ensure implementation of these measures across the EU.

DG FISMA uses a broad range of legislative and non-legislative tools. In addition to “level 1” legislation, DG FISMA is actively involved in the development of delegated and implementing acts (“level 2”), often in close cooperation with the European Supervisory Authorities (ESAs). Together with the ESAs it works to facilitate convergence of supervisory practices in Member States and ensure correct application of EU Law. Its objectives are supported by enforcement policies and actions. The work of DG FISMA is dependent on close coordination with partners and stakeholders, both within the EU and internationally.

EXECUTIVE SUMMARY

This Annual Activity Report is a management report of the Director-General of DG FISMA to the College of Commissioners. Annual activity reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for its decisions as well as for the coordination, executive and management functions it exercises, as laid down in the Treaties ⁽¹⁾.

A. Key results and progress towards achieving the Commission’s general objectives and department’s specific objectives

The DG FISMA Management Plan for 2023 set the priorities for DG FISMA for 2023, delivering on the Political Guidelines of President von der Leyen for 2019-2024 and on the specific objectives of the DG FISMA Strategic Plan 2020-2024.

DG FISMA delivered on all major initiatives listed under the six specific objectives in its Strategic Plan for 2020-2024 under the political headline **‘An Economy that works for people’** ⁽²⁾. DG FISMA also worked on several additional workstreams due to Russia’s war of aggression against Ukraine, such as the work on sanctions. DG FISMA’s six specific

⁽¹⁾ Article 17(1) of the Treaty on European Union

⁽²⁾ The other political priorities, to which DG FISMA contributes, are ‘A European Green Deal’, ‘A Europe fit for a Digital Age’ and ‘A stronger Europe in the World’.

objectives are listed below and more details on the work carried out by DG FISMA can be found in chapter 1 of this Annual Activity Report:

SPECIFIC OBJECTIVES	
1.	EU markets are more integrated and liquid, opening new opportunities for cross-border investments and funding for citizens and businesses.
2.	Financial stability is preserved and improved by efficient supervision and crisis management mechanisms, by means to absorb shocks and diversify risks, and a comprehensive approach is in place to fight money laundering and the financing of terrorist activities.
3.	The confidence and protection of consumers and investors on European financial markets, as well as market integrity, are enhanced.
4.	More private capital is made available for sustainable investments.
5.	Opportunities from digital technology are widely employed to implement a safe, competitive and inclusive digitalisation of financial services.
6.	The EU financial system’s sovereignty and competitiveness in a challenging international environment are strengthened.

2023 saw the continued effects of Russia’s war of aggression against Ukraine, which led to continued inflationary pressure on the economy as a whole and to shifts in the geopolitical landscape.

DG FISMA continued its work to mitigate the effects of these global challenges as well as to increase the competitiveness of the EU’s markets in financial services and to make them more robust on the global scene. DG FISMA also contributes in all its legislative initiatives to the key objective of the Commission to reduce burdens for European stakeholders. Specific examples are the postponement of sectoral sustainability reporting (ESRS), the adjustment of the SME size criteria in the Accounting Directive for inflation, the proposal on supervisory data sharing and the proposal aimed at reducing the scope of the rules to be complied with by administrators of financial benchmarks, limiting them to the biggest players only.

Capital Markets Union and Competitiveness

The Capital Markets Union (CMU) is more needed than ever to increase Europe’s competitiveness vis-à-vis its global competitors, enhance its open strategic autonomy and increase the mobilisation of private capital.

DG FISMA delivered in 2023 on the last outstanding measures that were announced in the 2020 CMU Action Plan. First, it tabled a proposal for the **retail investment strategy** consisting of a set of legislative measures that seek to empower retail investors on the EU capital markets, while ensuring that they are treated fairly and are duly protected. Second, it introduced a **joint EU/OECD financial competence framework for children and youth** to help improve young people's financial literacy so that they are prepared to take well-informed personal finance decisions. Third, DG FISMA, together with DG TAXUD tabled a **proposal for a Directive on withholding taxes to lower tax-related costs for cross-border investors and prevent tax fraud.**

DG FISMA also facilitated **the negotiations** of the European Parliament and the Council (co-legislators) of several legislative proposals, leading to the conclusion of those on the European Single Access Point, thereby laying down the foundations of the action number one of the CMU Action Plan, on the European long-term investment funds, the review of the Directives on alternative investment fund managers and undertakings for collective investments in transferable securities and the review of the rules that govern the activity of central securities depositories. DG FISMA also supported co-legislators to conclude negotiations on the review of the regulation on markets in financial instruments, aimed at facilitating the creation of a consolidated tape provider, and on the so-called Listing Act, which alleviated the legislation applicable to companies wishing to list on EU trading venues (or to remain listed thereon).

The insurance package consisting of the review of the Solvency II Directive and the proposal for a new framework governing the recovery and resolution of insurance were agreed in 2023 and the final texts will be endorsed and published in 2024. This package will ensure that the insurance and reinsurance sectors remain robust, whilst having adequate incentives to contribute to the green transition and the economic recovery. This important legislative achievement will be followed by extensive implementation measures that are needed to deliver the benefits of the Solvency II review. In parallel, work is progressing at international level with a view to finalising the International Association of Insurance Supervisors' insurance capital standard.

Financial stability

DG FISMA continued to monitor financial markets and financial sector developments horizontally and at national level to detect and assess emerging financial stability risks. This work fed into the key Commission-wide workstreams, notably the European Semester process and post-programme surveillance, both with substantial DG FISMA input as regards the financial sector developments. DG FISMA's work also facilitated a sound assessment of the design, revisions and implementation of Recovery and Resilience Plans in the financial sector domain.

For 2023, it is important to note something that did not happen: financial stability in the EU was not affected by the failure of banks in the United States and Switzerland. This confirms the quality and the application to all EU banks of the regulatory and resolution framework put in place over the past years and its implementation by the Single Supervisory Mechanism and the Single Resolution Mechanism for the Banking Union. In this context, the Commission proposed a review of the **Bank Crisis Management and Deposit Insurance framework** as an additional step to complete the Banking Union and actively contributed to drawing the right lessons in international fora.

The Banking Package, which among others implements the final elements of the Basel III reforms, is planned for adoption by co-legislators in Q2 2024 and will ensure that EU banks remain robust and provide a stable and sustainable source of finance for the economy. This major achievement will need to be complemented by an extensive set of implementation measures, to be developed with the support of the European Banking Authority.

On 13 December 2023, a provisional agreement was reached between the European Parliament and the Council on the Commission's proposal to establish an **EU anti-money laundering and countering terrorism financing (AML/CFT) Authority** in the form of a decentralised EU regulatory agency (AMLA). An agreement on the seat of the new authority was reached on 22 February 2024. AMLA will be based in Frankfurt.

Digital Finance

'Making Europe fit for the Digital Age' is one of the Commission's core objectives. In its lead role on Digital Finance, DG FISMA presented its **financial data access and payments package**, consisting of a proposal for a regulation for a framework on financial data access (FIDA) and a proposal that amends and modernises the current Payment Services Directive (PSD2) which will become PSD3 and establishes, in addition, a Payment Services Regulation (PSR). This package will further improve consumer protection and competition in electronic payments and will empower consumers to share their data in a secure way so that they can get a wider range of better and cheaper financial products and services. DG FISMA, in cooperation with DG ECFIN and DG CNECT, also presented a **digital euro package**.

This consisted of a legislative proposal establishing the legal framework for a possible digital euro as a complement to euro banknotes and coins. It will ensure that people and businesses have an additional choice – on top of current private options – that allows them to pay digitally with a widely accepted, cheap, secure and resilient form of public money in the euro area. It also included a legislative proposal on the legal tender of euro cash to safeguard the role of cash, ensure it is widely accepted as a means of payment and remains easily accessible for people and businesses across the euro area. Both the **Markets in Crypto Assets Regulation** (MiCA) and the **Digital Operational Resilience Act** (DORA) entered into force in 2023.

Sustainable Finance

Sustainable Finance is an important part of supporting the Commission's Green Deal. In the area of Sustainable Finance, **the 2023 package** was presented, the European Sustainability Reporting Standards (ESRS) Delegated Act were adopted as well as a Green Bond Standard.

In 2023, the Commission adopted the **Taxonomy Environmental Delegated Act** setting criteria for economic activities making a substantial contribution to four environmental objectives: sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems. The Commission also added criteria for new economic activities in the **Taxonomy Climate Delegated Act** setting criteria for economic activities making a substantial contribution to climate change adaptation and mitigation. The inclusion of more economic activities covering all six environmental objectives, and consequently more economic sectors and companies, will increase the usability and the potential of the EU Taxonomy in scaling up sustainable investments in the EU. The Commission also amended

the **Taxonomy Disclosures Delegated Act**, in view of the adoption of the Environmental Delegated Act.

With the main foundations of the EU sustainable finance framework in place, the Commission put significant emphasis on ensuring that the framework works on the ground and on enhancing its usability. As a first step, the Commission developed a series of targeted measures and initiatives to enhance the **usability** of the rules and support stakeholders in their implementation. For instance, the Commission published several batches of FAQs providing guidance and clarifications on the EU Taxonomy in general, its reporting obligations and the technical screening criteria defined in the Taxonomy delegated acts. The Commission also presented the **EU Taxonomy Navigator**, which offers a series of online tools to help users better understand the EU Taxonomy in a simple and practical manner, ultimately facilitating its implementation and supporting companies in their reporting obligations.

The Commission also published recommendations on **transition finance** aimed at providing guidance as well as practical examples for companies and the financial sector. The objective is to facilitate transition finance, not only for companies that have strong sustainability records already, but also for those that are at different starting points, with credible plans or targets to improve their sustainability performance. It also acknowledges that small and medium-sized enterprises face specific challenges that need to be addressed.

In 2023, the Commission adopted the first set of sector-agnostic **European Sustainability Reporting Standards (ESRS)** via a delegated act. The ESRS delegated act sets out standardised disclosure requirements for companies reporting in accordance with the Accounting Directive, as amended by the Corporate Sustainability Reporting Directive. The ESRS take a double materiality perspective and aim to provide information about the sustainability impacts, risks and opportunities of companies operating in the EU single market.

The Commission also adopted a proposal for the **Regulation on the transparency and integrity of ESG rating activities** as a first jurisdiction to regulate those activities. The proposal aims to contribute to the smooth functioning of the internal market, consumer and investor protection as well as to prevent greenwashing or other types of misinformation.

Sanctions

In 2023, the Commission prepared **three packages of sanctions** on Russia, which came on top of the nine packages of sanctions adopted in 2022, and **one on extending the sanctions to Belarus**, drawing on the lessons learnt from the implementation of 2022 sanctions and their impact on Russia. The 2023 packages of sanctions aimed at reinforcing the sanctions in place, closing loopholes and fighting sanctions circumvention through third countries. DG FISMA participated in the G7 coordination efforts with international partners which led to the adoption of a **G7 oil price cap on Russian seaborne petroleum**

products from 5 February 2023 **and an agreement to phase out the import of Russian diamonds** from 1 January 2024.

Throughout 2023 the focus was also on **ensuring a consistent and full implementation** of the sanctions across the EU and fighting circumvention. In addition to increased cooperation with Member States, enhanced evaluation of sanctions in place, continued guidance, and extensive FAQs to support stakeholders, DG FISMA put in place a database for the reporting and exchange of information between Member States and the Commission. As regards anti-circumvention efforts, the work of the EU Special Envoy for the Implementation of EU Sanctions allowed effective outreach to third countries to seek support for the implementation of sanctions. In parallel, the EU has provided support on sanctions to third countries. In addition, DG FISMA ensured that the Commission lived up to its institutional responsibilities in tabling proposals for sanctions on several other regimes (e.g. Moldova, Sudan, Iran, Niger and Guatemala), introducing humanitarian exemptions into all sanctions regimes and ensuring implementation follow-up.

Enforcement Actions

Monitoring application of EU rules is necessary to understand whether the goal of those rules has been achieved, i.e. citizens and businesses enjoy concretely the rights and opportunities granted to them by EU law. It is the role of the Commission to ensure that EU rules adopted by the co-legislators are transposed in a timely and correct way by Member States so that they become an integral part of each national legal system. Assessing whether this has been achieved is a lengthy and intense process.

When there is a delay in adopting implementing measures, or those measures incorrectly transpose the EU rules, the Commission can open infringement proceedings against Member States and make them accountable before the Court of Justice for their failure to fulfil their obligations stemming from the EU Treaties. The Court of justice can ultimately impose fines on Member States that persist in lacking compliance. Yet, the ultimate goal of the Commission's enforcement actions is to achieve full compliance by Member States and to assist them in performing timely and correct implementation. This is why non-conformity issues are first addressed through bilateral dialogues, e.g. through EU Pilot, rather than through infringement procedures.

In 2023, FISMA closed 205 **infringement cases** opened against Member States that failed to notify the Commission of their implementing measures by the set deadline (non-communication cases). This substantial achievement has brought the number of these cases for FISMA to its lowest level since 2015. Concerning the assessment of conformity of transposition done by Member States, in 2023 FISMA opened three infringement proceedings against Member States for incorrect transposition of EU rules.

Furthermore, in 2023 DG FISMA continued examining **complaints** considering them as valuable indications of possible shortcomings in application of EU law. FISMA opened 54 new complaints and closed 68 pending cases.

International Work

During the year, DG FISMA continued to actively contribute to the Commission actions to **support Ukraine, both as regards the work on the use of immobilised assets for the benefit of Ukraine and regarding Ukraine's European path**. DG FISMA also intensified its work related to the **enlargement process**. Notably, DG FISMA contributed to the adoption of the 2023 enlargement package by the Commission and pursued the monitoring of candidate countries' progress in aligning their legislation with the financial services and anti-money laundering acquis, also in view of their envisaged application to join the Single Euro Payment Area.

The **International Platform on Sustainable Finance (IPSF)** continued its work on transition finance and the common ground taxonomy and DG FISMA also contributed to the work of the **G20 Sustainable Finance Working Group**.

DG FISMA furthermore continued its **engagement with international partners** to promote sound international standards warranting a level-playing field for financial markets, manage risks deriving from cross-border activity, and promote the competitiveness of the EU financial system. This included the signature of a Memorandum of Understanding on financial services regulatory cooperation with the UK and the first EU-UK regulatory dialogue based on it, in addition to the existing regulatory dialogues with the US, Canada, and Japan. Finally, DG FISMA contributed to the finalisation of the negotiations of the Association Agreement between the EU and Andorra and San Marino by drafting the Protocol on financial services.

Communicating FISMA's achievements

Communication is also key for a DG that, at its core, deals with technical and abstract issues in the financial sector. To explain its activities also to a broader audience, DG FISMA reaches out through regular newsletters as well as social media like X (formerly known as Twitter) and LinkedIn. In addition, its EU Finance podcast in 2023 has increased its subscribers significantly.

B. Key performance indicators ⁽³⁾

Most of DG FISMA's initiatives contribute to the Commission's general **objective 'An Economy that works for people'**. A cornerstone of the Capital Markets Union (CMU) is the financing of the economy, including the green and digital transitions. It is important that companies, notably SMEs, have a variety of sources of funding. Households and businesses should have easier access to the financial markets and financial instruments to be able to

⁽³⁾ The cut-off date for this report is 22 January 2024. Therefore, the key performance indicators as well as the result indicators are updated based on the available data until this date.

pursue better returns. These important aspects are reflected in DG FISMA’s choice of two of its three key performance indicators below (KPIs) (4).

KPI 1 - Share of market funding in non-financial corporations’ (NFCs) outstanding debt

Explanation: It is an access to finance indicator showing to what extent non-financial companies (NFCs) finance their debt with a market instrument compared to bank loans. It is calculated as the outstanding amount of debt securities issued by NFCs divided by the sum of outstanding amount of debt securities issued by NFCs and loans vis-a-vis euro area NFCs reported by monetary financial institutions (MFIs) (excluding ESCB).

Source of Data: DG FISMA calculations based on Eurostat SNAs and ECB BSI databases.

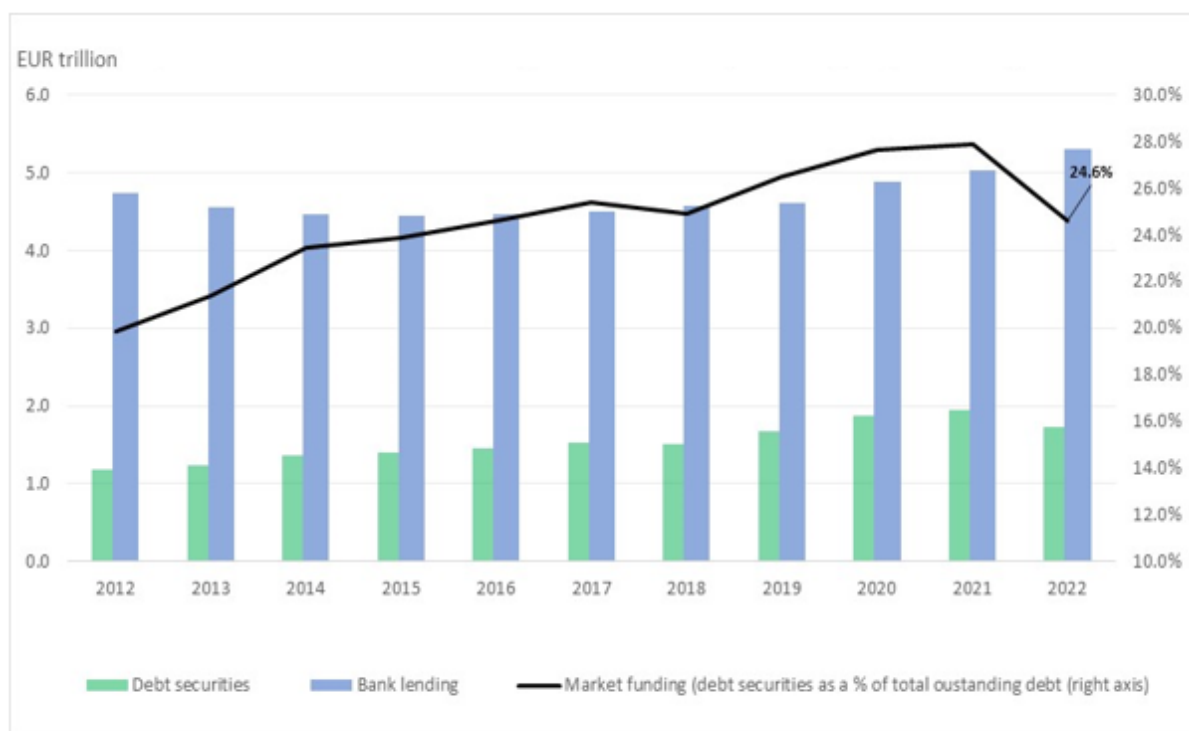
Baseline (2019 Q4)	Interim milestone (2022)	Latest known results (December 2022)
20.2%	Increase (compared to the 2019 baseline)	Increase (compared to the 2019 baseline (5))

The first key performance indicator aims to track the importance of market-based debt instruments in the total outstanding debt funding of non-financial corporations. More specifically, it aims to track the increase in the importance of debt securities compared to bank loans that are traditionally more widely used by European corporations. The share of market-based financing in the total outstanding debt of non-financial corporations declined as of the last quarter of 2022 compared to 2021.

(4) The first two key performance indicators (KPIs) relate to the political objective of advancing on the Capital Markets Union (CMU). They measure developments in market outcomes and are therefore influenced also by external factors outside of the direct control of DG FISMA, including for example the challenging geopolitical and economic conditions. It is worth noting that due to the various external factors, such as the COVID-19 pandemic, rising geopolitical tensions and fast changing economic and financial conditions the values of the first and second KPI’s are varying to a relatively large degree over the term of the mandate. Both KPI’s ca be considered significantly affected, mostly by market movements, fluctuating financing conditions, i.e. the increases in interest rates and valuation effects, rather than by structural changes. The final outcome at the end of 2024 and the term remains to be seen.

(5) The value of the baseline may change in subsequent vintages of data revisions.

Figure 1. KPI yearly trends



Source: DG FISMA calculations based on ESTAT and ECB BSIs databases

KPI 2 - Share of household assets invested in financial instruments

Explanation: It is an indicator of retail investors’ participation in financial markets. It measures the sum of households’ investment in debt securities, listed shares, investment fund shares/units, life insurance and annuity entitlements, pension entitlements), as a percentage of total financial assets held by households in the EU-27.

Source of Data: Eurostat (Financial balance sheets nasa_10_f_bs)

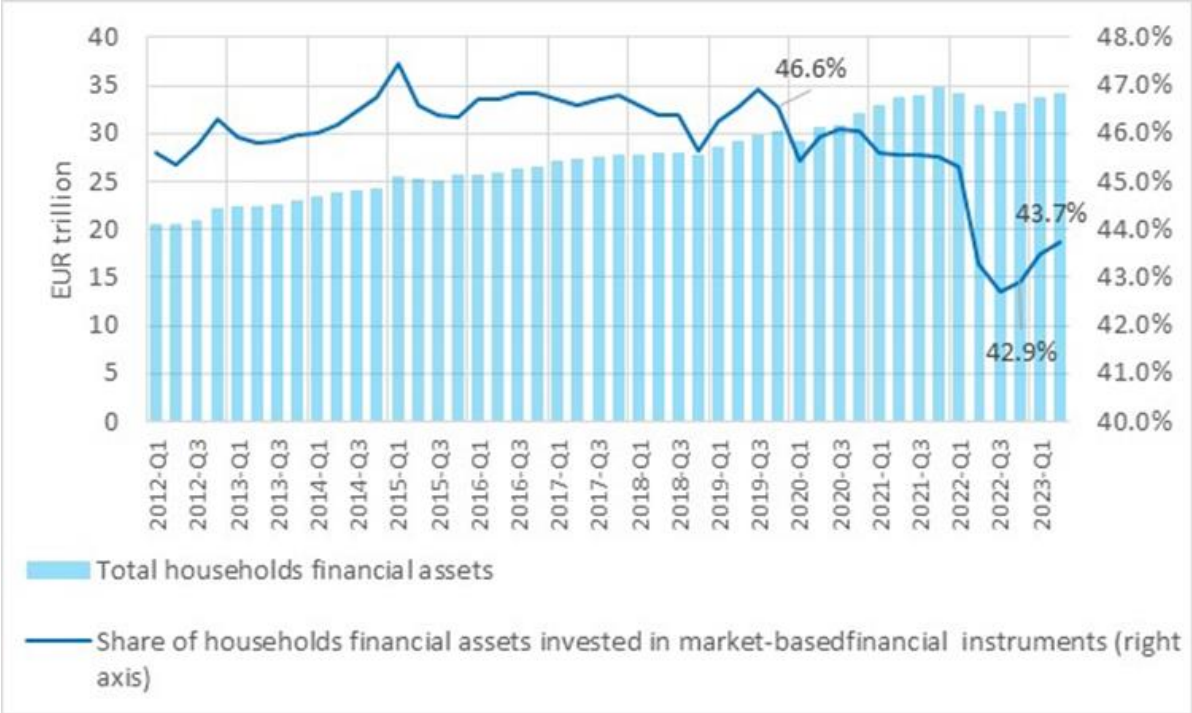
Baseline (2018)	Interim milestone (2022)	Latest known results (Q2 2023)
45.6%	Increase	Increase (with respect to the interim milestone ⁽⁶⁾)

The second KPI tracks retail participation in financial markets. It is measured by the share of household financial assets that is invested in market-based financial instruments (including both direct investments through ownership of equities or indirect participation via investment funds, insurance or pension products). The indicator has been rather stable, ranging between 42% and 47% over the last decade (**Figure 2**). However, the geopolitical tensions triggered by Russia’s war of aggression against Ukraine weighed on this indicator, which declined since the end of 2019 until mid-2022. Over the course of 2023, the indicator started stabilizing and recovering moderately. In the second quarter of 2023, the share of households’ financial assets invested in market-based instruments stood at 43.7%, after increasing moderately by 0.8 percentage points compared to the last quarter

⁽⁶⁾ When the interim 2022 milestone is measured both as an average of the quarterly ratios as well as compared to the same quarter in 2022.

of 2022, as households increased their holdings in all types of market-based financial instruments. Nevertheless, the indicator declines in relative terms compared to the pre-COVID 19 pandemic period even though the total value of market-based financial holdings and of all of its individual components increased, as bank deposits increased even more. The decline of the share of household retail participation in financial markets unfolded against the backdrop of raising risk aversion due to the increase in uncertainty, rising inflation and changing macroeconomic and financing conditions and more specifically increasing interest rates.

Figure 2. KPI yearly trends



Source: DG FISMA calculations based on ESTAT Quarterly Financial Accounts.

KPI 3 - Degree of implementation of the digital strategy principles by the most important IT solutions

Source of data: DG FISMA				
IT solution	Baseline (2018)	Milestone (2022)	Target (2024)	Latest known result (2023)
BASIS ⁽⁷⁾	40%	81%	95%	86%
EMT ⁽⁸⁾	40%	95%	100%	86%
KOEL ⁽⁹⁾	40%	95%	100%	86%

⁽⁷⁾ BASIS (Briefings and Speeches Information System) is a tool used to prepare briefings and speeches.
⁽⁸⁾ EMT (Events Management Tool) is a tool designed to manage the interaction between DG FISMA and interest representatives.
⁽⁹⁾ KOEL (Knowledge Online on European Legislation) is a web-based application specifically developed in DG FISMA to manage Legislative Acts, Legal Obligations and Case Law.

The third KPI concerns the degree of implementation of the principles defined in the Commission's digital strategy for the three most important IT solutions used in DG FISMA. DG FISMA continued to progress in implementing these principles. However, it will not be possible to monitor the 2024 targets given that important assumptions on which they were based no longer hold ⁽¹⁰⁾.

C. Key conclusions on internal control and financial management

In line with the Commission's Internal Control Framework DG FISMA has assessed its internal control systems during the reporting year and has concluded that it is effective, and the components and principles are present and functioning well overall, but some improvements are needed. Please refer to annual activity report section 2.3 for further details.

In addition, DG FISMA has systematically examined the available control results and indicators as well as the observations and recommendations issued by the internal auditor and the European Court of Auditors. These elements have been assessed to determine their impact on management's assurance about the achievement of the control objectives. Please refer to section 2 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated. Improvements are necessary concerning minor deficiencies related to the capacity to recruit and retain staff in certain areas. The Director-General, in his capacity as Authorising Officer by Delegation, has signed the Declaration of Assurance.

D. Provision of information to the Commissioner

In the context of the regular meetings during the year between DG FISMA and the Commissioner on management matters, the main elements of this report and assurance declaration, have been brought to the attention of Commissioner Mairead McGuinness, responsible for Financial Stability, Financial Services and Capital Markets Union.

⁽¹⁰⁾ This is particularly true for the Cross-border and Openness principles that imply the availability of truly common or compatible European IT architecture standards and building blocks that would be enshrined also in Commission IT standards. The Transparency principle cannot be implemented as some of the data managed by the three IT systems is Commission use or sensitive non-classified, preventing their publication.

1. KEY RESULTS AND PROGRESS TOWARDS ACHIEVING THE COMMISSION'S GENERAL OBJECTIVES AND SPECIFIC OBJECTIVES OF THE DEPARTMENT

DG FISMA contributes to several of the Commission's general objectives, notably '**An Economy that works for people**', but also other political priorities, such as '**A European Green Deal**', '**A Europe fit for the digital age**' and '**A stronger Europe in the world**'. When preparing initiatives to achieve these objectives, DG FISMA always works according to Better Regulation principles and looks for burden reduction possibilities. External communication as well as enforcement play important roles in the work of DG FISMA.

The work of DG FISMA in 2023 continued to be influenced significantly by the Russian war of aggression against Ukraine and **economic and geopolitical challenges**. DG FISMA, together with other Commission services, played a key role in preparing **follow up sanctions against Russia and Belarus** and continued to work on a stable and competitive internal market by taking **important steps to complete Capital Markets Union (CMU), Banking Union (BU) and enhance its competitiveness on the global scene**.

The performance tables in Annex 2 contain only actions included in the Management Plan 2023. The large number of not originally planned important acts prepared by DG FISMA in response to the serious and unexpected developments during the year are reflected in the descriptive sections in this chapter ⁽¹¹⁾.

DG FISMA's external communications

DG FISMA continued to make significant and proactive use of its press and digital means to promote its legislative packages in 2023 including the Banking Union's Crisis Management and Deposit Insurance proposal, the Digital Euro proposal and the Retail Investment Strategy. We also focused on communicating around the agreements reached in co-decision (such

Figure 3. The future of finance podcast



DG FISMA's podcast is available in the Apple podcast app.

⁽¹¹⁾ Initiatives related to the Commission Work Programme 2023 are indicated with the following symbol:



as on Solvency II or Basel III), and the benefits these will bring to the EU economy and its citizens. DG FISMA's efforts also focused in 2023 on disseminating accurate information on sanctions in the context of the Russian war of aggression against Ukraine and to fight disinformation (for example in the digital euro field), to reach out to businesses in the debate on sustainable finance reporting, and to reply to citizens' questions on various financial services topics.

In 2023, DG FISMA continued to communicate with the general public via the communication channels previously established (X/Twitter, updated website, newsletter, EU Finance podcast, the Director General's LinkedIn) to which we added to the mix a new corporate LinkedIn account (shared with DG TAXUD and DG ECFIN) and ran several targeted campaigns in social media (including [CMU](#), [digital euro proposal](#), Sanctions Whistleblower). DG FISMA increased its visibility by reaching out to over 14,050 (e-mail) subscribers across the EU to its monthly financial newsletter, to 45,430 followers to its @EU_Finance Twitter account and to over 1,500 followers of its [EU Finance podcast](#).

SPECIFIC OBJECTIVE 1. EU financial markets are more integrated and liquid, opening new opportunities for cross-border investments and funding for citizens and businesses.

As part of its Work Programme adopted on 17 October 2023, the European Commission put forward a package of concrete proposals to **rationalise reporting and reduce the administrative burden for companies**. In the financial services policy area, DG FISMA contributed with four legislative proposals to i) reduce the scope of the EU benchmark regulation, ii) foster sharing of supervisory data among national and EU financial supervisors in order to avoid duplicative requirements, iii) delay sector-specific sustainability reporting rules by two years, and iv) increase the size thresholds defining the various types of companies under the Accounting Directive. The latter already entered into application and is expected to reduce financial and sustainability requirements for more than a million companies.

DG FISMA also continued its work on implementing the supervisory data strategy. In addition to targeted amendments in sectoral reporting frameworks, work progressed on all the main building blocks of the strategy, with regular meetings of the Supervisory Reporting Roundtable and workshops and other outreach with stakeholders to advance efforts to modernize and improve supervisory data collection and deliver burden reduction.

As part of wider efforts to monitor and analyse market developments, the annual European Financial Stability and Integration Review (EFSIR) was published in June 2023 and presented at the joint Commission/ECB conference on financial integration.

On 24 April 2023, EU legislators reached a political agreement on the proposals for the establishment of the **European Single Access Point (ESAP)** – the first action in the 2020 CMU Action Plan. The ESAP will create seamless, EU wide access to information in relation to financial services, capital markets and sustainability published by entities or about entities operating in the financial sector. ESAP will facilitate cross border investment, by making information in relation to financial services easily available and digitally usable.

On 27 December 2023, the co-legislators adopted the Commission's 2021 proposal amending Regulation (EU) 909/2014 (the **Central Securities Depositories Regulation**). The adopted changes will enhance the efficiency of the EU's settlement markets, while safeguarding financial stability. They will ensure more proportionate and effective rules to reduce compliance costs and regulatory burden for central securities depositories, as well as facilitate their ability to offer services cross-border, while simultaneously improving their cross-border supervision. They will also provide better incentives to increase settlement efficiency.

On 20 July 2023, the co-legislators reached a political agreement on upgraded rules for EU investment fund managers under the Directives on **Alternative Investment Fund Managers** (AIFMD) and on **Undertakings for Collective Investments in Transferable Securities** (UCITS). The new set of rules ensures that fund managers can better cope with redemption requests in situation of market or financial stress. The rules also create a framework allowing alternative investment funds to originate loans, under certain conditions. These developments are important to preserve the resilience of investment funds while ensuring that the EU framework helps the competitiveness of our market players.

After the agreement by co-legislators in October 2022, Regulation (EU) 2023/6060 on **European long-term investment funds** (ELTIF) entered in force on 9 April 2023. The amendments to the ELTIF framework will increase the attractiveness of this investment vehicle for investors and their role as a complementary source of financing for EU companies. Since ELTIFs are designed to channel long-term investments, they are well placed to help finance the green and digital transitions.

Co-legislators reached a political agreement on the Commission's proposal for a review of the **Regulation governing rules about the structure of the markets in financial instruments** ('MiFIR Review') on 29 June 2023. The review creates a mandatory framework for the so-called 'consolidated tape provider (CTP)', which will bring together the prices and volumes of financial instruments into a single stream of information. It also contains a prohibition of the practice of 'payment for order flow' (PFOF) and provides for improved rules on transparency of 'non-equity instruments'.

During 2023, DG FISMA organised a workshop with the Member States to support the transposition of the **non-performing loans directive** into national law by the end of the year. In collaboration with the EBA, DG FISMA also published the implementing measure for data on NPL (non-performing loans) transactions. In addition, the mandate of the Advisory Panel on NPL was extended in 2023 for two additional years, which enabled this expert group to publish a paper on NPL securitization and launch a market survey on the state of the NPL secondary markets.

SPECIFIC OBJECTIVE 2. Financial stability is preserved and improved by efficient supervision and crisis management mechanisms, by means to absorb shocks and diversify risks, and a comprehensive approach is in place to fight money laundering and the financing of terrorist activities.

DG FISMA continued to monitor financial markets and financial sector developments horizontally and at national level in view of detecting and assessing emerging financial stability risks. In particular, following the failure of several US and Swiss banks in the first half of the year, DG FISMA enhanced its monitoring of financial markets through more frequent reports and ad-hoc analysis.

On 13 December 2023, provisional agreement was reached between the European Parliament and the Council on the Commission's proposal to establish an **EU anti-money laundering and countering terrorism financing (AML/CFT) Authority** in the form of a decentralised EU regulatory agency (AMLA).

The creation of the new EU Authority will transform AML/CFT supervision in the EU and enhance cooperation among Financial Intelligence Units (FIUs). AMLA will be the central authority coordinating national authorities to ensure the correct and consistent application of EU rules. In the financial sector, the Authority will directly supervise those financial sector entities exposed to the highest risk of money laundering and terrorism financing. AMLA will also support FIUs to improve their analytical capacity around illicit flows and make financial intelligence a key source for law enforcement agencies. The Authority will facilitate cooperation between FIUs, including by establishing standards for reporting and information exchange, supporting joint operational analyses, and by hosting the central online system, FIU.net. This Commission proposal was part of the AML legislative package presented in July 2021, which also included a single rulebook through a new Regulation establishing a single rulebook for AML/CFT, and a new AML/CFT Directive. A political agreement on the single rule book is expected early 2024. On 9 June 2023 Regulation (EU) 2023/1113 on information accompanying transfers of funds and certain crypto-assets and repealing Regulation (EU) 2015/847 (the Transfer of Funds Regulation or TFR) was also officially published. The revised Transfer of Funds Regulation requires crypto-asset service providers to accompany transfers of crypto-assets with information on the originators and beneficiaries giving effect to the Financial Action Task Force (FATF)'s recommendations on virtual assets and ensuring the traceability of transfers of crypto-assets to prevent, detect and investigate money laundering and terrorist financing.

Following the financial crisis, the EU embarked on wide-ranging reforms of its banking rules to increase the resilience of the EU banking sector. On 27 June 2023, **the Banking Package**, containing a review of EU banking rules (the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD), received political agreement in the EP and the Council. These new rules will enhance the resilience of EU banks to potential future economic shocks, while contributing to Europe's recovery and the transition to climate neutrality.

The package comprises the following elements:

- It implements the international Basel III agreement and strengthens banks' resilience to economic shocks, while taking into account the specific features of the EU's banking sector, for example when it comes to low-risk mortgages.

- It requires banks to systematically identify, disclose and manage sustainability risks (environmental, social and governance or ESG risks) as part of their risk management, thereby contributing to the green transition.
- It provides stronger enforcement tools for supervisors overseeing EU banks ensuring the sound management of EU banks and protecting financial stability.

The Commission proposed, on 18 April 2023, to adjust and further strengthen the existing **EU bank crisis management and deposit insurance (CMDI) framework**, consisting of the Bank Recovery and Resolution Directive, the Single Resolution Mechanism Regulation and the Deposit Guarantee Scheme Directive. The proposal aims to enable authorities to organise an orderly market exit for failing banks of any size and business model, including smaller players. It draws on the lessons learned from the first years of application of the framework and makes further improvements. It proposes to give resolution authorities even more effective tools to ensure that, when a crisis occurs and when financial stability is at stake, depositors – for instance individuals, businesses and public entities – can continue to access their accounts. It aims to facilitate the use of industry-funded safety nets to enable authorities to shield depositors in bank crises, such as through the transfer from an ailing bank to a healthy one. Overall, this should preserve financial stability, protect taxpayers and depositors, and increase the efficiency of the crisis management framework for the economy. The proposal is being negotiated by the co-legislators.

The co-legislators reached a political agreement on the Commission’s 2021 proposal for an **Insurance Recovery and Resolution Directive**. Once implemented in 2026, it will ensure that (re)insurers and public authorities will be better prepared for handling the financial distress of individual (re)insurers and will have tools at hand to ensure the best possible outcome for clients and for financial stability should a (re)insurer fail, in particular in cross-border situations. Co-legislators also reached agreement on the 2021 proposal for the review of the **Solvency II Directive**. This will ensure that supervisory authorities are equipped with more efficient powers to deal with cross-border issues and have the appropriate toolkit to preserve financial stability.

In 2023, the Commission assessed, as required under the Capital Requirements Regulation (CRR) and the Capital Requirements Directive, several national macroprudential measures notified by Member States. Furthermore, the Commission issued a report in January 2024 assessing the functioning of the EU macroprudential framework for the banking sector and will discuss recommendations for revised systemic buffers with experts of the European Parliament and of the Member States. In addition, considering the significant growth of Non-Bank Financial Intermediaries (NBFIs) in the past 10 years and their increasing importance for both the financing of the EU economy and EU financial stability, the Commission also recommended to start assessing whether there are any gaps in the macroprudential framework for NBFIs, taking also into account developments at the international level. The Commission is planning to run a targeted consultation on macroprudential policies for NBFIs in 2024.

In July 2023, the Commission adopted a Report on the functioning of the **Money Market Fund Regulation**, four years after it started to apply and after two major episodes of

market stress that have tested the robustness of the framework. The Report concludes that overall, the Regulation has delivered according to its objectives and that money market funds have successfully overcome these market events. Some areas for potential improvements have been identified for a possible future review.

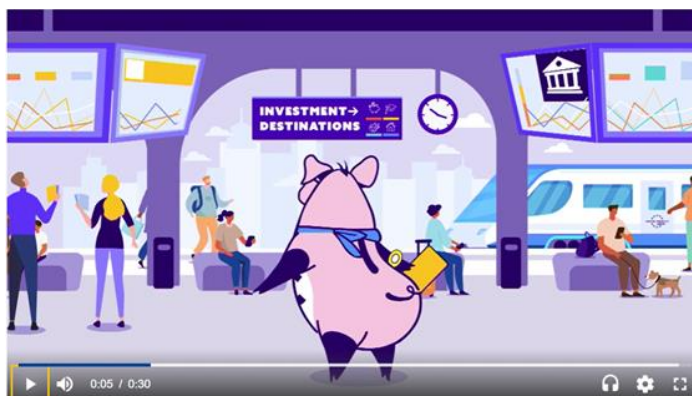
SPECIFIC OBJECTIVE 3. *The confidence and protection of consumers and investors on European financial markets, as well as market integrity, are enhanced.*

On 24 April 2023, The Commission adopted the **Retail Investment**

Package, consisting of an amending Directive and a Regulation that propose a comprehensive overhaul of existing investor protection rules. It proposes to rein in the practice of inducements for some sales (where no advice is provided) and contains an ambitious, broad-ranging consumer-centric package,

designed to raise the level of trust and confidence in retail investing. As such, it's an important building block of the Capital Markets Union and should deliver real benefits for investors. It includes measures to make disclosures more understandable for retail investors, to address misleading marketing, to tackle conflicts of interest that arise as a result of the payment of "inducements" (commissions paid by third parties to intermediaries so that they sell their products), to ensure that investment products offer value for money and to strengthen supervisory enforcement powers. The proposal is being negotiated by the co-legislators.

Figure 4. Video promoted by DG FISMA on CMU



On 27 September 2023, the Commission published a **joint EU/OECD financial competence framework for children and youth**. The framework is designed to help improve young people's financial literacy so that they are prepared to take well-informed personal finance decisions today and more importantly – later in life. The objective of the framework is to establish a shared understanding among Member States and practitioners of the essential financial literacy skills that children and youth need. On that basis, the framework can support the development of financial literacy policies, programmes and teaching material by public, private and not-for-profit stakeholders. The framework establishes a shared understanding of financial literacy among diverse stakeholders across the Member States so they can actively contribute to enhancing the impact of financial literacy policies and initiatives. A launch event for the framework was held on 2 October 2023.

During 2023, the Action Point 35 of the *EU Beating Cancer* roadmap foresees that the Commission would assist with the development of a **code of conduct on the practices of financial services providers to ensure that consumers have fair access to financial services**. In March 2023, a contractor was appointed by a procedure involving

SANTE/FISMA/HADEA to deliver a **comparative analysis of existing EU** and national legislation, a **synthesis report** presenting developments in the treatment of different cancer types and evidence on cancer survivorship; and the drawing up of a Code of Conduct. From November 2023, roundtables commenced, involving stakeholders from the financial institutions (banking and insurance umbrella organisations) and patients' organisations, public health experts and cancer survivors. FISMA is observer to these roundtables. The main part of the code will consist of a list of best practices ensuring that developments in cancer treatments and their improved effectiveness are adequately reflected in the business practices of financial service providers. The code is expected to be agreed and implemented by all signatories beginning Q2 2024.

On 7 November 2023, political agreement was reached between the European Parliament and the Council on the Commission's proposal to make **instant payments in euro** available to all citizens and businesses holding a bank account in the EU. The new rules, which modernise the 2012 Single Euro Payments Area (SEPA) Regulation, aim to ensure that instant payments in euro are affordable, secure and processed without obstacles across the EU. Instant payments offer fast and convenient solutions for citizens in everyday situations, like receiving funds promptly in case of emergencies or splitting shared costs immediately in various social settings. They also improve cash flow management for public administrations and businesses, especially SMEs, enable charities and NGOs to access funds quickly, and encourage banks to develop innovative financial services and products.

Payment service providers of euro credit transfers will be obliged to offer instant payments to all their customers, ensuring that the cost is not higher than that of traditional transfers. They will also have to verify that the payment is sent to the beneficiary intended by the payer, and alert in case of a possible mistake or fraud before the transaction is made. Moreover, the new rules will preserve the effectiveness of sanctions screening through a harmonised procedure. Instead of screening transactions one by one, instant payment providers will be required to check their clients against EU sanctions lists at least daily.

SPECIFIC OBJECTIVE 4. *More private capital is made available for sustainable investments.*

Co-legislators reached at the end of 2023 a provisional agreement on the **review of the Solvency II Directive**, proposed by the Commission in September 2021. This review will facilitate insurers' contribution to the long-term and sustainable financing of the European economy. It will also simplify administrative burden for small and non-complex insurers, to the benefit of EU's competitiveness.

On 13 June 2023, the Commission adopted the **sustainable finance package 2023**. It contained measures to build on and strengthen the foundations of the EU sustainable finance framework and ensuring that it continues to support companies and the financial sector, while encouraging the private funding of transition projects and technologies. Specifically, the Commission added additional activities to the EU Taxonomy and proposed new rules for Environmental, Social and Governance (ESG) rating providers, which will increase transparency, integrity and reliability of ESG ratings as well as ensure the good

governance, independence and proper management of conflicts by providers of ESG ratings. The Commission proposed to regulate a new market of ESG rating activities given the growing importance of ESG ratings and their role in investment strategies, risk and impact management and impact on investors decisions. Given the international dimension of the market the Commission proposed a direct supervision by ESMA. The objective of the new regulation on ESG rating activities is to contribute to the smooth functioning of the internal market, consumer and investor protection as well as to prevent greenwashing or other types of misinformation. It aims also to make the sustainable finance framework easier to use, thereby continuing to contribute effectively to the European Green Deal objectives and make sure the key concepts are usable, consistent and help reduce complexity. The Commission proposal was welcomed by co-legislators who finalised their positions and adopted mandates for trilogues by December 2023, only seven months after the Commission proposal. The European Parliament and Council reached a political agreement on 5 February 2024, after less than a month of trilogues.

Another milestone in the sustainable finance agenda was achieved in 2023 with the adoption of the **European Sustainability Reporting Standards (ESRS)**. The ESRS were adopted via delegated act on 31 July 2023 and aim to ensure the availability of comprehensive and comparable sustainability information by corporates on the EU market, facilitating sustainable investment decisions.

On 22 November 2023, the Commission **proposal for a European Green Bond Regulation** was adopted by the European Parliament and the Council. This Regulation, which is an integral part of the European Green Deal, will establish an EU voluntary high-quality standard for green bonds. The European green bond standard (EUGBS) will be available to companies and public entities that wish to raise funds on capital markets to finance their green investments, while meeting tough sustainability requirements. Issuers of EUGBS would need to ensure that at least 85% of the funds raised by the bond are allocated to economic activities that align with the Taxonomy Regulation. This will allow investors to more easily assess, compare and trust that their investments are sustainable, thereby reducing the risks posed by greenwashing. The Regulation includes a chapter for the application of 'European Green Bond standard' to securitisation bonds making the way to "green securitisation".

Lastly, DG FISMA mandated the ECB, ESRB and ESAs to undertake a one-off supervisory exercise to assess the resilience of the financial sector in line with the Fit-for-55 package. In that context, DG FISMA contributed to the work of the ECB/ESRB project team on climate risks.

SPECIFIC OBJECTIVE 5. Opportunities from digital technology are widely employed to implement a safe, competitive and inclusive digitalisation of financial services.

The Commission adopted a proposal for **regulation on a framework for financial data access** ('FIDA') in June 2023. FIDA would facilitate access to and sharing of customer financial data. The purpose is to make it easier for people and firms to get access to innovative financial services. Together with FIDA, The Commission proposed to amend and

modernise the current Payment Services Directive (PSD2) which will become PSD3 and establish, in addition, a Payment Services Regulation (PSR). These aim to ensure that consumers can continue to safely and securely make electronic payments and transactions in the EU, domestically or cross-border, in euro and non-euro. Whilst safeguarding their rights, it also aims to provide greater choice of payment service providers on the market.

At the same time, while a final ECB-decision is still pending on the introduction of a digital euro, the Commission adopted a proposal for a regulation on the **establishment of the digital euro**, and a **proposal for a regulation on the scope and effects of legal tender of euro banknotes and coins**. A strong private digital finance system in the EU also needs to be matched by innovation on the public side, through central bank digital currencies. Giving consumers the choice to use not only physical cash but also a digital form of the Euro is an important step which must be considered properly. The proposals aim to do that by providing legislative frameworks framing the potential issuance of a digital euro and safeguarding the role of cash as a legal tender.

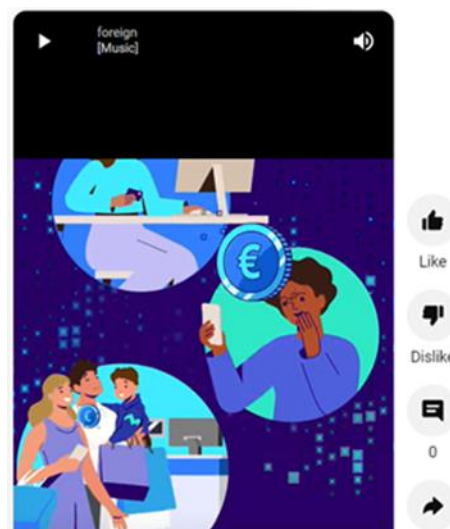
On 29 June 2023, the **Regulation on markets in crypto assets (“MiCA”) entered into force**. The EU is among the first major jurisdictions worldwide to design a comprehensive regulatory framework for crypto assets. This new framework will protect consumers, market integrity and financial stability. It will provide a clear legal framework in the EU enabling further innovation on a safe and sound basis. The MiCA framework covers crypto assets that are not already regulated by other EU financial legislation, such as “stablecoins”. Crypto-asset service providers will also need to be authorised in the EU, and as a result, will be able to provide their services throughout the Union using the EU passport.

Furthermore, in 2023 we have worked with the ESAs to develop the large number of technical standards and other level 2 measures under the regulation on markets in crypto-assets (MiCA) and the regulation on a digital operational resilience act (DORA). These will need to be adopted in 2024 in **preparation for application of both MiCA (in December 2024) and DORA (in January 2025)**.

SPECIFIC OBJECTIVE 6. The EU financial system’s sovereignty and competitiveness in a challenging international environment are strengthened.

The ongoing **Russian war of aggression against Ukraine** was the focus of the Common Foreign and Security Policy related work of DG FISMA. Working closely with other Commission services, DG FISMA continued to play a leading role in the development of

Figure 5. Video promoted by DG FISMA on Digital Euro



DG FISMA's proposal on a Digital Euro led to a lot of public interest, which led DG FISMA to introduce tailored explanatory notes to the public as well video's pictured here.

sanctions in the Commission. In 2023, the Commission prepared **three packages of sanctions on Russia**, targeting the Russian economic, financial, energy and transport sectors. Drawing on the lessons learnt from the implementation of the nine packages of sanctions adopted in 2022 and their impact on Russia, the sanctions packages aimed at reinforcing the sanctions in force, closing loopholes and fighting sanctions circumvention through third countries. Preparations for further sanctions packages continued.

Close cooperation and coordination with its international allies and partners such as the United States, the United Kingdom, South Korea, Switzerland, and Japan have been crucial to this sanctions effort. DG FISMA coordinated with international partners in the preparation of the **G7 oil price cap on Russian petroleum products adopted in February 2023** which came on top of the price cap on Russian crude oil adopted in December 2022. The price cap has been specifically designed to further reduce Russia's revenues, while keeping global energy markets stable through continued supplies. DG FISMA also participated in the G7 coordination efforts with international partners which led to the adoption of an **embargo on Russian diamonds**. DG FISMA also continued to play a leading role in the Commission's **Freeze and Seize Task Force** and its international corollary, the Russian Elites, Proxies, and Oligarchs (REPO) Task Force at the G7 level.

Throughout 2023 the focus was also on ensuring a consistent and full implementation and enforcement of the sanctions across the EU, by authorities and stakeholders, and fighting circumvention. This work also built on the continued monitoring and assessment of the impact of sanctions on the Russian and EU economies.

Member States are responsible for implementing sanctions. DG FISMA oversees the implementation by Member States and is working closely with them to support them in that task, provide information to stakeholders, and engage in a dialogue to collect feedback on how sanctions are implemented. DG FISMA continued to focus on the preparation and update of guidance and extensive FAQs covering a broad range of topics, to assist stakeholders on how to apply the sanctions packages. DG FISMA has developed the **Sanctions Information Exchange Repository** – a database for the prompt reporting and exchange of information between Member States and the Commission on the implementation and enforcement of sanctions – a major achievement in promoting uniform implementation across the Union. During 2023, possible sanctions violations have been reported through the **EU Sanctions Whistleblower Tool** – a dedicated tool set up to facilitate anonymous reporting of breaches of EU sanctions and enable the Commission to monitor possible violations of sanctions law by Member States.

In addition to the regular expert group on sanctions through which DG FISMA reaches all Member State authorities responsible for sanctions, DG FISMA has convened a number of meetings of the sub-group on asset freezes and reporting which was set up in the context of the “Freeze and Seize Task Force” to ensure better coordination of asset freezes on Russian and Belarusian individuals and entities as well as to explore legal possibilities to seize and confiscate those assets in the case of links between assets belonging to persons listed under EU sanctions and criminal activities. The sub-group has focused on the

implementation of sanctions, by providing answers to questions raised by national authorities, and on exploring possible ways to identify assets that must be frozen.

A **High-Level Group on sanctions implementation chaired by Commissioner McGuinness** was convened twice, in February and September 2023, allowing political discussions on sanctions implementation and cooperation with Member States.

In addition to increased work within the EU and with the Member States towards the full and effective implementation of EU sanctions, the EU has stepped up its efforts to fight circumvention through third countries. Since mid-January 2023, the newly appointed **EU Special Envoy for the Implementation of EU Sanctions David O’Sullivan** has been involved in diplomatic outreach and constant engagement with third countries to seek support for the implementation of sanctions and fight circumvention. In February and September 2023, EU Sanctions Envoy O’Sullivan chaired the newly created International Sanctions Coordinators Forum which brought together EU Member States, the U.S., UK and other G7+ countries, and Ukraine to review implementation of the sanctions on Russia and discuss further efforts to strengthen enforcement and tackle circumvention. In parallel, the EU Special Envoy has conducted outreach missions to third countries encouraging public authorities to put effective measures in place to prevent their territory from being used for sanctions circumvention. Furthermore, the EU has conducted capacity-building seminars on EU sanctions addressed to the public and private sectors of third countries and has provided support to public authorities of third countries through the Technical Assistance and Information Exchange instrument (TAIEX).

During the year, DG FISMA continued to actively contribute to the Commission actions to **support Ukraine on its European path and set-up a dedicated EU financial assistance facility**. As part of the work on sanctions and on the long-term financing of Ukraine, DG FISMA participated actively in discussions and the preparations of a proposal on the use of immobilised assets. It has engaged with the Ukrainian authorities to advance the implementation of the Association Agreement establishing the **EU-Ukraine Deep and Comprehensive Free Trade Area** in the field of financial services, and to follow their progress in aligning with the EU acquis and strengthen their anti-money laundering framework.

During the year DG FISMA has also intensified its work related to the **enlargement process**, notably by monitoring candidate countries’ progress in aligning their legislation with the financial services acquis and contributing to the adoption of the Enlargement package by the Commission on 8 November.

DG FISMA continued to support the work of the **International Platform on Sustainable Finance (IPSF)**, which remains a unique multilateral forum of dialogue between like-minded policy makers in charge of developing sustainable finance policy approaches. In 2023, the IPSF pursued its work on the common ground taxonomy (CGT) and on transition finance while looking into other sustainability related tools (social bonds). DG FISMA actively contributed to the work of the **G20 Sustainable Finance Working Group (SFWG)**, and notably to track progress on the recommended actions in the roadmap and

develop a Framework for Transition Finance, recommendations to improve the credibility of private-sector financial institutions' commitments and scale up sustainable finance instruments.

DG FISMA continued its **engagement with international partners** to promote sound international standards warranting a level-playing field for financial markets, manage risks deriving from cross-border activity, and promote the competitiveness of the EU financial system. This includes participation in the work of international bodies such as the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS) and bilateral **regulatory dialogues** with third country jurisdictions. Among others, in 2023, DG FISMA held the first EU-UK regulatory dialogue, made possible by the signature of an EU/UK Memorandum of Understanding on financial services regulatory cooperation.

In cooperation with the European Supervisory Authorities ("ESAs"), DG FISMA continued monitoring the application of **equivalence decisions** granted to third-country jurisdictions and adopted new ones in line with the Commission's equivalence policy.

DG FISMA also monitored the implementation of the *Communication on the EU Economic and financial system: fostering openness, strength and robustness*. Building on the 2022 report of the EBA on the EU dependence on non-EU banks, DG FISMA started monitoring and assessing dependencies of the EU financial system across sectors, as well as the impact of geopolitical developments on cross-border payments and on the international role of the euro.

2. INTERNAL CONTROL AND FINANCIAL MANAGEMENT

Assurance is provided on the basis of information on the efficiency and effectiveness of internal control systems and governance processes. The management monitors the functioning of the internal control systems on a continuous basis and carries out an objective examination with internal and external auditors. The results are explicitly documented and reported to the Director-General.

The following reports/documentation have been considered: **(1)** the reports of DG FISMA's authorising officers; **(2)** the reports of authorising officers in other DGs managing DG FISMA's budget appropriations on behalf of DG FISMA; **(3)** the annual assessment of the effectiveness of DG FISMA's internal control framework; **(4)** the annual assessment of DG FISMA's costs of controls; **(5)** the reports on the ex-post checks performed on a sample of transactions; **(6)** the register on exceptions and non-compliance events; **(7)** the reports from the Commission's internal Financial Scorecard; **(8)** the regular reports to senior management on individual internal control areas such as HR management, anti-fraud and professional ethics; **(9)** the reports from ABAC; **(10)** the limited conclusions of the Internal Audit Service (IAS) on the state of internal control; and **(11)** reports of the Court of Auditors.

The systematic analysis of the available evidence provides sufficient guarantees as to the completeness and reliability of the information reported and results in the full coverage of the budget delegated to the Director-General of DG FISMA.

This section covers the control results and other relevant elements that support management's assurance. It is structured into 2.1. Control results, 2.2. Audit observations and recommendations, 2.3. Effectiveness of internal control systems and resulting in 2.4. Conclusions on the assurance.

2.1. Control results

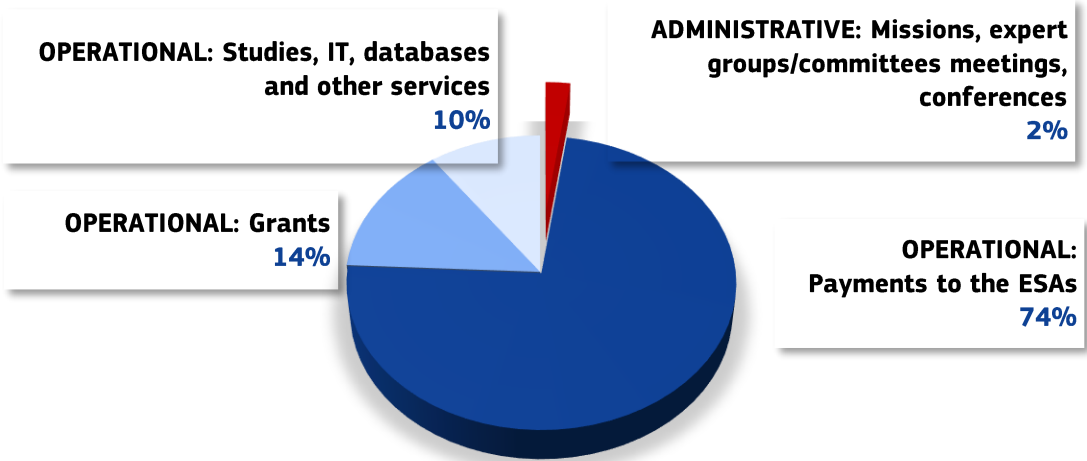
This section reports on the control results used by management to support the assurance on the achievement of the internal control objectives (ICO) ⁽¹²⁾. The DG FISMA's assurance building and materiality criteria are outlined in annual activity report annex 5. The annual activity report annex 6 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

⁽¹²⁾ 1) Effectiveness, efficiency and economy of operations; 2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2). The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.

DG FISMA’s total expenditure in 2023 was **EUR 71 578 311.72** of which **EUR 1 605 014.25 administrative expenditure** ⁽¹³⁾ and **EUR 69 973 297.47 operational expenditure**.

The majority of DG FISMA’s expenditure is of an operational nature and covering the contributions from the EU budget to the European Supervisory Authorities (ESAs). The administrative expenditure of DG FISMA corresponds to only 2% of the total expenditure.

Figure 6. Overview of DG FISMA expenditure



Source: DG FISMA calculations

DG FISMA does not carry out systematic and significant revenue operations and does not report on them separately. The controls applied at the level of the expenditure in grants, procurement and contributions to the ESAs also cover the ‘revenue’ operations made in these areas (see Annex 3, table 7 for more details). DG FISMA also does not have intangible or financial assets or liabilities (see Annex 3, table 4 for more details).

As foreseen in the reporting requirements of the financial regulation ⁽¹⁴⁾ DG FISMA reports the following cases:

Reporting requirement	N° of cases
Cases of "confirmation of instructions" (FR art 92.3)	0
Cases of financing not linked to costs (FR art 125.3)	0
Financial Framework Partnerships >4 years (FR art 130.4)	0
Cases of flat-rates >7% for indirect costs (FR art 181.6)	0
Derogations from the principle of non-retroactivity pursuant to Article 193 of the Financial Regulation.	5

⁽¹³⁾ ‘Expenditure’ here refers to Payment Appropriations.

⁽¹⁴⁾ 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.

2.1.1. Effectiveness of controls

a) Legality and regularity of the transactions

DG FISMA uses internal control processes to ensure sound management of risks relating to the legality and regularity of the underlying transactions it is responsible for, taking into account the multiannual character of programmes and the nature of the payments concerned.

1) Control objective

The legality and regularity of transactions is ensured by the ex-ante controls and ex-post checks undertaken by DG FISMA as described in Annex 6 and monitored according to the indicators established therein.

These controls cover procurement and administrative expenditure, grants and the transfer of subsidies to the ESAs. They are targeted to the specific risks related to each type of expenditure and focused on the various control stages of the activities and transactions.

2) Assessment of the control results

The ex-ante controls carried out by DG FISMA on its activities and transactions led to both **qualitative and quantitative benefits** in its procurement and grants processes (see Annex 7 for details).

The ex-ante controls on grants are focused on both the financial and operational aspects of the activities. They aim at ensuring that the **work undertaken by the beneficiaries contributes to the political priorities of the Commission** and that the costs claimed are eligible. They led to the identification of ineligible costs for a total amount of EUR 46 667.57.

The ex-ante controls on procurement procedures ensure that the **budget is well used**, focused on actual needs and that the tender specifications are adequately drafted to meet these needs. Contracts are managed to ensure that contractors deliver the services requested as planned and that deviations are proportionately corrected. They also led to the correction of several invoices for a total amount of EUR 357 536.69.

In 2023 DG FISMA initiated one on-the spot check on one grant beneficiary and finalised the results of two on-spots checks made in 2022 which led to the recovery of EUR 427 264.3.

Key indicators (section 2.B of the Management Plan 2023)	Target	Result
Risk at payment	<2%	0,33% ⁽¹⁵⁾
Estimated risk at closure	<2%	0,2%
Formal complaints in procurement procedures	0	0
Recurrent exceptions and non-compliance events	0	0

3) Coordination with the European Supervisory Authorities (ESAs)

DG FISMA's co-operation with the ESAs showed **no events or weaknesses of substantial nature** that could affect the reputation of the DG, raise concerns about fraudulent activities linked to their transactions or prejudice the reliability of the key conclusions mentioned under point C) of the Executive Summary.

The oversight exercised by DG FISMA on the ESAs is linked to:

- Representing the Commission by participating in the **Management Boards and Boards of Supervisors** at which the Commission is a **non-voting member** (except for budgetary matters where it has a vote in the Management Boards).
- Contributing to the Commission's opinion on the ESAs **Single Programming Documents, annual statements and establishment plans** on which the Commission should be consulted.

In parallel, according to article 78.3 of the financial regulations of the three ESAs, **the IAS is responsible for:** (a) assessing the suitability and effectiveness of internal management systems and the performance of departments in implementing programmes and actions by reference to the risks associated with them; (b) assessing the efficiency and effectiveness of the internal control and audit systems applicable to each operation for implementation of the budget of the Union body. In this, the IAS reports to the Boards of Supervisors of the ESAs (on which DG FISMA represents the Commission without voting rights) and to the Executive Directors who are the authorising officers of the ESAs.

DG FISMA **does not entrust budget implementation tasks to the ESAs** (i.e. via contribution agreements) but transfers to the ESAs the amounts established in the general budget of the Union for their administrative and operational costs linked to their core tasks established in the applicable regulations. Therefore, it is the Executive Directors of the ESAs as their authorising officers, not DG FISMA, who are responsible for the management of the funds by the ESAs. As such, DG FISMA does not control the legality and regularity of ESAs' transactions. However, DG FISMA carries out **controls over the transfer of the Union contributions to the ESAs** as well as any recovery of unused or undue funds. While assessing the programming documents submitted by the ESAs in the context of the annual

⁽¹⁵⁾ See notes in Annex 9 for more details on error rates, risk at payment and risk at closure.

budgetary process, their requests for contributions submitted in 2023 and their actual cash flow, DG FISMA did not have reason to suspect any illegal or irregular activity.

4) Overview of DG FISMA risk profile

DG FISMA's expenditure consists of segments with a relatively low error rate concerning **procurement, administrative expenditure and payments to the ESAs**.

Grant's related expenditure has a somewhat higher error rate. In this area risks are more likely to materialise due to the complexity of the specific funding rules. For such type of expenditure DG FISMA carries out reinforced controls **ex-ante (on a yearly basis)** or during the **on-the-spot checks (on a multi-annual basis)**. Since the number of beneficiaries is limited (5 beneficiaries) DG FISMA aims to implement **one on-the-spot check for each beneficiary** based on risks. The combination of ex-ante controls and ex-post checks gives reasonable assurance that at the closure of the multi-annual cycle of controls the **residual risk is reduced to very low levels** and that ineligible expenditure is recovered.

5) Estimated risk at payment and at closure

Based on all the above, DG FISMA presents in the following estimation of the risk at payment and risk at closure for the expenditure managed during the reporting year:

Estimated risk at payment and at closure (amounts in EUR million)

The full detailed version of the table is provided in annex 9.

DG FISMA	Payments made (2023;MEUR)	minus new prefinancing [plus retentions made] (in 2023;MEUR)	plus cleared prefinancing [minus retentions released and deductions of expenditure made by MS] (in 2023;MEUR)	Relevant expenditure (for 2023;MEUR)	Detected error rate or equivalent estimates	Estimated risk at payment (2023;MEUR)	Adjusted Average Recoveries and Corrections (adjusted ARC, %)	Estimated future corrections [and deductions] (for 2023;MEUR)	Estimated risk at Closure (2023;MEUR)
-1	-2	-3	-4	-5	-6	-7	-8	-9	-10
Procurement and administrative expenditure	8.71	0.00	0.00	8.71	0.50% - 0.50%	0.04 - 0.04	0.00% - 0.00%	0.00 - 0.00	0.04 - 0.04
Grants	10.25	- 7.61	7.02	9.67	1.80% - 1.80%	0.17 - 0.17	0.90% - 0.90%	0.09 - 0.09	0.09 - 0.09
Payments to the ESAs	52.61	- 52.61	48.50	48.50	0.00% - 0.00%	0.00 - 0.00	0.00% - 0.00%	0.00 - 0.00	0.00 - 0.00
DG total	71.58	- 60.22	55.52	66.88	Overall risk at payment in %	0.22 - 0.22 <i>(7) / (5)</i>	0.13% - 0.13%	0.09 - 0.09	0.13 - 0.13 <i>(10) / (5)</i>

The **estimated overall risk at payment** for 2023 expenditure, 0.33%, is the AOD's best conservative estimate of the amount of relevant expenditure during the year, not in conformity with the contractual and regulatory provisions applicable **at the time the payment was made**. This expenditure will subsequently be subject to ex-post controls and a proportion of the underlying errors will be detected and corrected in subsequent years, corresponding to the conservatively **estimated future corrections** for 2023 expenditure, 0.13%.

The difference between those two, results in the **estimated overall risk at closure** ⁽¹⁶⁾, of 0.2%. The decrease compared to 2022 (0.64%) is mainly due to the fact that as from this year the estimated error rate for the expenditure related to the payments to the ESAs has been set at 0% (as per corporate guidance) and not 0.5% as DG FISMA conservatively estimated in 2022.

For an overview at Commission level, the departments' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated in the Annual Management and Performance Report (AMPR).

6) Preventive and corrective measures

As mentioned above and as explained more in detail in Annex 6, DG FISMA has in place an effective mechanism for correcting errors, through ex-ante controls and ex-post checks, resulting in **preventive and corrective measures, amounting to EUR 0.404 million and EUR 0.427 million respectively** ⁽¹⁷⁾. This represents an **increase compared to last year** with EUR 0.157 million and EUR 0 million respectively. This is mainly explained by the increase of the amounts recovered following the on-the-spot checks (ex-posts) and an increase in the issuance of credit notes (following ex-ante controls).

Results of preventive measures		Results of corrective measures	
Ex-ante corrections of ineligible costs (grants)	EUR 46 666.57	Recoveries of ineligible contribution following on-the-spot checks	EUR 427 264 30
Credit notes (procurement)	EUR 357 536.69		

On the basis of the above, DG FISMA considers its ex-ante and ex-post controls are adequate to detect and correct errors, ensure the legality and regularity of its transactions and maintain a low residual error rate before the end of the multi-annual cycle of controls ⁽¹⁸⁾.

⁽¹⁶⁾ This is the AOD's best, conservative estimation of the expenditure authorised during the year that would remain not in conformity of applicable regulatory and contractual provisions by the end of implementation of the programme.
⁽¹⁷⁾ See also Table 8 of Annex 3 for more details.
⁽¹⁸⁾ DG FISMA only awards grant agreements to 5 beneficiaries each year. This allows to control each grant agreement on a multi-annual basis and therefore identify and correct the payments made on the basis of ineligible costs.

b) Fraud prevention, detection and correction & safeguarding information ⁽¹⁹⁾

DG FISMA has developed and implemented its own **anti-fraud strategy since 2020**, based on the methodology provided by OLAF. The anti-fraud strategy is updated every 3 years and was last updated in 2020 following a fraud risk assessment. Its implementation is being monitored and **reported to the management once a year**. All necessary actions have been implemented. A **new risk assessment has also been initiated in 2023** in view of the revision of the antifraud strategy of the DG in 2024.

Given the low value of DG FISMA's expenditure, the **exposure to fraud entailing financial risks is low**. However, DG FISMA continued its efforts to limit risks of fraud, even if only reputational.

DG FISMA contributed to the revised Commission anti-fraud strategy *Action Plan of July 2023*, notably to the action(s) related to the **training and raising awareness of staff** on professional ethics matters (ethics bulletins, annual quiz, newcomers' trainings, trainings of financial agents).

During the year the DG continued to enforce targeted controls such as: in-house annual **ethics declarations**, specific policy related to **financial interests held by staff**, mandatory **security clearance** for certain staff members and completed its annual **assessment of sensitive functions**. The DG also **checked for plagiarism** in final reports by using a dedicated IT tool.

DG FISMA kept strict controls in place to **protect sensitive information** and raised awareness of staff, for example on cybersecurity, and by monitoring and mapping the correct marking of sensitive documents. **High security standards were applied in daily IT development** (e.g. implementation of DG DIGIT's standards and technology, IT security plans, vulnerability assessments) ⁽²⁰⁾.

As a result of the above anti-fraud and security measures **DG FISMA did not detect any cases of violation of data integrity in IT systems** managed by DG FISMA. **No suspicious fraud cases** were notified to OLAF that did not open any investigation in relation to DG FISMA activities. The results of the annual quiz on ethics show a high level of staff awareness on major ethics topics relevant for the DG. **No disciplinary cases** were launched in 2023 due to professional ethics. **Two leaks of sensitive information** were detected but were related to information already shared with other DGs in the context of interservice consultation. DG FISMA also did not have **any financial recommendations from OLAF** to follow up in 2023.

⁽¹⁹⁾ These two internal control objectives are integrated into DG FISMA's antifraud strategy and reported jointly.

⁽²⁰⁾ See section 3.2 for more details.

On the basis of the available information, DG FISMA has reasonable assurance that the anti-fraud measures in place are effective.

2.1.2. Efficiency of controls

DG FISMA has achieved excellent results in 2023 by recording **high scores in all major financial performance indicators** (see Annex 4). This reflected the efforts deployed during the year to plan and monitor budget implementation, to ensure the timely payment of invoices and to ensure the quality of accounting.

Time-to-pay

Timely Payments	FISMA Score	EC Score
	100%	99%

As last year very **close to 100% of the total value of payments were made on time** in accordance with article 116.1 of the Financial Regulation. Only 1 payment out of 347 was executed late. The average net time to make a payment in DG FISMA was 15.2 days which is comparable to 2022 (14.8 days), 2021 (16.5) and 2020 (16.9).

Time for registration of invoices

99% of invoices were registered on time (only 3 invoices out of 363 were registered late). DG FISMA registered incoming invoices within an average time of 1.3 days confirming the positive results of 2022 (1.5 days), 2021 (2 days) and 2020 (1.6 days).

Time-to-award

Tenders for 3 open procedures were **awarded within an average of 188 days** from the invitation to tender to the award compared to 2022 (114 days), 2020 (136,5 days) and 2019 (139,7 days). This increase in average is due to procedural matters and does not reflect structural issues. 3 other open procedures were launched in 2023 and are under evaluation.

Since all beneficiaries of the five grants managed by DG FISMA are identified in a basic act, DG FISMA has no elements for reporting on time-to-inform or time-to-grant as required by the Financial Regulation for grants awarded through calls for proposals. However, all grants have been signed within an **average of only 73 days from the submission of a complete application**. All operating grants were signed within 4 months from the

beginning of the budgetary year of the beneficiaries as required by Article 193.4 of the financial regulation.

2.1.3. Economy of controls

The overall costs of controls related to all DG FISMA expenditure in both direct and indirect management corresponded to **2.6% of the payments made**. The overall costs of controls remain stable compared to 2022 (2.5%), 2021 (2.2%), 2020 (3%) and 2019 (2.9%) and below 5% of DG FISMA expenditure in line with the objectives established in the Management Plan.

Overall indicators					
Description	Type of expenditure	Year 2020	Year 2021	Year 2022	Year 2023
Total costs of controls/ value of payments made ⁽²¹⁾	Operational and administrative expenditure	3%	2.2%	2.5%	2.6%
	Only operational expenditure	2.3%	1.9%	2.1%	2.1%

Since 2021, DG FISMA also calculates the costs of controls linked to the protection of sensitive information and the security of its IT systems. These costs are estimated to be indicatively EUR 150 000 in 2023. These costs are not linked to expenditure.

2.1.4. Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results, DG FISMA has assessed the effectiveness, efficiency and economy of its control system and reached a positive conclusion on the cost-effectiveness of the controls for which it is responsible.

The **main drivers** that contribute to DG FISMA's cost of controls are linked to the basic checks done by staff on a **high number of low value transactions** (e.g. administrative expenditure and contracts with a relatively low value) and to the **preparation of procurement procedures** for studies, including drafting of tender specifications.

⁽²¹⁾ For the cost calculation of its overall indicator DG FISMA used as denominator the amount of total payments mentioned in table 2 of Annex 3 plus the amount of administrative expenditure paid by PMO and DG HR but for which controls are also taking place in DG FISMA (i.e. missions, external and expert group meetings, committee meetings, trainings). In the nominator the costs include not only costs of staff involved in financial management but also costs of staff carrying out horizontal tasks not attributable to direct management or indirect management specifically: budget and accounting, and - if linked to the policy or operational dimension of spending programmes - the costs of evaluations, internal control, antifraud, audits, financial procedures and strategic planning activities. For more detailed information on the calculation method used, refer to Annex 7.

The **costs of controls are low overall** compared to the total expenditure made but **higher in the areas** where the amounts concerned are often low but still require basic checks for each operation. Such basic checks, regardless of the value of the transactions made, cannot be reduced since they contribute to ensuring the legality and regularity of the transactions and sound financial management.

In 2023 DG FISMA continued to implement initiatives to improve efficiency in financial management for example by simplifying the payment workflows for IT expenditure.

2.2. Audit observations and recommendations

This section sets out the observations, opinions and conclusions reported by auditors – including the limited conclusion of the Internal Auditor on the state of internal control. Summaries of the management measures taken in response to the audit recommendations are also included, together with an assessment of the likely material impact of the findings on the achievement of the internal control objectives, and therefore on management's assurance.

DG FISMA had no new or pending overdue critical or very important recommendation from the IAS. Based on all work undertaken by the Internal Audit Service in the period 2019-2023 ⁽²²⁾ the IAS concluded that the internal control systems in place for the audited processes are effective.

DG FISMA has no new or pending overdue critical or very important recommendation from ECA's audit for which DG FISMA is *chef de file*. The remaining pending recommendations are not related to financial management or internal control and related to the following audits:

- SPECIAL REPORT No 22 2021 Sustainable finance: More consistent EU action needed to redirect finance towards sustainable investment.
- SPECIAL REPORT No 04 2022 Investment funds EU actions have not yet created a true single market benefiting investors.

2.3. Assessment of the effectiveness of internal control systems

The Commission has adopted an Internal Control Framework based on international good practice, to ensure the achievement of its policy and management objectives. Compliance with the internal control framework is a compulsory requirement.

DG FISMA uses the organisational structure and the internal control systems suited to achieving its policy and internal control objectives in accordance with the internal control

⁽²²⁾ Limited review on the implementation of the new internal control framework (2020).

principles and has due regard to the risks associated with the environment in which it operates.

DG FISMA has assessed its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall, but some improvements are needed as a minor deficiency was identified under principle 4 related to the capacity to recruit and retain specialised staff in certain areas. While this issue is mostly influenced by external factors on which DG FISMA has limited margins of manoeuvre, actions are being taken to mitigate to the extent possible the impact of this deficiency on DG FISMA operations.

The above deficiency is not critical or major and does not entail risks for the functioning of the internal control principle and component to which it is linked. It is balanced by many strengths, and its overall impact on DG FISMA control framework is minor. Actions are also already ongoing to rectify this deficiency. More details on the process related to the annual internal control assessment and overall functioning of DG FISMA internal control system are available in Annex 8.

2.4. Conclusions on the assurance

According to the information provided in the previous sections of this report:

- DG FISMA's **controls on financial operations** provide sufficient assurance that risks related to the legality and regularity of the operations are properly managed. Controls are sufficient and proportionate to the risks. They have allowed DG FISMA to correct errors ex-ante and maintain a low residual error rate at closure due to its multi-annual control strategy using on-the-spot checks.
- **No legal proceedings** were initiated by tenderers/contractors/beneficiaries and divergent views on a few cases were settled without leading to formal litigation cases.
- The **complaints received by the Ombudsman** in 2023 do not have an impact on the assurance. The **IAS's conclusion on the state of control for 2023** is positive. The European Court of Auditors did not raise observations on DG FISMA's financial management and internal control system.
- DG FISMA's **assessment of the presence and functioning of its internal control framework** was comprehensive and did not detect any deficiencies having an impact on assurance. The minor deficiencies identified were accompanied by adequate remedial measures.
- DG FISMA continued to implement its **antifraud strategy** to prevent, detect and correct fraud and irregularities, protect sensitive information and ensure a high level of staff awareness on their ethics obligations. No new IDOC case or OLAF case was opened in 2023.

- The **oversight on the ESAs** are proportionate and limited to DG FISMA's responsibilities in the ESAs' governance. They are sufficient and appropriate to ensure the legality and regularity of the transfer of the annual contribution to them and the effectiveness of the annual budget programming.
- The assessment of the elements above is corroborated when needed by **adequate evidence** (reports to managers or data extracted from IT tools), is **complete** and **comprehensive** and covers all budget areas of DG FISMA.
- Deficiencies and deviations from targets are transparently reported and explained and **no significant information has been omitted** from this report.

In conclusion, based on the elements reported above, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director-General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

2.5. Declaration of Assurance

I, the undersigned,

Director-General of DG FISMA

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view ⁽²³⁾.

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the work of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the institution.

Brussels, 27/03/2024

(e-signed)

John BERRIGAN

⁽²³⁾ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

3. MODERNISING THE ADMINISTRATION

3.1. Human resource management

In 2023, DG FISMA continued its efforts to deploy its resources as effectively as possible in support of the **priorities set out by the von der Leyen Commission**.

The staff of DG FISMA remained highly committed and continued to demonstrate extremely **high levels of both adaptability and efficiency during a period of great geopolitical change** which impacted the DG directly, in particular with the work related to sanctions and the energy crisis. Staff continued to deliver high quality work on numerous legislative proposals (as detailed in the previous section), on the ongoing negotiations with co-legislators, on the renewed focus on implementation and enforcement and the need to deal with new and at times unexpected workstreams.

The DG's efforts in 2023 aimed to ensure that human resources were matched as effectively as possible with priorities, to accompany staff in continuing to adapt to the "new normal" and to further improve collaborative work based on trust at all levels of our organisation. To enhance cohesion in the DG, including by actions aimed at improving internal communication and staff engagement, DG FISMA implemented various actions, as detailed below:

- In early 2023, **DG FISMA took stock of the DG's "Code of Conduct** – working in the new normal". Reflecting a survey done in 2023, it was decided not to amend it. The new ways of working are now well established within the DG.
- Throughout the year, at regular intervals, DG FISMA organised interactive **hybrid all-staff meetings** dealing with policy issues, human resources matters and topics concerning the working environment.
- DG FISMA continued to prioritise the **intranet as the main channel for internal communication**, updating it regularly with news items of interest to staff, publishing videos debriefing staff on recent policy developments and corporate developments.
- To ensure adequate **learning and development opportunities** for staff, DG FISMA focused on ongoing local learning and development actions including monthly financial services conferences with external speakers, 'digital talks' and 'knowledge hours' covering both issues related to specific work-related processes or knowledge but also topics aiming to broaden the financial services knowledge of staff. The knowledge hours recorded high attendance rates and showed the willingness of colleagues to share their knowledge and the interest of colleagues in deepening their know-how of general as well as highly technical financial services topics.
- DG FISMA continued to focus on the **successful integration of newcomers** and launched in the second half of 2023 the fully revamped newcomer training, adapted to the new working environment and responding in particular to the difficulties of

onboarding new staff in a hybrid environment. The newcomers package includes shorter but more interactive sessions than before, more in-person sessions to allow staff to develop networks, as well as tailored training maps.

- Alongside the training sessions dedicated to newcomers, DG FISMA maintained and promoted the **mentoring and buddy-on-the-job schemes**, which are important components of the induction programme. All newcomers were also systematically invited to an introductory meeting with the Director-General and his assistant.
- DG FISMA maintained various **networks among peers** (esp. AST professionalization, female talent initiatives, Heads of Unit policy group, etc.).

The DG continued to use its **matrix structure with work in project teams** complementing unit work when relevant. Work in project teams encourages open exchanges of ideas across units and teams in the DG, while improving the allocation of resources and the management of workload. Work in project teams was usefully complemented by weekly meetings of all heads of unit dedicated to key policy issues to ensure greater collaborative working.

Creating a Union of Equality is a priority of this Commission. In 2023, DG FISMA implemented various **actions to mainstream equality in its policy work and to ensure diversity and inclusion among its staff**. For its own staff, DG FISMA implemented actions to address gender balance seeking to improve women representation at management level, as well as ensuring balanced representation at all levels in the DG. Furthermore, DG FISMA also put in place actions targeted at all staff, aiming to raise awareness about equality, diversity and inclusion.

DG FISMA continued to ensure participation in female talent development programmes organised by the Commission at corporate level, as well as a more specific programme for more junior women organised by DG FISMA with other economic DGs – thus ensuring a solid pipeline of future female managers to draw from.

3.2. Digital transformation and information management

Digital transformation

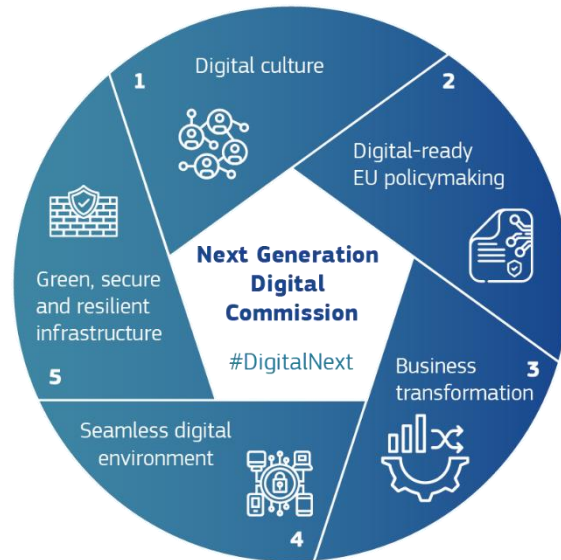
DG FISMA remains committed to advancing the goals outlined in the Commission's digital strategy ⁽²⁴⁾, with a multi-faceted approach. Firstly, efforts are underway to enhance digital skills and cultivate a digital mindset within the organization, facilitated by the increased utilization of collaborative tools (M365 and champions). Secondly, the integration of the digital dimension throughout the policy cycle, from design to reporting, is a priority, ensuring that digital considerations are embedded at every stage (Knowledge On European Legislation platform). Thirdly, there is a focus on automating business processes through the adoption of innovative technologies, including AI-based solutions such as the automatic classification of documents in the

Briefings And Speeches Information System (leveraging on eBriefing offering), to streamline operations and enhance efficiency. Moreover, DG FISMA is dedicated to strengthening corporate architecture, adhering to the dual pillar approach and promoting platform reusability (Corporate offerings like Briefing, Legislative Reporting Obligations, Lobby and Event Management), across departments for greater synergy. Lastly, a sustainable, secure, and resilient infrastructure is being pursued, with efforts to optimise environmental impact and make a transition towards a cloud-based infrastructure, thus aligning with broader environmental and technological objectives.

Information and IT security

DG FISMA continued its efforts to ensure the safety and security of its digital assets and reputation by taking further steps towards the **implementation of the corporate cybersecurity strategy**. In 2023 all existing risk assessments of its IT systems were migrated to a **newer platform** (GovSec.RM). A **new risk assessment and security plan** was delivered for the only IT system in its portfolio still without one (SFT). Two existing but outdated risk assessments were replaced with newer versions (for the Event Management Tool and the Knowledge On European Legislation platform). **Vulnerability reports** are produced for each IT system at every installation on Test/Production environment. This work, as well as the system of **attestation of compliance with the controls put in place by DIGIT** at the infrastructure level, allowed DG FISMA to score better than the

Figure 7. Strategic objectives of the digital strategy



Source: European Commission digital strategy

⁽²⁴⁾ C(2022) 4388 final.

Commission average for the first time in the 2023 Annual IT Security Risk Report (ITSRR). DG FISMA also did not record any security incidents in 2023 linked to breaches in its systems.

DG FISMA organised activities to raise awareness of staff on the **protection of sensitive information** including when using IT tools for co-authoring. The **use of security markings** while sharing information is also monitored regularly. DG FISMA was made aware of two leaks in 2023 in relation to information having already been shared at Commission's level during interservice consultations.

Information management

DG FISMA revised its internal **guidance on statistics and data, in order to implement the European Commission's data governance requirements**. DG FISMA applies these requirements to its key data assets. The information on the rules governing the acquisition and use of data, as well as on the databases subscribed to by DG FISMA and DG FISMA's data products, and the respective contact points, was updated and made easily accessible to all staff. An **introduction to data was offered to all newcomers**.

Data protection

In 2023, DG FISMA continued to implement the five objectives defined in the current **Commission's data protection action plan** ⁽²⁵⁾. No data breaches were reported in 2023.

Regarding the objective of **ensuring proper record-keeping**, DG FISMA is currently the owner of six processing records which are reviewed on an annual basis. The growing number of other DGs and EU agencies becoming a client of IT tools developed and maintained by DG FISMA further increased its activity in negotiating data protection internal arrangements with other services and institutions. This was also reflected in the review of processing records of 2023 which led to an updated version of two records. Other two updates of processing records are in progress.

Regarding the objective **empowerment of staff and awareness raising activities** more than a hundred staff members attended data protection trainings delivered by DG FISMA in 2023. Besides two trainings for newcomers' other awareness raising activities took place in 2022 such as the **celebration of the data protection day** which was an opportunity to remind all staff of the importance of personal data protection. The newly appointed Data Protection Coordinator was also presented by the Director General during an All-staff meeting. The DG also constantly promoted in its own intranet trainings organised at corporate level and available to all Commission staff.

Regarding the objective of **improving the relationship with citizens**, DG FISMA replied to 13 requests for access to personal data in 2013.

⁽²⁵⁾ C(2018)7432 final.

3.3. Sound environmental management

Figure 8. Building performance (last available results of 2022)



DG FISMA continued contributing to an environmentally friendly Commission by pursuing the objectives established in its Strategic Plan and the **Commission's action plan to become carbon neutral by 2030**. DG FISMA focused on activities on areas that have most impact in terms of CO2 emissions and on which the DG has margins of initiative beyond corporate decisions (staff travel, expert travel and building energy consumption).

To that end DG FISMA:

- Continued to implement the **corporate pledge on greening missions and expert travel**. The majority of **expert groups and committees' meetings** held in 2023 were held efficiently in virtual or hybrid mode.
- The **CO2 emissions from staff missions** are monitored on a yearly basis. The level of emissions is still **far below pre-COVID pandemic levels** even if the CO2 emissions increased in 2023 compared to 2022, namely due to the increase of long-distance missions to participate to in-person meetings organised by third countries' authorities or international organisations.
- Participated in the voluntary **closure of Commission buildings** during the summer and end of the year holidays to contribute to energy savings.

DG FISMA also joined **corporate actions** to promote sustainable commuting and circular economy projects which resulted in a significant participation of staff. Staff awareness raising actions were also organised for saving energy linked to electricity in the building.

3.4. Examples of economy and efficiency

DG FISMA extended the use of its **data infrastructure** to additional internal data products, which automated the production of the underlying tables and charts. Furthermore, DG FISMA has been developing and testing an **internal web-based solution to display policy-relevant data and statistics**, including locally produced indicators, in a user-friendly, interactive and customisable format.