

# Legal and Financial Status

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20/09/2023





# Grant Agreement Preparation (GAP)

The GAP process requires administrative & coordination efforts, so :



If you want to have your Proposal turned into a signed Grant Agreement quickly!

# Outline of the Presentation

## 1. Validation of Legal Entities

- Validation workflow
- Documents for validation
- The **L**egal **E**ntity **A**ppointed **R**epresentative (**LEAR**)

## 2. Financial Validation

- Financial Capacity Assessment
- Bank accounts

## 3. Mutual Insurance Mechanism

- Overview



# 1. Validation of Legal Entities

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Validation workflow and Documents  
The LEAR



Validation Process Overview

Registration

Organisations have to register in the Participant Register

Verification & validation of legal data

Based upon legal documents

LEAR

Mandatory for all validated participants

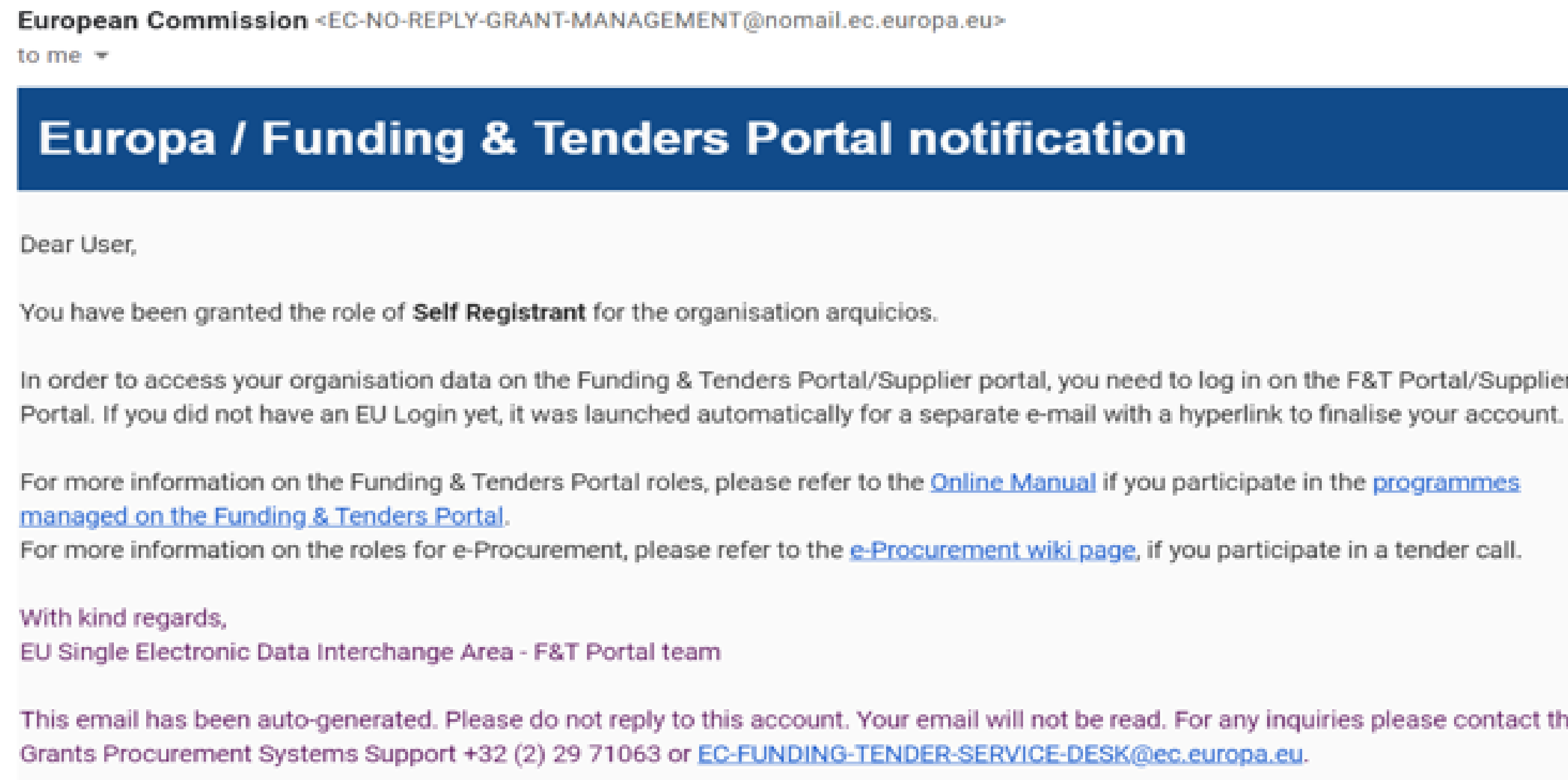
FCA

Financial Capacity Assessment if needed

COMMUNICATION VIA PARTICIPANT REGISTER

# Communication

- **All communication to -and from- participants is exclusively managed through the Participant Register**



- **Messages are notified via e-mail to the contact person (i.e. self-registrant or the appointed LEAR)**

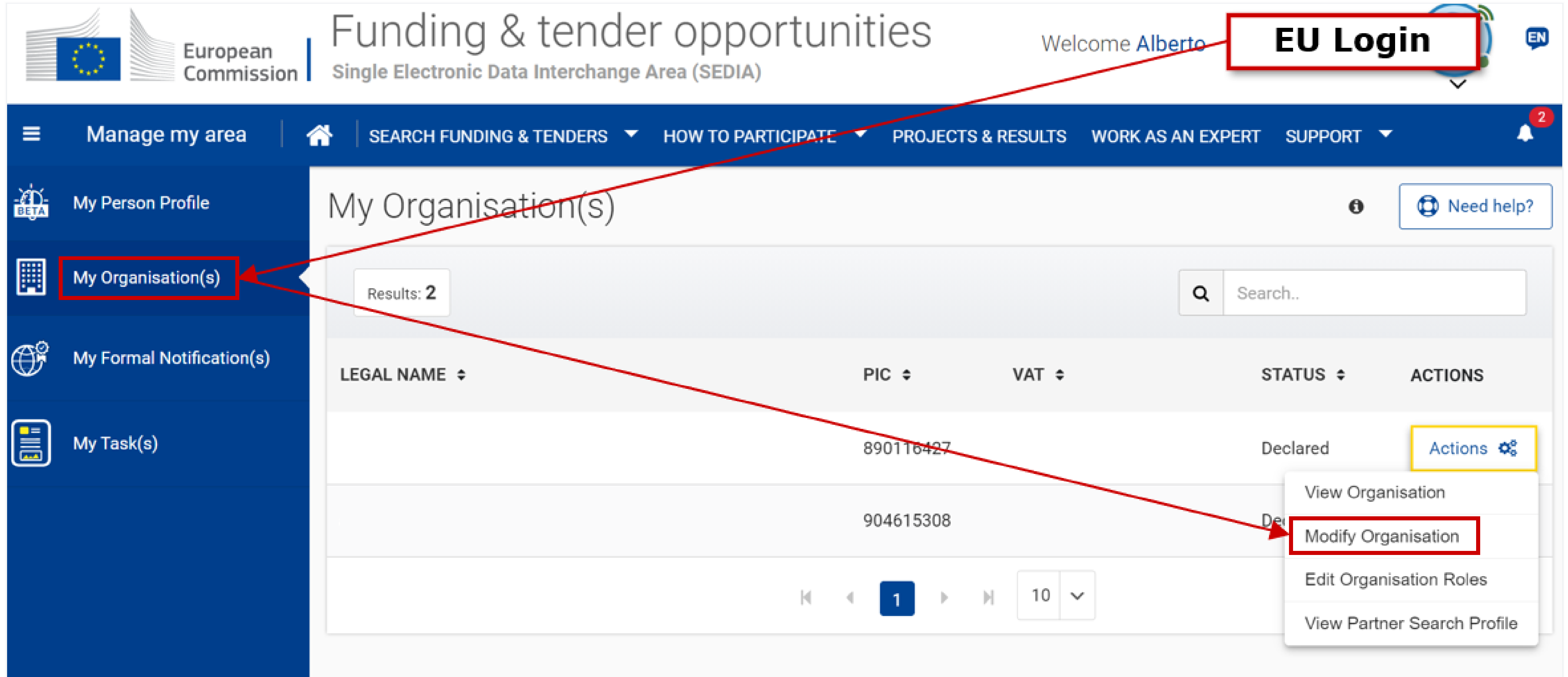




# Legal Validation

- Organizations need to self-register to get a PIC for the Proposal – “**Declared**” status
- Registration data is verified by the Validation Service before the signature of the GA – “**Validated**”
- The legal validation of a participant in the Register of the Single Electronic Data Interchange Area (SEDIA) is done only once at the 1-st Grant or Contract. Data is then reused for any award.
- Validation is required for all beneficiaries and affiliated entities
- Validation is always performed on the grounds of official supporting documents uploaded.
- Non-validated entities/partners will block the GA preparation & signature.
- As of 20/09/2023 ~ 7 % of the participants (17 out of 251 in all GAPs) are not yet validated
  - 1 Ongoing validations; 2 cases of documents requested, 14 non-responsive “sleeping” entities





The screenshot shows the 'Funding & tender opportunities' page of the Single Electronic Data Interchange Area (SEDIA). The user is logged in as 'Alberto'. The 'EU Login' button is highlighted with a red box. The 'My Organisation(s)' menu item in the left sidebar is also highlighted with a red box. The 'My Organisation(s)' page displays a table with two results. The 'Modify Organisation' option in the dropdown menu is highlighted with a red box.

European Commission | Funding & tender opportunities | Single Electronic Data Interchange Area (SEDIA) | Welcome Alberto | **EU Login**

Manage my area | SEARCH FUNDING & TENDERS | HOW TO PARTICIPATE | PROJECTS & RESULTS | WORK AS AN EXPERT | SUPPORT

My Person Profile | **My Organisation(s)** | My Formal Notification(s) | My Task(s)

My Organisation(s) | Results: 2 | Search..

LEGAL NAME	PIC	VAT	STATUS	ACTIONS
	890116427		Declared	<b>Actions</b>
	904615308		De	

- View Organisation
- Modify Organisation**
- Edit Organisation Roles
- View Partner Search Profile



Organisation Data
Legal Information
Authorised users / LEAR 🚩
Bank Accounts
Financial capacity





Messages
Documents 3
SME

+ New message


Messages

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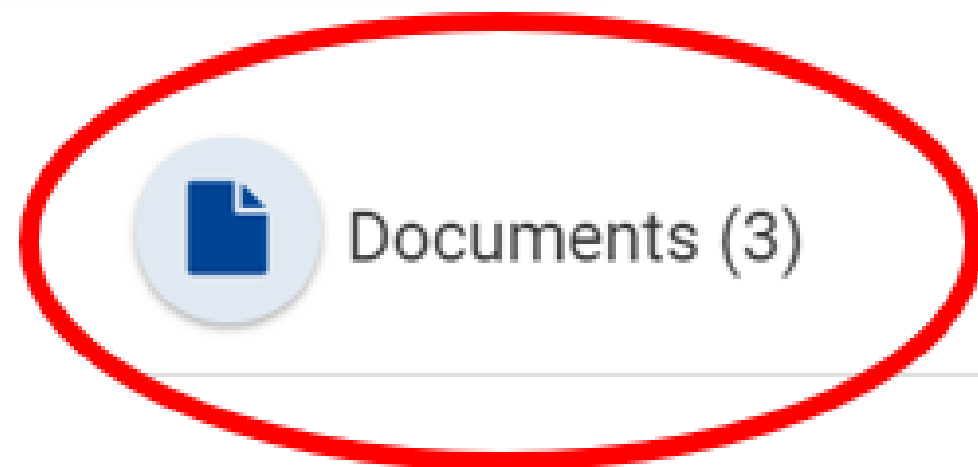
Read messages of your organisation and send messages to the EC ValidationServices.

Subject ↕	Message	Context ↕	Date ↕	Actions
 PIC No 904615308 - LEAR appointment - Supporting documents	Dear Participant, We understand that you have r...	Other	08/07/2021	<span style="border: 1px solid #007bff; border-radius: 5px; padding: 5px 15px; color: #007bff; text-decoration: none;">  View                 </span>
 PIC No 904615308 - Validation and LEAR appointment - Supporting documents	Dear Participant, Following the registration of...	Other	08/07/2021	<span style="border: 1px solid #007bff; border-radius: 5px; padding: 5px 15px; color: #007bff; text-decoration: none;">  View                 </span>

EUROPEAN PARTNERSHIP









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the European Union



Read and upload documents of your organisation. Please ensure their quality. Maximum allowed document size is 6Mb. Updates take immediate effect after you have clicked on "Submit for processing"


[+ Add new document](#)

Document type	Upload date	Status	Actions
 REGISTRATION DOCUMENT		REQUESTED	 Upload
 FEL FORM PRIVATE ENTITY		REQUESTED	 Upload
 STATUTES		REQUESTED	 Upload

- ✓ **Legal entity form** ([template](#) to be completed, dated, stamped and signed)
  - ✓ **VAT extract** (< 6 months). *If not registered for VAT – official proof of VAT exemption*
  - ✓ **Entity/ company Registration extract** (< 6 months) – for private law bodies
  - ✓ **Law/decreed/decision** – for public law bodies
  - ✓ **Treaty** – for international organisations
  - ✓ **Statutes** – for non-profit organisations
- ✓ **Official:** delivered by official national authorities. They can NOT be replaced by self-declarations or by sworn or solemn statements before a judicial or administrative authorities, notaries or public officers
  - ✓ **Uploaded by the participant** (as scanned versions) via the Participant Register
  - ✓ **In any of the official EU languages.** Free translation in English is required for non EU languages



## Legal Entity **Appointed** Representative ( LEAR)

- ✓ **The nomination & validation of a Legal Entity Appointed Representative (LEAR) for the organization is mandatory** : without LEAR the organization cannot sign a Grant Agreement.
- ✓ **The Role of the LEAR is to**
  - Notify the EU of any changes in legal data/status of the organization;
  - Submit (upload) documents related to the Financial Capacity Assessment, if FCA required.
  - Nominate/update in the Participant Portal the legal representatives & signatories (L-Signs)
  - Nominate/update the Financial signatories (F-Signs) to submit financial reports
- ✓ **LEAR Nomination** can run in parallel with Entity validation, as per REA request for both. 
- ✓ Absence of LEAR will block GA preparation & signature, so give priority to LEAR nomination !
- ✓ As of 20/09/2023 ~ 10% LEARs (for 26 out of 251 participants ) are not yet validated :
  - 3 Ongoing; 10 cases of documents requested, 13 non-responsive “sleeping” entities

Manage my area | SEARCH FUNDING & TENDERS | HOW TO PARTICIPATE | PROJECTS & RESULTS | WORK AS AN EXPERT | SUPPORT

My Person Profile | My Organisation(s) | My Formal Notification(s) | My Task(s)

PIC 904615308

Need help?

Organisation Data | Legal Information | **Authorized users / LEAR** | Bank Accounts | Financial capacity

Messages | Documents 3 | SME

Manage roles

Authorized Users

First name	Last name	Role	E-mail
Alberto		Self Registrant	
Alina		Self Registrant	

## LEAR

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Your organisation must now nominate a [Legal Entity Appointed Representative \(Legal Entity Appointed Representative, LEAR\)](#). Click the 'Add LEAR' button to provide the LEAR data and generate the documents to be printed and signed. Once signed, scan them and upload them along with the rest of supporting documents (copies of IDs for the LEAR and the organisation's legal representative appointing it, and the documents substantiating the empowerment of the latter). Once all necessary documents are uploaded, you will be able to 'Send LEAR for validation'. You will need to keep the original signed documents at your premises, in case of future audits or controls.





# How to appoint a LEAR



The values to be entered must correspond to the LEAR's [EU Login](#). An automatic check will be made to verify if the LEAR has an EU Login based on the declared values. If the EU Login is not recognised, you will be unable to enter the remaining LEAR data. However, the LEAR will be invited to create his/her account upon your confirmation. If the EU Login exists, you will be able to enter the remaining data required. Please enter the first name and last name exactly as written in the identification document you will provide for validation.

Professional email \*  509

First name \*  139

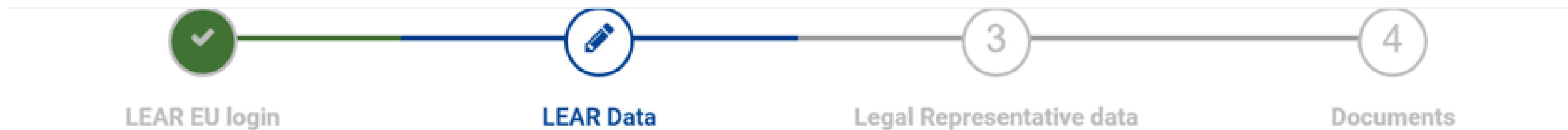
Last name \*  139

✕ Close

Next

# How to appoint a LEAR

## LEAR Data



In order to reduce the chance of error and speed the validation process, the LEAR appointment documents will be created using the data input. The activation of the LEAR account requires a PIN code that will be sent to the LEAR upon completion of the validation process. If you provide the LEAR's mobile phone number this PIN code will be sent by SMS, avoiding delays and other problems of postal delivery. It is therefore recommended to provide a mobile phone number, which will be used exclusively for this purpose.

Professional email

First name **Alina**

Last name |

Mobile phone ⓘ

Expected format: +CCNXXXXXXXXXXXXXXXXxBBBBB

30

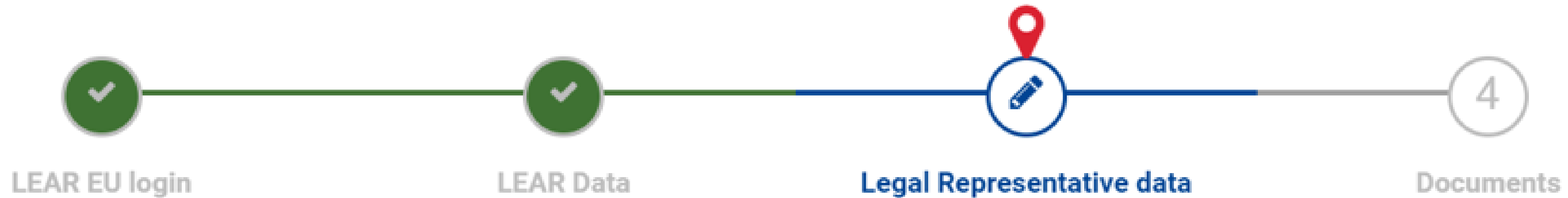
I do not want to give a mobile phone number to receive the PIN

Copy the organisation's contact details

**Mobile phone number to receive PIN code**

# How to appoint a LEAR ( by a Legal Representative)

## Legal Representative data



The LEAR must be appointed by the legal representative of the organisation (this could be, for example, the CEO of the company, the [vice]rector of the university..., always in accordance with the statutes of your organisation). Below you can enter his/her name and role and in the documents section (next step) you will be asked to also upload the documents confirming their identity and legal empowerment. Please enter the first name and last name **exactly** as written in the identification document you will provide for validation.

Legal Representative same as the LEAR

Yes  No

Title

Title 40

First name \*

Alina 134







Last name \*

130  
120



## How to appoint a LEAR ( documents to upload)

### Documents

Document Type	Document generated	Description	Scanned and uploaded documents	Status
LEAR Appointment Documents		Official "LEAR appointment letter" to be signed by Legal Representative and "Roles and Duties of LEARs" to be signed by both Legal Representative and LEAR.		
Declaration of consent to the terms of use of the F&T EES		Declaration of consent to the terms of use of the Participant Portal electronic exchange system, signed by the legal representative.		
Legal Representative authorisation		Document(s) proving that the legal representative(s) appointing the LEAR is/are empowered as such, which must clearly indicate the role/function within the organisation as legal representative(s) and identify and appoint a specific person (by indicating his/her personal data) as the person covering that specific role/function		
LEAR identity document		Official valid proof of identity (ID-card, Passport) carrying a photo and signature of the proposed LEAR		

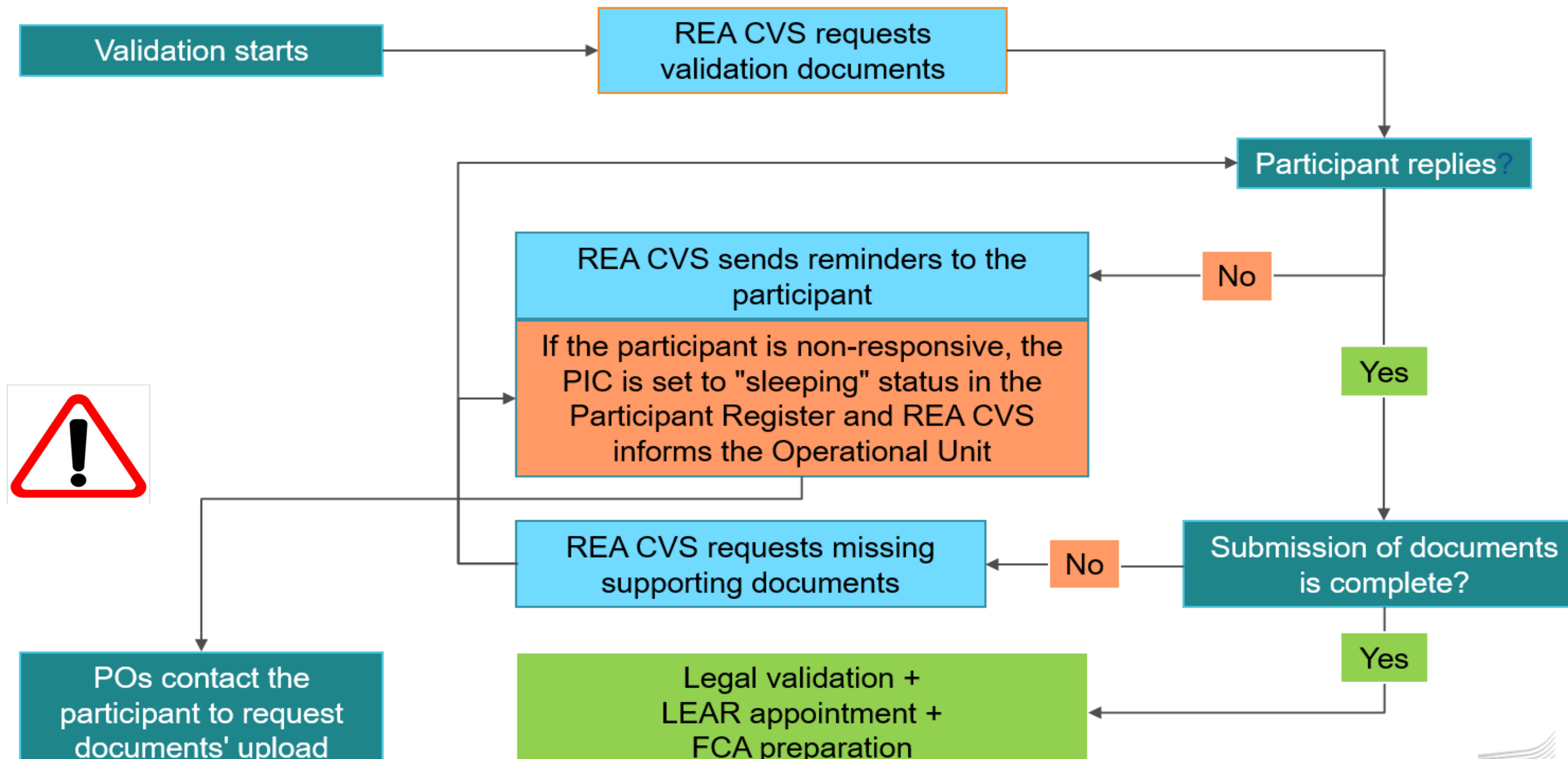
## Access Lost to Non-valid / Valid PICs

- In case the self-registrant person left the organization, and no one has access to a **non-valid PIC**
  - ==> a new PIC needs to be created and REA CVS informed
- If the LEAR is not available anymore, and there are no Account Administrators for a **valid PIC**, a new LEAR needs to be appointed
  - ==> use the **LEAR recovery** procedure.

<https://ec.europa.eu/research/participants/urf/lear-recovery/request/>

# Validation Workflow

## Central Validation Service workflow





## 2. Financial Validation

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**Financial Capacity Assessment**  
**Bank Accounts**





## The 4 steps of the Financial Capacity Assessment (FCA):

1. Legal entities subject to a mandatory verification of their financial capacity are identified

2. Requests from Validation team - for the Legal entities to provide (if not already available) their latest financial information and relevant supporting documents. Then, this information is verified by the validation services.

3. Required documents


4. Results

## Legal Entities subject to Financial Capacity Assessment

EU Financial Regulation: *Participants in EU grants must have sufficient financial capacity to implement their project.*

Financial capacity of Coordinators to be verified if **Requested** funding  $\geq$  **EUR 500,000** unless COO is:


- a Public body; or
- a Higher or secondary education establishment; or
- a Legal entity whose financial capacity is guaranteed by a Member State or an associated country.

 Regardless of your role in project: if there are **doubts** on the financial capacity of one applicant (e.g. indication of weak financial capacity from other projects/sources, involvement in cases of serious administrative errors or fraud, overdue recovery orders, etc) => **FCA**

If the FCA must be checked, the entity will be contacted by Validation Service via its PIC account in the Participant Register

# Requests by Validation Team

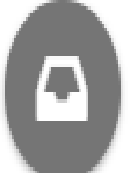
PIC 890116427

Organisation Data   Legal Information   Authorised users / LEAR   Bank Accounts   Financial capacity  **Messages 1**   Documents   SME

[+ New message](#)

Messages


Read messages of your organisation and send messages to the EC ValidationServices.


Subject ↕	Message	Context ↕	Date ↕	Actions
 * Financial capacity assessment - Request for documents	Dear Participant, Following your recent a...	Financial capacity assessment	06/07/2021	<a href="#">View</a>

« 1 »

# Requests by Validation Team

PIC 890116427

Organisation Data	Legal Information	Authorised users / LEAR	Bank Accounts	<b>Financial capacity</b> 	Messages <b>1</b>	Documents	SME
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You might be requested to provide additional financial information. In this case you are asked to upload your financial statements containing the balance sheet, the profit & loss account, the corresponding explanatory notes and, under certain conditions, an audit report issued by a certified external auditor or a self-declaration on the validity of the accounts, signed by your legal representative, the template for which is available [here](#).

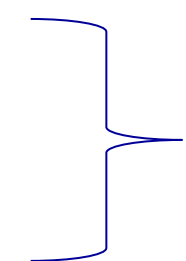
The financial statements must cover the last two most recent closed years. Note that, once uploaded, the financial statements for an accounting year with a closure date on or before 30 June will be displayed by the IT systems as related to the prior calendar year. [Find out more](#).

Closing date	Status	Actions
	Data Required	<b>Provide necessary financial information</b>



## Documents Required

- ✓ Balance sheet
- ✓ Profit and loss account



**For the 2 most recent closed and approved financial years**  
(in official language, dated and signed)

✓ Newly established entities / start-ups:

- No closed accounts => Business Plan/document with financial projections for 1 year
- Closed accounts for 1 year => FCA assessment based on that sole year.

- ✓ External audit report (or signed self-declaration) if requested EU-contribution exceeds € 750.000 (art. 196 EU FR).
- ✓ Explanatory notes + annexes that are part of the Financial Statements (if available).

**Once completed, the assessment is valid for 18 months from the closing date of most recent assessed accounting period**

## Results from Financial Capacity Assessment & Protective Measures

If the result is **positive** (Good or Acceptable) => You can be the Coordinator

If the result is **negative** (Weak or Insufficient) **and** poses a risk for the project =>

Possible measures:

- Lower the prefinancing
  - Replace the Coordinator
  - Request joint and several liability of affiliated entities
- 
- *Fyi:* You can check your financial capacity even during submission, or in GAP:  
: <https://ec.europa.eu/research/participants/lfv/lfvSimulation.do>

## Bank Accounts



- During GAP, coordinators can search for **available & validated** bank account(s) (BA) - to be used for the new project.
- If **no validated BA** exists, or you want to **use another BA**, the system displays an explanatory message on how to request the validation of a BA.
- Coordinators start the BA workflow by uploading the requested documents in Register
- Validation Service launch BA validation and will inform the Coordinator once validated

**Recommendation: ensure the bank account is in EURO!**

- Avoid currency exchange costs charged by the bank
- Risk payment is returned back



# Bank Accounts

Organisation Data	Legal Information	Authorised users / LEAR 	<b>Bank Accounts</b>	Financial capacity
Messages	Documents 	SME		



## Bank Account

Account number (IBAN or national account number), account name and bank name **must** clearly appear on the supporting document you will provide later in the process and **must** correspond. Please note that you should **always** use the IBAN if this is available.

### Bank Account

Bank account registered in \*



### 3. Mutual Insurance Mechanism (ex-Guarantee Fund FP7/H2020)

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## Mutual Insurance Mechanism (MIM)

**Insurance for beneficiaries as security against payment issues. Protects EU financial interest.**

- The beneficiaries' liability towards Clean Hydrogen JU is limited to their own debts.
- Settlement of financial disputes between beneficiaries requires internal solution within consortium.

### ✓ Intervention during Ongoing project:

Beneficiary withdraws from the Grant **AND** does not/ is unable to repay the excess amount received  
-> MIM intervenes to repay the debt of the terminated beneficiary.

### ✓ Intervention After the end of the project:

JU Recovery Order remains unpaid, so MIM intervenes to transfer the amount owed to the JU.



## Mutual Insurance Mechanism (MIM)

- ✓ 5% of max.GA amount retained at prefinancing payment -> released at final payment of balance
- ✓ MIM = internal fund that covers the risk of non-repayment by all beneficiaries
- ✓ The MIM Fund belongs to all beneficiaries, is kept by the European Investment Bank and is managed by European Commission (DG ECFIN invests funds on the financial markets)



# Resources currently accessible for projects:

[Rules on Legal Entity Validation, LEAR Appointment and Financial Capacity Assessment](#)

[Funding and Tenders Opportunities Online Portal](#)

[Support - Online manual](#)

[Support - IT How to](#)

## Reference documents

The page reference documents of the programmes managed on the EU Funding & Tenders Portal including legal documents, work programmes, model grant agreements and guides for specific actions.

## Online Manual

Step-by-step online guide through the Portal processes from proposal preparation and submission to reporting on your on-going project. Valid for all 2021-2027 programmes.

## H2020 Online Manual

Step-by-step online guide through the Portal processes from proposal preparation and submission to reporting on your on-going project. Only valid for Horizon 2020.

## IT How to

IT support guide with step-by-step walkthroughs and videos.

## Glossary

A list of funding and tender definitions.



# Good luck with your GAP!



MIND THE GAP

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