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INFORMATION

From: To:	General Secretariat of the Council Budget Committee
Subject:	Financial Regulation (recast): COM non-paper on the possibility of granting a budgetary guarantee in a currency other than the euro

Following MS questions at the BC on 24/01, delegations will find attached a Commission's non-paper on the possibility of granting a budgetary guarantee in a currency other than the euro.

Financial Regulation recast - possibility of granting a budgetary guarantee in a currency other than the euro[1]

Several delegations have asked at the Council's Budget Committee whether changes in the relevant Union basic acts would be sufficient to allow granting budgetary guarantees in currencies other than the euro.

1. General legal framework under the Financial Regulation

Article 19 of the Financial Regulation provides that the budget is drawn up and implemented in euro. Moreover, the principle of sound financial management requires the Commission not to expose the Union budget to (difficult to forecast) exchange rate risks.

In relation to the implementation of the Union budget through budgetary guarantees the Financial Regulation provides that:

- The amount of a budgetary guarantee authorised by the basic act is the maximum amount of the financial liability and payments from the Union budget (which is drawn up and implemented in euro) - see Article 214(1)(b) of the recast proposal
- The sum of the amounts of the individual guarantee agreements signed by the Commission cannot exceed the amount of the total budgetary guarantee authorised in the basic act (see Article 223(5) of the recast proposal, which provides that the granting of the budgetary guarantee is subject to the entry into force of the guarantee agreement).

Accordingly, each of the guarantee agreements signed by the Commission "consumes" part of the budgetary guarantee authorised (in euro) in the basic act. This implies that the financial liability of the Union towards an implementing partner is limited to the amount of the guarantee signed between the Commission and the implementing partner (in euro).

2. A guarantee agreement in another currency with a cap in euro

The Commission can sign a guarantee agreement in the currency of a Member State other than the euro, but **there must always be a cap in euro** to the overall value of the guarantee available to the implementing partner[2].

As explained above, without such a cap in euro, the Commission would not be able to ensure compliance with the global limit of the budgetary guarantee, which is set in euro. Therefore, the solution (already reflected in the sectoral legislation) is to design a guarantee agreement in such a way that the amount of the guarantee granted (or at least capped in euro) covers both the credit risk and currency risk borne by the implementing partner.

[1] This document is a non-paper prepared by the responsible Commission departments to facilitate the decision making process.

[2] For instance, such a cap in euro is currently negotiated between the Commission and the Polish national promotional bank BGK, while the amount of the guarantee will be granted in zloty (PLN) and cash flows will take place also in PLN.