



## **EU Funding & Tenders**

# Rules for Legal Entity Validation, LEAR Appointment and Financial Capacity Assessment

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### **IMPORTANT NOTICE**

This guidance document sets out the rules for the **central validation of entities** participating in **EU funding/tenders** managed through the EU Funding & Tenders Portal.

It sets out the procedures which the **EU Central Validation Service** (hosted within the European Research Executive Agency, REA) will use for the tasks conferred in this context, notably, the legal entity validation and LEAR appointment.

In addition, the Central Validation Service has also been mandated to help the EU services with and some ancillary tasks to assist the EU granting authority/contracting authority services, such as preparation of the financial capacity assessment, ownership control assessment, etc.

### **Help**

In case of doubt, please refer to the EN version (original).

If you have general enquiries on the validation process for organisations not having a Participant Identification Code (PIC), please contact the [Research Enquiry Service](#) ([europa.eu](http://europa.eu)).

<b>HISTORY OF CHANGES</b>		
<b>Version</b>	<b>Publication Date</b>	<b>Change</b>
<a href="#">1.0</a>	06.02.2018	<ul style="list-style-type: none"> <li>▪ Initial version.</li> </ul>
<a href="#">2.0</a>	06.11.2018	<ul style="list-style-type: none"> <li>▪ Self-declaration on validity of the accounts added.</li> <li>▪ Changes to explanations for NGOs and research organisation status.</li> <li>▪ New rules for LEAR appointment (requirement to be employed by the participant).</li> <li>▪ Language regime for financial supporting documents.</li> <li>▪ Update to the new Financial Regulation and EU Funding and Tenders Portal.</li> </ul>
<a href="#">3.0</a>	24.08.2020	<ul style="list-style-type: none"> <li>▪ Update guidance in the 'Important Notice' box.</li> <li>▪ Update to the new policy on protection of individuals with regard to the processing of personal data by the European Union institutions.</li> <li>▪ Clarifications on the notion of 'foreign companies', 'private law bodies with a public service mission'.</li> <li>▪ Update to the fines and sanctions in case of irregularities or false declarations.</li> <li>▪ Enlargement of the notion of 'State services' that are part of the administration of the State.</li> <li>▪ New rules in accordance with the SME Recommendation (e.g. the 'two year rule').</li> <li>▪ Adoption of a unique and corporate definition of 'International organisation'.</li> <li>▪ Clarification of the role of LEAR for natural person.</li> <li>▪ Clarification of rules of entities covered by a guarantor and financial documents for a natural person.</li> </ul>
<a href="#">4.0</a>	01.01.2022	<ul style="list-style-type: none"> <li>▪ Language disclaimer.</li> <li>▪ Update to new MFF (2021-2027).</li> <li>▪ Clarification of the definition of specialised entities set up by international organisations (with/without legal personality).</li> <li>▪ Exception for the validation of Common Foreign Security Policy missions set up by the Council of the European Union.</li> <li>▪ New special legal status for mid-capitalisation enterprises (mid-cap).</li> <li>▪ New subtype legal statuses for international organisations, namely 'International European Research Organisations for Horizon Europe' (HE IERO) and 'International Organisations of European Interest for Digital Europe' (DEP IOEI);</li> <li>▪ Update to definition of 'research organisation'.</li> <li>▪ Update to self-declaration of 'secondary or higher education establishment'.</li> <li>▪ New section on ownership control assessment.</li> </ul>
5.0	01.02.2024	<ul style="list-style-type: none"> <li>▪ Drafting changes and clarifications in all sections. Revision of numbering, background and introduction.</li> <li>▪ NGO definition adapted to new Financial Regulation.</li> <li>▪ Updates regarding required documents.</li> <li>▪ VAT document/exemption not older than one (1) year (instead of six (6) months).</li> <li>▪ LEAR appointment letter and declaration of consent to EES merged.</li> <li>▪ Simplification of the rule regarding proof of legal representative</li> </ul>

		empowerment in the context of LEAR appointment. <ul style="list-style-type: none"><li>▪ Complete revision of section on ownership control.</li></ul>

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## 1. Introduction

In order to receive **EU funding/tenders** (i.e. grants, procurements, prizes, contribution agreements, etc), applicants need to fulfill a certain number of conditions which must be checked before any funding can be awarded to them.

Some of these checks are done centrally by the **EU Central Validation Service** through the Funding & Tenders Portal Participant Register, set up in accordance with Articles 128 and 147 of the EU Financial Regulation [2018/1046](#)<sup>1</sup> as central repository and electronic data interchange area for participants.

This guidance sets out the rules that the Central Validation Service will use for these checks. They currently cover:

- legal entity validation (also called 'PIC validation')
- LEAR appointment
- collecting the financial information for the financial capacity assessment (also called 'FCA')
- ownership control assessment (also called 'OCA').

For these checks, the participants will be contacted directly by the Central Validation Service and asked to submit the necessary information and supporting documents via the [Participant Register](#). This happens normally during preparation of the first grant, procurement, prize or contribution agreement that successfully passed the evaluation stage, but can also occur later during subsequent applications or in case of changes.

All data and documents will be treated as confidential.

Personal data will be handled in accordance with Regulation [2018/1725](#)<sup>2</sup> to ensure compliance with the principles of transparency, proportionality, impartiality and legality. For the details, please refer to the [Funding & Tenders Portal Privacy Statement](#) (available on Portal > Legal Notices).

## 2. Legal entity validation

### 2.1. Legal entity validation and specific legal statuses: Criteria and conditions

One of the main tasks of the Central Validation Service is the validation of new legal entities applying for EU grants, procurements, prizes and contribution agreements.

Legal entity validation is a requirement under the [Financial Regulation](#). It serves to ensure that only verified entities can enter into financial relations with the EU and to avoid legally invalid contracts.

Legal entity validation is needed only once, to get the legal entity information and

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<sup>1</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

<sup>2</sup> Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC (OJ L 295, 21.11.2018, p. 39).

participant identification code (PIC) validated. Once validated, the participants can enter into financial relations with the EU and use the PIC for all EU actions managed through the Funding & Tenders Portal. The PIC will be valid for all ongoing application procedures and signature in the system, but also for any type of EU funding in the future – without having to re-register or be re-validated.

This is why the standards for PIC validation are applied consistently, independently of the specific call/application/tender procedure that triggers the validation. The same criteria and checks are applied for grants, procurements, prizes, contribution agreements, etc, as well as for low and high value contracts.

The validation comprises two distinct actions: (a) the verification that the participant exists as legal entity capable of entering into financial relations with the EU, including correctness of the participant's legal data (legal form, address, etc) and (b) the verification of certain specific legal statuses that are used in EU funding programmes and recorded centrally in the Participant Register.

### 2.1.1 Legal entity validation

'Legal entity' means a natural person or an entity created and recognised by law as a legal person. It must have legal personality and, acting on its own account and in its own name, be able to exercise rights and be subject to obligations.

#### Specific cases

❖ **Natural persons** (including self-employed persons; *see below*) – Are by default considered as being legal entities. However, the Central Validation Service will refuse validation of persons that cannot legally enter into contractual relations with the EU (*e.g. persons under age*).

❖ **Branches** – Are not regarded as legal entities, since they do not have legal personality distinct from that of their mother-company. The fact that they are registered in national official registers is not relevant. It will be their mother-company that will be considered as legal entity for the purposes of the legal entity validation in the Participant Register. The same applies to branches established in a different country or branches of entities such as non-profit organisations, NGOs, etc.

❖ **Foreign companies** (*company establishments which are registered with a special status in the official register, e.g. 'société de droit étranger'*) – Will not be regarded as legal entities, since they do not have legal personality distinct from that of their mother-company. It will be their mother-company that will be considered as legal entity for the purposes of the legal entity validation in the Participant Register (the one registered in the country of incorporation).

❖ **Entities set-up within (or under) a parent organisation** (*such as departments/centers/offices, without legal personality, despite having administrative or budgetary autonomy, own VAT number/fiscal code/number of registration, etc*) – Cannot be regarded as legal entities and are considered as belonging to their parent-organisation. It will be their parent organisation that will be considered as legal entity for the purposes of the legal entity validation in the Participant Register.

### 2.1.2 Exception: Validation of private entities without legal personality

By way of exception, the [Financial Regulation](#) allows for certain 'entities without legal personality' to be eligible for EU grants. Such entities can therefore be validated in the Participant Register, provided they meet the conditions set out in Article 197(2)(c) of this Regulation:

- their representatives have the capacity to undertake legal obligations on behalf of the entity

and

- the entity offers equivalent guarantees for the protection of the EU financial interests as a legal person, in particular equivalent financial and operational capacity (*— both conditions must be fulfilled*).

This exception aims at private entities, i.e. associations or similar entities with permanent structures (*secretariat, management board, assembly, etc.*) that have their own activities, but just lack formal legal personality.


Concerning the first condition, the entity must prove its representatives' capacity to undertake legal obligations on its behalf. This condition is not met when the obligations are assumed on behalf of the representatives themselves or on behalf of the owner(s) of the entity.

Concerning the second condition, the entity must prove the following elements:

- existence of patrimony/assets/capital separated and different from those of its members/owners

and

- rules ensuring that creditors can rely on such patrimony/assets/capital and that, in case of liquidation/insolvency, creditors are reimbursed prior to the repartition of the patrimony/assets/capital among the owners/members (*— both conditions must be fulfilled and proved by supporting documents*).

 This exception only applies for participation in EU grants; entities without legal personality cannot participate in EU tenders.

### **2.1.3 Exception: Validation of ministries, specialised entities of IOs and certain EU bodies**

By way of exception, the Central Validation Service will also accept the following public entities without legal personality to be validated in the Participant Register:

- the **EU Joint Research Centre (JRC)** (explicitly declared eligible by Articles 176(2) and 197(4) of the [Financial Regulation](#))
- **ministries**, executive services which are part of the public administration of a (central or federated) State and directly linked to the government and other services which are part of the legislative or judicial administration, in accordance with the official organisation of the State
- **assimilated international organisations** referred to in Article 156(2) of the [Financial Regulation](#)
- **specialised entities** set up by international organisations, that lack legal personality
- **Common Foreign Security Policy (CFSP) missions** and **EU special representatives** set up by the Council of the European Union.

Departments/directorates/units/offices and other entities set up within a Ministry (or within an executive or other service) without legal personality are considered as part of the same Ministry (or service) and cannot be considered as independent legal



entities (*e.g. schools, libraries, etc*). They will have to use the PIC of their parent organisation to participate in EU grants, procurements, prizes, etc.

#### **2.1.4 Specific legal statuses**

In addition, the validation covers the following specific legal statuses that are used in certain EU funding programmes:

- private entity or public body
- non-profit or for profit organisation
- small or medium sized enterprise (SME)
- middle-capitalisation enterprise (mid-cap)
- non-governmental organisation (NGO)
- civil society organisation (CSO)
- international organisation (IO)
- research organisation
- secondary or higher education establishment.

An entity may be categorised in more than one of these legal statuses (*i.e. non-profit, public body, research organisation, international organisation, etc.*).

The practical relevance of these statuses (and what happens if they change) is established at the level of the different funding programmes, and sometimes even at the level of the call for proposals/call for tender.

Moreover, not all of these statuses are systematically checked and validated by the Central Validation Service. Some of them are self-declarations or self-assessments. This means that the participants are solely responsible for the correctness of the information they provide (in the self-declaration/self-assessment).

The Central Validation Service may however — at any time — carry out checks on self-declared/self-assessed statuses against supporting documents and ask for clarifications.

 In case of false declarations, the EU services may:

- withdraw and correct the validated status(es)
- terminate/withdraw on-going grants, procurements, prizes, contribution agreements, etc (and recover any undue amounts)
- impose financial penalties or administrative sanctions, including exclusion from future EU funding (grants, procurements, prizes, contribution agreements, etc.; see *Articles 135 to 145 of the [Financial Regulation](#)*)
- inform the European Anti-Fraud Office (OLAF).

#### **Private entity or public body**

'Private entity' means an entity established under private law.

'Public body' means an entity established as a public body by national law, or an

international organisation.

‘Established as a public body by national law’ means:

- incorporated as a public body in the act of creation or recognised as a public body by national law

and

- governed by public law (*— both conditions must be fulfilled*).

Criteria such as:

- mission or activity in the general interest (public service mission)
- the fact that the shares are owned by a public body (even if ownership reaches up to 100% of the share capital)
- public financing
- state supervision and control

do NOT constitute sufficient evidence to qualify an entity as a public body, if the above two conditions are not met.

Public bodies may however act and be subject to private law for some or most of their activities, provided that, concerning their existence and their functioning, they are subject to public law.

The two statuses (private entity and public body) are mutually exclusive, meaning that you can only be validated as one or the other.

They are systematically checked against supporting documents and validated by the Central Validation Service.

#### Specific cases

❖ **Self-employed persons** (*persons who perform an activity independently and with their own means, such as craftsmen and individuals exercising liberal, industrial and commercial professions*) — Are regarded as ‘natural persons’, not as ‘private entities’; the business/profession/activity they perform is not provided with independent legal personality different from that of the person.

❖ **Private law bodies with a public service mission<sup>3</sup>** — A legal entity incorporated under private law/private legal form is not considered to be a public body even if owned by the State/other public bodies and/or pursuing a public service mission.

#### **Non-profit**

‘Non-profit entity’ means an entity that is non-profit making by its legal form or legal purpose (*e.g. charitable organisations*), or that has a legal or statutory obligation not to distribute profits to its shareholders or members.

All profits have to be reinvested in the same activity of the entity.

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<sup>3</sup> Article 62(1)(c)(vi) of Financial Regulation 2018/1046.

Decisions on (not) distributing profits made by the managing board, associates, stakeholders, members, or representatives and/or practices adopted by the entity to not distribute profits and/or the absence of profits achieved are not sufficient proof of the non-profit nature. The obligation not to distribute profits and/or the impossibility to distribute profits must be based on law and/or the act of establishment/articles of association/statutes, etc.

Whether the owners/founders of the entity are non-profit and whether the profits are allocated to non-profit (or for profit) entities is irrelevant.

This status is systematically checked against supporting documents and validated by the Central Validation Service.

### Specific cases

❖ **Public bodies** — Are in principle regarded as non-profit *by default*.

❖ **Non-governmental organisations (NGOs)** — The classification as 'non-governmental organisation (NGO)' is not relevant for the non-profit status, since in most countries NGO is not a recognized legal form. By contrast, non-profit status is a prerequisite for the self-declaration as NGO (*see below*).

### **Small or medium sized enterprise (SME)**

'Small or medium sized enterprise (SME)' means a micro, small or medium-sized enterprise as defined in the EU SME Recommendation [2003/361](#), i.e.:

- engaged in an economic activity, irrespective of its legal form (including, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity)

and

- employing fewer than 250 persons (expressed in 'annual working units' as defined in Article 5 of the SME Recommendation) and which have an annual turnover not exceeding EUR 50 million and/or an annual balance sheet total not exceeding EUR 43 million.<sup>4</sup>

An entity is considered to be engaged in an 'economic activity', if it proves to be involved in any form of trade or activity done for remuneration or pecuniary interest on the market. Thus, in general, any activity consisting in (directly or indirectly) offering goods or services on a given market is an economic activity.

The following will NOT be considered economic activities:


- activities which do not entail (directly or indirectly) some sort of pecuniary offset or
- activities for which there is no given/direct (or indirect) market or
- activities for which the income generated is not distinct from the personal income of the entity's members or shareholders.

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<sup>4</sup> The SME ceilings must be calculated by including the headcount of staff, the balance sheet total and the turnover data of all relevant direct and indirect partner and linked enterprises in accordance with Articles 3 to 6 of the Annex to the EU SME Recommendation 2003/361.

This status is self-declared. For calls where the SME status has an impact on eligibility or funding (*higher funding rate, etc*), participants must go through a self-assessment wizard.

Two-year rule — In accordance with Article 4.2 of the SME Recommendation, the SME status depends on the ceilings for *two* consecutive accounting periods. Headcount and turnover must stay below the ceilings for two accounting periods to obtain the SME status; conversely, the status will be lost if they rise above the ceilings for two consecutive periods.

 Since the SME self-assessment looks at the information for only one accounting period (the last one), the SME self-assessment result may be flawed. Participants that were below the ceiling the year before, must contact the Central Validation Service via the Participant Register in order to request a formal validation. This validation will then take into account the two accounting periods.

The two-year rule does not apply for changes due to a merger or acquisition. Enterprises that are subject to a change in ownership need to be assessed on the basis of their shareholder structure at the time of the transaction. If the aggregated headcount and financial data of the new structure exceed the SME ceilings, the SME status is lost immediately from the date of the transaction<sup>5</sup>.

Participants whose SME status changes after registration must update their data in the Participant Register. This is important not only for eligibility checks in grant applications, but also for statistical purposes.

#### Specific cases

❖ **Newly established enterprises** (*e.g. start-up companies*) that do not yet have closed accounts or **companies without economic activity** but expecting to enter soon into the market — May also qualify as SMEs, as long as they are able to provide a 'bona fide estimate' (in the form of a business plan) covering the period necessary for the entity to generate turnover.

❖ **Enterprises without turnover whose activity implies a long time-to market** — Are allowed to demonstrate that they are engaged in an economic activity by showing the investments made and the likely expected return.

#### **Middle-capitalisation enterprise (Mid-cap)**

'Middle-capitalisation enterprise' means an enterprise that is:

- not a micro-, small- or medium-sized enterprise (SME) under the EU SME Recommendation [2003/361](#)

and

- employing up to 3 000 persons<sup>6</sup>, where the headcount of staff, including all relevant direct and indirect partner and linked enterprises, is calculated in accordance with Article 3 to 6 of the Annex to the Recommendation.

This status is self-declared. For calls where the mid-cap status has an impact on eligibility or funding (*higher funding rate, etc.*), participants must go through the SME

<sup>5</sup> See Recital 9 of Recommendation No, 2003/361/EC and the [User Guide to the SME Definition](#) (p. 14).

<sup>6</sup> Expressed in 'annual working units' as defined in Article 5 of the Annex of EU recommendation 2003/361.

self-assessment wizard to make sure that they do not fall under the definition of SME, and then to self-declare that the number of employees does not exceed 3 000 persons.

### **Non-governmental organisation (NGO)**

'Non-governmental organisations' are organisations which are voluntary, independent from government and non-profit, and which are not a political party or trade union.

This status is self-declared. Self-declarations will be accepted only by private entities, which have been validated as 'non-profit'.

### **Civil society organisation (CSO)**

'Civil society organisations' are organisations from the 'third sector' of society, distinct from government and business (i.e. private for profit entities).

This status is self-declared. Self-declarations will normally be accepted only by private entities, which have been validated as 'non-profit'.

### **International organisation (IO)**

'International organisation' means an intergovernmental organisation (other than the EU) established under international public law, including specialised entities — with or without legal personality — set up by international organisations.

This status is systematically checked against supporting documents and validated by the Central Validation Service.

For some EU funding programmes there are moreover specific subtypes of international organisations:

- 'international organisations of European interest for H2020 (H2020 IOEI)', i.e. international organisations with a majority of members that are EU Member States or H2020 associated countries and whose main objective is promoting scientific and technological cooperation in Europe
- 'international European research organisations for Horizon Europe (HE IERO)', i.e. international organisations with a majority of members that are EU Member States or Horizon Europe associated countries and whose main objective is promoting scientific and technological cooperation in Europe
- 'international organisations of European interest for Digital Europe (DEP IOEI)', i.e. international organisations with a majority of members that are EU Member States or whose headquarters are in an EU Member State.

The H2020 IOEI subtype status is systematically checked against supporting documents and validated by the Central Validation Service.

The HE IERO and DEP IOEI subtype statuses are self-declared. In the future, for calls where the HE IERO and DEP IOEI statuses have an impact on eligibility or funding, participants will also be asked to go through a self-assessment wizard.

### Specific cases

❖ **Entities set up as distinct bodies by an international organisation with a special mission** but which do not have explicit legal personality — Can be validated as with legal personality, if they meet any of the following criteria:

- they have treaty-making capacity or

- they have capacity to act at international level independently from the organisation that set them up (i.e. capacity to undertake legal obligations).

If such entities do not meet one of the above criteria, they can exceptionally be validated as without legal personality (*see section 2.1.3 above*).

### **Research organisation**

'Research organisation' means an entity that:

- is established as non-profit organisation as described above
- and
- carries out research and/or technological development as its main objective.

The following are NOT considered research activities:

- supporting or financing research activities carried out by other entities
- promoting, managing or coordinating research activities.

Only entities that have research and/or development as their main objective can qualify as research organisations. By contrast, entities that have research and/or development as ancillary activities (even if regular and substantial, *e.g. in museums or hospitals*) do not qualify as 'research organisations'.

This status is self-declared. Self-declarations will be accepted only by entities, which have been validated as 'non-profit'.

### **Secondary or higher education establishment**

'Secondary or higher education establishment' means an entity that is recognised as such by its national education system and is able to deliver diplomas recognised by the State.

It can be a public body or a private entity (*see above*). The national accreditation as a secondary/higher education establishment is not sufficient to consider the entity as a public body.

This status is self-declared.

## **2.2 Documents and information to provide**

### **2.2.1 General requirements and principles**


The legal validation of entities is in principle based on documents submitted by the participants as scanned versions via the [Participant Register](#). Originals should be kept by the participants on file for checks, reviews, audits or investigations (can be required by the EU services at any time).

In principle only official documents are accepted. Documents are considered as official when they are delivered by official national authorities. Official documents can NOT be replaced by self-declarations or by sworn or solemn statements before judicial or administrative authorities, notaries or public officers.

As a general rule, documents are accepted in any of the EU official languages. Participants *may* however be requested to submit an English free (unofficial) translation to facilitate the validation process. Documents in non-EU languages will be accepted only if accompanied by a free translation in English (and in case of doubt, a

certified/legal translation in English may be requested). Free translations should always be accompanied by the copies of the original official documents.

The participants assume full responsibility for the content of the documents and the accuracy of the translations, as well as for any information provided by other means (*e.g. by Participant Register message, etc.*).

 In case of false declarations (or intentional manipulation of a translation), the EU services may:

- withdraw and correct the validated status
- terminate/withdraw on-going grants, procurements, prizes, contribution agreements, etc (and recover any undue amounts)
- impose financial penalties or administrative sanctions, including exclusion from future EU funding (grants, procurements, prizes, contribution agreements, etc; see *Articles 135 to 145 of the [Financial Regulation](#)*)
- inform the European Anti-Fraud Office (OLAF).

## 2.2.2 List of documents and information


The participants will be asked to submit the following documents and information:

1. Signed legal entity identification form<sup>7</sup>:
  - Natural Person Form: in English
  - Private Legal Entity Form: in English
  - Public Legal Entity Form: in English.
2. Official VAT document or – if the entity is not registered for VAT – the proof of VAT exemption, not older than one (1) year.

For the specific legal statuses, participants will be asked to submit the following additional documents:

Status	Documents to be submitted
<b>Private entity</b> (including SME and mid-cap)	A valid registration extract not older than one (1) year. Documents older than one year may be accepted if valid for a certain period of time expressly indicated in the same document ( <i>e.g. valid for two years</i> ) and if submitted via the Participant Register within this period of time.
<b>Public body</b>	Copy of the act, law, decree or decision that established the entity as a public body (or, if this does not exist, any other official legal document that proves this).
<b>Natural person</b>	Integral copy (legible) of valid identity card or passport ( <i>e.g. in case of identity card, both sides must be provided</i> ).

<sup>7</sup> Available at [https://commission.europa.eu/publications/legal-entities\\_en](https://commission.europa.eu/publications/legal-entities_en).

<p><b>Entities without legal personality</b></p>	<p>Copy of an official document attesting that the representatives of the entity have the capacity to undertake legal obligations on its behalf.</p> <p>Copy of an official document attesting that the entity has the same operational and financial viability as that of a legal entity: i.e.</p> <ol style="list-style-type: none"> <li>1. a document showing patrimony/assets/capital that are separated and different from those of the members/owners of the entity, and</li> <li>2. a copy of the rules providing that creditors can rely on this patrimony/assets/capital and — in case of liquidation/insolvency — are reimbursed before the patrimony/assets/capital are divided between the owners/members.</li> </ol>
<p><b>Non-profit</b></p>	<p>Copy of an official document attesting that the entity is non-profit by its legal form or by its legal purpose, or that it has a legal or statutory obligation not to distribute profits to shareholders or individual members.</p> <p> The certificate of tax exemption is only an indication of the non-profit status and will therefore be assessed together with other elements.</p>
<p>Small or medium sized enterprise (SME) and mid-caps <i>(— if expressly requested by the Central Validation Service)</i></p>	<p>The following documents must be provided for the participant and for its linked and partner entities (in accordance with Articles 3 to 6 of the Annex to the EU SME Recommendation 2003/361):</p> <ol style="list-style-type: none"> <li>1. graph showing the complete ownership structure, including all direct and indirect shareholders</li> <li>2. proof of the direct and indirect shareholders/owners and their respective percentage of interest and voting rights</li> <li>3. approved financial statements for the most recent closed accounting period, including: <ul style="list-style-type: none"> <li>– balance sheet statement</li> <li>– profit and loss account, clearly indicating the amount of annual turnover from sales of goods and services</li> <li>– annexes to these documents and/or accompanying notes, indicating (i) staff head count and (ii) any equity participations in other companies/downstream organisations with exact percentage of the shares and voting rights held. If the annexes/notes to the financial statements do not contain the requested information, other documents can be provided that contain equivalent data (<i>such as headcount reports for social security purposes, extracts from HR records certifying headcount, etc</i>); in exceptional cases, self-declarations can be accepted</li> </ul> </li> <li>4. documents explaining the mechanisms of ownership and control, corporate governance and decision-making rules (<i>e.g. statutes/articles of association and shareholders' agreements; memorandum of</i></li> </ol>



	<p><i>understanding among shareholders, internal corporate governance rules, etc)</i></p> <p>⚠ Sworn or solemn statements before a judicial or administrative authority, notary or public officer cannot replace the above listed documents as proof of the SME or mid-cap status.</p> <p>The following documents must be submitted in the below <u>specific cases</u>:</p> <p>❖ <b>Newly established enterprises</b> (<i>e.g. start-up companies</i>) that do not yet have closed accounts — Instead of approved financial statements, a self-declaration must be provided, including a bona fide estimate (in the form of a business plan) for the entire period (financial years) necessary for the entity to generate turnover.</p> <p>❖ <b>Enterprises without turnover whose activity implies a long time-to market</b> — In addition to the approved financial statements, a self-declaration must be provided, including a bona fide estimate (in the form of a business plan) for the entire period (financial years) necessary to generate turnover, including a declaration of the investment made and the likely expected return (to demonstrate that, despite the lack of turnover, the enterprise is engaged in an economic activity).</p> <p>❖ <b>Entities owned directly or indirectly by natural persons</b> — Self-declaration on the natural person(s) engagement in economic activity and possible participations in other entities must be provided. The template for the self-declaration will be provided to participants during the validation process if specific cases of ownership by natural persons are identified.</p>
<b>International organisation</b>	Copy of the international treaty creating the organisation under international public law.
<b>Research organisation</b> (— if expressly requested by the Central Validation Service)	Copy of an official document attesting research or technological development as the main objective of the entity.
<b>Secondary or higher education establishment</b> (— if expressly requested by the Central Validation Service)	Copy of an official document attesting that the entity is recognised as 'secondary or higher education establishment' by the national education system and is entitled to deliver diplomas recognized by the State.

For other categories such as NGO, Civil Society Organisation, etc no supporting documents are needed (unless exceptionally requested by the Central Validation Service).


### 2.2.3 Incomplete or contradictory information

The Central Validation Service may use any publicly available information to clarify questions about (and complement) the data or information provided by participants.

Participants may be required to confirm or explain the information submitted or publicly available, or provide missing information within a reasonable time, if:

- findings do not match their declarations or statements

- the documents submitted are outdated (*e.g. VAT document or extract of registration no longer valid or more than one (1) year old*)
- the provided information is illegible, incomplete, incorrect, contradictory or unclear.

 If participants do not respond in time, the Central Validation Service has the right to refuse the validation (or finalise it on the basis of the information and documents submitted or publicly available).

### **2.3 Validation and effective date**

On the basis of the submitted information and documents, the participant will be validated with the effective date of entry into force of the legal act establishing its constitution or incorporation (unless the terms of the act stipulate another date).

That date will be, in order of precedence:

1. the date of registration in the country's official registry (*e.g. commercial registry*)
2. the date of publication in the national official journal
3. the date of the legal deposit of the act in the court registry
4. the date of signature of the parties.

When there is no act of constitution or incorporation, the participant will be considered to exist since a standard default date.

The effective date for the SME and mid-cap status will be the accounts closure date of the accounting period on which the assessment is based in accordance with Article 4(2) of the Annex of the SME Recommendation [2003/361](#). For newly established enterprises that do not yet have closed accounts, the effective date is the date of their creation.

The effective date of other specific legal statuses is the date in which the specific status enters into force. This date may be the same as its effective date of constitution or incorporation (or may differ, if the specific status has been acquired later on).

### **2.4 Modification of validations**

Modifications in the validation can be made in the following cases:

- following a request submitted by the participant to update the validation (*e.g. in case of changes in the participant's legal situation such as change of identity/legal form, name, address, status*) or
- after checks, reviews, audits or investigations carried out by the EU services which necessitate a correction.

#### **2.4.1 Validation updates**

In case of a change in the participant's legal situation (*identity/legal form, name, address, status, etc*), the participant must request an update of the validation.

Requests to update a validation will be accepted, if submitted by the participant's LEAR and accompanied by the relevant supporting documents. ⚠️ If no LEAR has been appointed yet in the Participant Register, requests for modification should be submitted after the LEAR appointment has been validated.

The 'effective date of the change' will be the date on which the act establishing the change enters into force (unless the terms of the act stipulate another date).

For SMEs and mid-caps, the effective date is the closure date of the accounting period on which the change of status is based. For cases of mergers and acquisitions that lead to the loss of the SME or mid-cap status, the effective date of change will be the date when the ownership structure changed.

The impact and practical consequences of the changes depend on each funding programme.

#### **2.4.2 Corrections of validations**

If a validation turns out to be incorrect (through an audit, ex-post check, investigation or other means), it will be corrected by the Central Validation Service. The correction will be registered with effect back to the effective date of the initial validation.

If the error is attributable to the Central Validation Service and its correction implies disadvantages for the participant, the retroactive effect may exceptionally be waived, if duly justified and in line with the principles of sound financial management and proportionality.

If the error was the fault of the participant (intentional or unintentional), its participation in on-going grants, procurements, prizes, contribution agreements, etc may be terminated and undue amounts paid may be recovered. Moreover, the participant may be fined and excluded from future EU funding (grants, procurements, prizes, contribution agreements, etc; see *Articles 135 to 145 of the [Financial Regulation](#)*). In addition, the European Anti-Fraud Office (OLAF) may be informed.

#### **2.5 Ex-post verifications carried out by the EU – Irregularities and/or false declarations**

The EU services reserve the right to carry out — at any moment — checks, reviews, audits or investigations.

If they find out that a participant did not meet the criteria for being validated or for being validated with a specific legal status (*e.g. due to false declarations*), the modification of the validation will be registered with retroactive effect back to the effective date of the validation.

If in the meantime the participant already received EU grants, procurements, prizes, contribution agreements, etc, their participation may be terminated/withdrawn and undue amounts paid will be recovered.


In case of irregularities or false declarations, participants may moreover be fined and excluded from future EU funding (grants, procurements, prizes, contribution agreements, etc; see *Articles 135 to 146 of the [Financial Regulation](#)*).

In addition, the European Anti-Fraud Office (OLAF) may be informed.

### 3. Validation of the LEAR appointment

#### 3.1 Validation of the LEAR appointment: General requirements and principles

In parallel with the legal entity validation, the Central Validation Service will contact the participants to appoint their Legal Entity Appointed Representative (LEAR), i.e. the single point of contact needed for the Participant Register and Funding & Tenders Portal electronic exchange system.

 The appointment of the LEAR in the Participant Register is mandatory for all validated participants. Without LEAR it will NOT be possible to update the legal entity data in the Participant Register, nor sign contracts electronically in the Funding & Tenders Portal.

##### 3.1.1 Role of the LEAR

The LEAR is the person officially appointed by the participant to handle their access rights and key data in the [Participant Register](#) (*legal and other data, certain access rights in the electronic exchange system, etc.*).

Once validated, it is the LEAR who is responsible for giving access rights to the Portal electronic exchange system and who must ensure that the participant's legal information is always up to date.

The LEAR must enter and update on the 'LEAR/Authorised User' tab screen the names of the:

- legal representatives and signatories for the organisation (so-called 'LSIGNs'); these are people who are able to commit the organisation legally by signing contracts and authorising amendments to them and
- persons that may sign cost statements on behalf of the organisation (so-called 'FSIGNs').

If needed, the LEARs can delegate their tasks to one or more colleagues, who will act as account administrators (so-called 'AccAds'; delegation also through the 'LEAR/Authorised User' tab screen).

In case of changes, the LEAR must encode the change in the Participant Register and, if needed, request validation and provide supporting documents.

For a detailed description of the LEAR rights and responsibilities, see *the [LEAR appointment letter](#)*\*.

##### 3.1.2 Position of the LEAR

The LEAR is an administrative function that may be held by the participant's legal representative or another key person within the entity.

The LEAR must be someone employed in the entity (most commonly in the central administrative services of the entity) and should be able to ensure the stability and continuity that is needed to fulfil this role in order to honour the participant's contractual obligations.

Participants that are natural persons will automatically have the role of LEAR; in this case the role cannot be attributed to a different person (but the LEAR can appoint an account administrator).

Each participant can only appoint one LEAR and must ensure to immediately replace their LEAR in case they are no longer able to exercise the role (*e.g. job change, dismissal, death, etc; see section 3.3*).

The participant assumes the full responsibility for the choice of the person they appoint as LEAR.

### 3.1.3 Legal representative

The LEAR must be appointed by the participant's legal representative. The legal representative is a person duly authorised to act on behalf of the entity and to commit it in its entirety vis-à-vis third parties.

#### Specific cases


❖ **Persons tasked with the daily management** — Can not be recognized as legal representatives if they are not entitled to engage and represent the entity outside ordinary day-to-day business matters.

The 'daily management' ('gestion journalière') is commonly understood as comprising those acts that, because of their minor importance or the need for a prompt solution, do not justify the intervention of the management bodies. It consists of ordinary business and execution of day-to-day decisions and in line with the general instructions of the management board.

❖ **Limitations** — Similarly, persons empowered to engage and commit the participant only within certain limits (including financial limits) can not be accepted as legal representatives for the purposes of the LEAR appointment.

### 3.1.4 Timing of the LEAR appointment

The process for appointment of the LEAR in the Participant Register can run in parallel to the validation of the entity, but can only be finalised once the participant (PIC) is validated.

 LEAR appointment is not a condition for the submission of a proposal/tender in the Funding & Tenders Portal, but its validation must be completed before the the grant, procurement or contribution agreement can be signed.

## 3.2 List of documents and information

For the validation of the LEAR appointment, the scanned version of the following documents must be uploaded by the participant in the Participant Register:

1. [LEAR appointment letter](#)\* (specifying the LEAR roles & duties and including the declaration of consent to the [Funding & Tenders Portal Terms and Conditions](#)\*), completed, dated and signed by the legal representative and the LEAR
2. Integral copy of an official, valid proof of identity (ID-card, passport, with photo and signature) of:
  - the legal representative and
  - the appointed representative (LEAR)
3. Document(s) proving that the legal representative(s) appointing the LEAR is empowered as such, which must:

- clearly indicate the role/function within the organisation as legal representative
- identify and appoint this person (by indicating their personal data) for that role.

The originals must be kept on file for checks, reviews, audits or investigations (which can be required by the EU services at any time). They must not be sent to the Central Validation Service.

After receiving the above-listed documents (and after the PIC has been validated), the LEAR appointment will be validated in the Participant Register.

For a detailed description of the LEAR appointment process, see the [Online Manual](#)\* and the [Funding & Tenders Portal Terms and Conditions](#)\*.

### **Proof of identity**

'Identity documents' are those issued by national authorities and recognized by national law as valid proof of identity. Identity documents can not be replaced by any other means of proof. The EU services cannot waive this requirement under any circumstances.

Examples of identity documents accepted are ID cards and passports. Driving licenses are also accepted, as long as they are considered as valid proof of identity under the applicable national law of the entity concerned.

Identity documents must be valid (not expired) at the time of the LEAR appointment.

An integral copy of the document must be provided (*e.g. in most countries both sides of the identity card must be provided*).

Identity documents in which some parts/elements, including the photo, have been deleted/erased/covered (*e.g. with black marker*) cannot be accepted.

#### Specific cases

❖ **Service cards and badges** issued by the participant — Cannot replace identity documents (even if the participant is a public body) and therefore cannot be accepted as proof of identity.

❖ **Print-outs from the ID electronic chip** — Cannot be accepted either.

### **Signatures**

The LEAR documents must be signed by persons who are legal representatives of the participant.

The names of both legal representative and LEAR in the LEAR documents must correspond to those indicated in their official identity documents. LEAR documents signed with acronyms/nick names/etc that do not correspond to the names indicated in the identity documents will not be accepted.

Signatures can be either handwritten signatures or qualified electronic signatures

within the meaning of Article 3(12) of Regulation [910/2014](#)<sup>8</sup>. For the latter, the Central Validation Service will verify that the signature is based on a valid qualified certificate and was created by a secure creation device. See here for the list of accepted trust service providers: [eIDAS Dashboard \(europa.eu\)](#).

### Specific cases

❖ **Internal requirements** (e.g. joint signature of more than one person required to legally engage the entity, foreseen by law, act of establishment, statutes, internal rules, etc) — In case of internal requirements, the participant is fully responsible for ensuring compliance (e.g. through an internal process ensuring that the single signature on the LEAR documents is made only after all the internal requirements on joint signature are fulfilled).

❖ **Limitations** — The Central Validation Service will take into account limitations to represent the entity only if these limitations are *explicitly* mentioned in the documents submitted to prove the empowerment of the legal representative (e.g. limitation in the excerpts of the company registry).

### **Documents proving the empowerment of the legal representative**

The document(s) proving the empowerment must identify:

- the role/function of legal representative within the entity
- the name and appointment of the person (by indicating their personal data) for that role.

This can be found in a single document (in case the official appointment also specifies the powers/tasks related to the appointment) or in several documents combined (e.g. the official act of appointment and the organisational document, *such as act of establishment, statutes, articles of association, etc*, in which the powers/tasks related to the role are identified).

The documents must be valid (not expired) at the time when the LEAR is appointed.

The documents proving the appointment of the legal representative are those required/accepted under the applicable national law of the entity concerned. They may vary depending on the country, the legal form and status:

- law/decreet/official act/official gazette in case of public entities
- copy of the treaty in case of international organisations
- decision of assembly, official documents from the council of administration, executive committee or directors board, excerpts of the company registry in case of private entities.

A declaration of honour can be accepted only in exceptional, duly justified cases where none of the above exists.

Concerning the language of such documents and participant's responsibilities concerning translations, *see section 2.2.1*.

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<sup>8</sup> Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market (OJ L 257, 28.8.2014, p. 73).



### Specific cases

❖ **Participants who are natural persons** — Do not need to prove their empowerment, but still need to send the supporting documents listed above. The documents should be signed by the natural person alone. A copy of the ID documents of the natural person must also be included.

❖ **Deputising persons** — In case of temporary absence of the legal representative(s) or their impossibility to sign, other persons empowered to act as legal representatives (*i.e. deputising persons*) are accepted as legal representatives *by default*. The reason for the temporary absence/impossibility and the legitimation of the deputy will not be checked by the Central Validation Service and therefore remains under the full responsibility of the participant (*see also above under 'internal requirements'*).

❖ **Ministries** — For ministries, Ministers are considered legal representatives *by default* and there is no need to provide the legal documents proving their empowerment.

In addition to the Minister's role, the following roles/functions are considered as legal representatives *by default*, without any further verification of the legal documents proving their empowerment:

- Deputy Minister
- State/General Secretary and their deputies
- Directors of certain specific horizontal sectors/departments/directions, namely 'legal', 'financial', 'European or international relationships'.

If the official act of appointment is not provided by the ministry, the evidence may be taken from other appropriate sources (*e.g. Official Gazette, the organisational chart published on the official website of the ministry*).

Except if otherwise provided in the applicable rules (law/decree/act governing the organisation of the ministry), other roles such as 'Director'/^Had of Department'/^Head of Unit', etc will be considered as having limited tasks and powers (relating only to the directorate/department/unit's policies) and, therefore, not entitled to represent and engage the ministry as a whole.

For Ministers, the ID document can be exceptionally replaced by a badge or service card (issued by the ministry). This exception applies only to the person of the 'Minister' and cannot be extended to other representatives (*such as State Secretaries, Deputy Ministers or Directors/Head of Departments*); these persons are not exempted from the obligation to provide an ID document.

❖ **Public bodies and governmental entities** — For public bodies and other state/governmental entities, including executive services at central/regional/local level, the highest-ranked person (*e.g. Director-General, President, Mayor, etc*) will be recognized as legal representative *by default*.

If the official act of appointment is not provided by the entity, the evidence may be taken from other appropriate sources (*e.g. Official Gazette, the organisational chart published on the official website*).

❖ **International organisations** — For international organisations, the highest-ranked person (*e.g. Secretary, Secretary-General*) will be recognised as legal representative *by default*.



If the official act of appointment is not provided by the international organisation, the evidence may also be taken from other appropriate sources (*e.g. Official Gazette, the organisational chart published on the official website of the international organisation*).

❖ **Universities and higher education establishments** — For universities and other higher education establishments (*e.g. colleges, institutes, etc*), the following roles/functions are recognised as legal representative *by default*, without any further verification of their powers:

- Rector and Vice-Rector
- President and Vice-President
- Chancellor and Vice Chancellor.

In case of faculties with their own legal personality (and thus independently validated), the Dean and Vice-Dean can also act as legal representatives *by default*.

If the official act of appointment is not provided by the university/higher education establishment/faculty, the evidence may also be taken from other appropriate sources (*e.g. the organisational chart published on the official internet-site of the university/faculty*).

### **3.3 LEAR replacement**

A LEAR replacement is equivalent to a new LEAR appointment. For the replacement of an already validated LEAR, participants must submit the same type of documents and the Central Validation Service will follow the procedure for the validation of LEAR appointment (*see above*).

### **3.4 Ex-post verifications carried out by the EU — Irregularities and/or false declarations**

The EU services reserve the right to carry out — at any moment — checks, reviews, audits or investigations.

If it is found out that a participant did not respect the obligation to keep the original documents or committed other irregularities, appropriate measures will be taken.

If in the meantime the participant already received EU grants, procurements, or contribution agreements, their participation may be terminated and undue amounts paid will be recovered.

In case of irregularities or false declarations, participants may moreover be fined and excluded from future EU funding (grants, procurements, prizes, contribution agreements, etc; *see Articles 135 to 146 of the [Financial Regulation](#)*).

In addition, the European Anti-Fraud Office (OLAF) may be informed.

## **4. Financial capacity assessment**

### **4.1 Financial capacity assessment: Criteria and conditions**

In addition to the legal entity validation and LEAR appointment, the Central Validation Service also assists the EU services with the financial capacity assessment (required by the [Financial Regulation](#) for grants and procurements; not needed for prizes or contribution agreements).

The financial capacity assessment must in principle be done for each new application/tender (— unless the participant already has a valid financial capacity assessment performed by the Central Validation Service that is not older than 18 months).


Additional conditions depend on the type of procedure (grant or procurement), participant and grant amount (*e.g. no financial capacity assessment is needed for public bodies in grant procedures, for Member State organisations, international organisations, persons in receipt of education support, persons most in need and in receipt of direct support; for low-value grants and low-value procurements*). Additional exemptions are provided in some programmes for specific situations or types of participants.

Moreover, the financial capacity may be assessed ad hoc if there are justified grounds to doubt it, like for example:

- indication of weak/insufficient financial capacity from other sources
- involvement in cases of serious administrative errors or fraud
- pending legal procedures or judicial proceedings for serious administrative errors or fraud
- attachment order or recovery order for an outstanding amount issued by an EU body on which the payment is significantly overdue
- substantial findings in EU audits within the last 2 years that put in doubt the financial capacity.

The financial capacity is assessed on the basis of financial indicators that are in principle the same for all EU programmes.

The financial capacity assessment is normally done during grant preparation/tender evaluation but may also be done during implementation. If a participants' financial capacity must be assessed, they will be contacted by the Central Validation Service through the Funding & Tenders Portal.

 The role of the Central Validation Service is to prepare the financial capacity assessment (*e.g. to collect and to analyse the financial documents*). The final decision on the financial capacity will be taken later, and for each proposal/tender separately by the EU service in charge.

## **4.2 Documents and information to provide**


### **4.2.1 General requirements and principles**

The financial assessment is in principle based on documents submitted by the participant as scanned versions via the [Participant Register](#). Originals should be kept on file for checks, reviews, audits or investigations (which can be required by the EU services at any time).

As a general rule, financial documents must be provided in their original language(s), as imposed by the legislation in the participant's country of registration. For documents in EU languages, participants may be requested to submit an English free (unofficial) translation to facilitate the assessment. For documents in non-EU languages, a free translation in English is always mandatory and needs to be provided together with the original documents. In case of doubt, a certified/legal translation in English may be requested. If the participants have original documents in an EU

language which is not the official language of their country, they can nevertheless submit them (no need for a translation into the official language of the country). Some examples of such documents are: dated and signed annual management reports in English for a company listed on the stock exchange or having international shareholders or for the purpose of consolidation within a foreign group; dated and signed extracts from national registers that use English, etc.

The participants assume full responsibility for the content of the documents and the accuracy of the translations, as well as any information provided by other means (*e.g. by Participant Register message, etc.*).

 In case of false declarations (or intentional manipulation of a translation), the EU services may:

- withdraw or correct the financial assessment
- terminate on-going grants and procurements (and recover any undue amounts)
- impose financial penalties or administrative sanctions, including exclusion from future EU funding (grants, procurements, prizes, contribution agreements, etc; see *Articles 135 to 145 of the [Financial Regulation](#)*)
- inform the European Anti-Fraud Office (OLAF).

#### **4.2.2 List of documents and information**

The participants will be asked to submit the following documents and information:


1. Profit and loss account — approved by the management of the entity, clearly indicating the amounts of turnover from sales of goods and services, operating income, staff, depreciation, amortization costs, net operating result and interest expenses. If this information is not indicated in the profit and loss account or in the explanatory notes it must be provided in the form of a self-declaration.
2. Balance sheet statement — approved by the management, clearly indicating the nature and the maturity (i.e. below or above one year) of receivables and other current assets, grants, provisions and debts. If this information is not indicated in the balance sheet or in the explanatory notes it must be provided in the form of a self-declaration.
3. Explanatory notes and/or annexes that form part of the above financial statements (if available).
4. External audit report or self-declaration

Participants requesting a grant amount of above 750 000 EUR (for action grants) or above 100 000 EUR (for operating grants) must provide:

- an statutory audit report issued by an approved/certified external auditor if:
  - such a report is available or
  - a statutory audit is required under EU or national law

or

- a [declaration on the validity of the accounts](#)\* (self-declaration), signed by the legal representative of the entity, which certifies the validity of the accounts.

 The documents provided must cover the last two closed financial years. The most recent year must have been closed within the last 18 months.

Exceptions are allowed for:

- start-up companies without closed annual accounts which provide prospective data (business plan) for one year only
- recently created entities which have closed annual accounts for one year only. These entities will be assessed based on the documents for the sole closed financial year

A single financial document containing comparative data of the annual accounts of both years under assessment will be accepted. The same applies to an external audit report covering the two financial years.

If some (or all) of the documents have already been provided for the financial years in question (i.e. uploaded in the Participant Register), the participant does not need to submit them again.

The audit report must include:

- the clear mandate and scope of the audit
- the responsibilities of the management and the auditor
- the way in which the audit is carried out
- the auditor's opinion, including a reasonable assurance that the financial statements are free of material misstatement.

All documents must be provided simultaneously (profit and loss account, balance sheet, audit report/self-declaration, etc).

No audit report/self-declaration is needed for entities participating in tender procedures, for natural persons and entities without closed accounts.

#### Specific cases

❖ **Subsidiaries without own financial statements** — Subsidiaries which do not prepare their own financial statements may provide the consolidated accounts and the audit report/self-declaration of the parent company/group they belong to under the following conditions:

- the entity is exempt under national law from statutory audits
- only consolidated statements of the parent company/group the entity belongs to are available

and

- the parent company assumes joint liability for all the debts of the entity (*— all conditions must be fulfilled*).

In such cases, participants will be requested to provide additional documents to prove these conditions.

❖ **Parent companies** — Parent companies which are exempt under national law from publishing individual (i.e. non-consolidated) financial statements will be requested to provide a dated and signed by the management simplified summary of their non-consolidated profit and loss statement and balance sheet.

These simplified accounts must respect either the minimum reporting requirements set out in the national accounting law or Annexes III, IV, V and VI of Directive [2013/34](#)<sup>9</sup> (for the balance sheet, aggregate information limited to the headings preceded by letters and roman numerals is sufficient).

If the provided financial information is not sufficiently clear, the Central Validation Service may contact participants for further clarifications.

❖ **Newly established enterprises** that have not yet closed accounts — Must provide estimated financial data (i.e. a business plan or a similar document including financial projections on current and non-current assets, own capital, current and non-current liabilities, turnover, operating and financial income and charges).

The financial data must respect either the minimum reporting requirements set out in the national accounting law or to Annexes III, IV, V and VI of EU Directive 2013/34 (for the balance sheet, aggregate information limited to the headings preceded by letters and roman numerals is sufficient).

❖ **Natural persons** engaged in an economic activity **who do not prepare financial statements in relation to their business activities** — Are requested to provide:

- the annual income tax declaration containing details on the revenues and expenses from business activity
- a signed declaration of patrimony, including:
  - fixed patrimony (*e.g. land, tenement, hereditament, medium/long-term deposits (more than one year), stock options that cannot be exercised within one year*)
  - current patrimony (*e.g. available cash, savings, short-term deposits (maximum of one year), stock-options that can be exercised within one year*)

and

- a signed declaration of debts, which must contain all liabilities (with dates and figures), broken down in short-term debts (of maximum one year) and medium/long-term debts (of more than one year).

The Central Validation Service may request additional evidence or information if needed.

❖ **Entities operating cash-based accounting** — If the available financial documents do not contain a profit and loss account and a balance sheet but are limited to a cash flow statement and/or do not contain sufficient information<sup>10</sup>,

<sup>9</sup> Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19–76).

<sup>10</sup> E.g. missing information on the nature of revenues, expenses or equity, nature and liquidity of receivables and assets, maturity of debts etc.

declarations signed by the authorised legal representative of the entity may be accepted, if they provide:

- information on fixed and current assets: buildings, equipment, inventory, cash, short/long term<sup>11</sup> deposits, short/long term receivables, sort/long term liabilities, grants and equity/sources of funding, etc
- information on revenues and expenses, such as turnover from sales of goods and services, operating income, staff expenses depreciation/amortisation costs, interest expenses, etc.

In addition, it is recommended to provide any available evidence supporting the declared amounts (*e.g. bank statements confirming the available balance at accounting closure date, etc*).

The Central Validation Service may request additional evidence or information if needed.

❖ **Entities covered by a guarantor** — Entities that are covered by a full financial guarantee of another legal entity (i.e. guarantor) may submit the financial data of the guarantor, provided that it is a full guarantee (i.e. the guarantor has assumed full joint liability for *all* debts). Ad-hoc guarantees (covering, for instance, only the participation in EU projects) cannot be accepted.

⚠ Participants that would like to have the financial capacity of their guarantor assessed, must first contact the service in charge of their application for approval of the guarantee. In case of approval, the service in charge will request the Central Validation Service to proceed with the assessment of the guarantor.

#### 4.2.3 Incomplete or contradictory information

The Central Validation Service may use any publicly available information to clarify questions about (and complement) the data or information provided by the participants.

Participants may be required to confirm or explain the information submitted or publicly available, or provide missing information within a reasonable time, if:

- findings do not match their declarations or statements
- the documents submitted are outdated
- the provided information is illegible, incomplete, incorrect, contradictory or unclear.

⚠ If participants do not respond in time, the Central Validation Service has the right to refuse the assessment (or finalise it on the basis of the information and documents submitted or publicly available).

If the financial documents do not contain sufficient information regarding the nature and the maturity of the current assets, provisions and liabilities, and such information is not provided, the financial assessment will be completed by taking the most prudent approach, *e.g. by considering the maturity of the current assets to be after one year, and of the provisions and liabilities to be within one year.*

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<sup>11</sup> Short term — maximum of one year; long term — more than one year.

### **4.3 Duration of validity and renewal**

The financial assessment is valid for 18 months after the closure date of the most recent assessed accounting period. If during this period the participant applies for another grant or tender, the financial documents will not be requested again.

However, if there are justified grounds to doubt the financial capacity, a new assessment may be triggered even before the end of the 18 months.

### **4.4 Modification of the assessment**

In case of disagreement with the assessment, the participant may contact the Central Validation Service by sending additional justifications via Participant Register message. The subject of the message should be clearly labelled as related to the financial assessment (not PIC validation, LEAR assessment or other).

The Central Validation Service will carry out a re-assessment on the basis of the additional documents.

### **4.5 Ex-post verifications carried out by the EU – Irregularities and/or false declarations**

The EU services reserve the right to carry out – at any moment – checks, reviews, audits or investigations.

If it is found out that a participant made false declarations, their status may be changed.

If in the meantime the participant already received EU grants or procurements, their participation may be terminated and undue amounts paid will be recovered.

In case of irregularities or false declarations, participants may moreover be fined and excluded from future EU funding (grants, procurements, prizes, contribution agreements, etc; see *Articles 135 to 145 of the [Financial Regulation](#)*).

In addition, the European Anti-Fraud Office (OLAF) may be informed.

## **5. Ownership control assessment**

### **5.1 Ownership control assessment: Criteria and conditions**

For funding programmes which have restricted calls in which only participants which are directly or indirectly controlled by EU Member States or by nationals of EU Member States (or by entities or nationals of specified eligible countries) are eligible, the Central Validation Service will also handle the ownership control assessment analysis.

The ownership control assessment must in principle be done for each new grant, procurement or contribution agreement (– unless the participant already has a valid ownership control assessment in the system performed by the Central Validation Service that is not older than 18 months).

Moreover, the ownership control may be assessed ad hoc if there are grounds justifying a new assessment, like for example:

- indication of third country control from other sources
- indication of ownership control changes after the initial assessment.




The ownership control assessment will usually look into both ownership and control elements, in order to assess whether an entity is EU controlled or non-EU controlled. The focus is however on control (see [Guidance on participation in DEP, HE, EDF and CEF-DIG restricted calls\\*](#)).

In this context, 'control' will be defined as the possibility to exercise decisive influence directly or indirectly through one or more intermediate entities, 'de jure' or 'de facto'. The fact that no influence is actually exercised is not relevant, as long as the possibility exists.

Control will be assessed at the level of the ultimate ownership and control line and all intermediate layers (in case of indirect control), taking into consideration decision-making mechanisms, corporate governance, shareholders'/members' rights, etc.

The assessment is based on the information provided by the participant in the [ownership control declaration\\*](#) (annexed to their application for EU funding or procurement procedure) and supporting documents to be provided by the participant during the ownership control assessment procedure.

 The role of the Central Validation Service is limited to identifying instances of possible non-EU-country/entity control (*e.g. to collect and to analyse the supporting documents*). The final decision will be taken later, and for each proposal/tender separately by the EU service in charge, in accordance with the specific programme rules. If needed, during grant preparation, the EU service in charge may contact participants about the outcome of the ownership control assessment.


## 5.2 Documents and information to provide

### 5.2.1 General requirements and principles

The ownership control assessment is in principle based on documents submitted by the participant as scanned versions via the [Participant Register](#). Originals should be kept on file for checks, reviews, audits or investigations (which can be required by the EU services at any time).

As a general rule, ownership control documents must be provided in their original language. For documents in EU languages, participants may be requested to submit an English free (unofficial) translation to facilitate the assessment. For documents in non-EU languages, a free translation in English is mandatory and must be provided together with the original documents. In case of doubt, a certified/legal translation in English may be requested. If the participants have original documents in an EU language which is not the official language of their country, they can nevertheless submit them (no need for a translation into the official language of the country).

The participant assumes full responsibility for the content of the documents and the accuracy of the translations, as well as the information provided by other means (*e.g. by Participant Register message, etc*).

 In case of false declarations (or intentional manipulation of a translation), the EU services may:

- withdraw and correct the assessment
- terminate on-going grants and procurements (and recover any undue amounts)
- impose financial penalties or administrative sanctions, including exclusion from future EU funding (grants, procurements, prizes, contribution agreements, etc;




see Articles 135 to 145 of the [Financial Regulation](#))


- inform the European Anti-Fraud Office (OLAF).

### 5.2.2 List of documents and information

The participants will be asked to submit the following documents and information:

1. Graph visualising the complete ownership structure/chain of control, including all ownership layers/chain of control until the ultimate owners.
2. Proof of the direct and indirect shareholders/owners and their respective percentage of interest and voting rights, for instance commercial registry extracts, articles of association/incorporation documents/memorandum of association/company's shareholders/members/partners book/registry extract, etc with the exact distribution of shares/voting rights, i.e. name of shareholders/members/partners and their percentage of interest and voting rights, as well as information on their place of establishment (in case of legal entity) or nationality (in case of natural persons).
3. Statutes, articles of association, shareholders'/partnership agreements, memorandum of understanding among shareholders, investment agreements between shareholders and other relevant documents regarding the decision-making procedures within the legal entity and the related rights of the shareholders/members/partners.
4. Documents establishing/describing the decision-making bodies, rules regarding election, appointment, nomination, dismissal and tenure of members, and decision-making procedures (*e.g. articles of association, bylaws, reports on corporate governance, internal corporate governance rules, minutes of board meetings, etc*).
5. For participants that are listed companies, subsidiaries or controlled by a listed company: report/minutes of the last three shareholders meetings, together with the attendance list identifying the present/represented shareholders and their respective votes.
6. Cooperation agreements with customers or suppliers, when they could confer control over the participant — *if expressly requested by the Central Validation Service*.
7. For shareholders/owners that provide financial contributions: supporting documents (*loans, by-laws, etc*) that justify the financial contribution; documents showing the link between the shareholder/owner and the entity providing the financing — *if expressly requested by the Central Validation Service*.
8. Information about any other means, process or links that could ultimately confer control to a non-EU country or non-EU country entity.
9. Copy of ID card(s) or passport(s) indicating the nationality of the ultimate owner(s).

 The same documents and information must be provided for each intermediate controlling entity, up to the ultimate owners. The supporting documents must demonstrate the complete ownership structure, including all layers of ownership and non-controlling entities.


 Guarantees for non-EU controlled entities (if allowed by the call conditions and required by the EU service in charge) are not part of the ownership control assessment and must therefore be submitted directly to the EU service in charge of the grant/tender, in accordance with the specific programme rules.

### **5.2.3 Incomplete or contradictory information**

The Central Validation Service may use any publicly available information to clarify questions about (and complement) the data or information provided by the participants.


Participants may be required to confirm or explain the information submitted or publicly available, or provide missing information within a reasonable time, if:

- findings do not match their declarations or statements
- the documents submitted are outdated
- the provided information is illegible, incomplete, incorrect, contradictory or unclear.

 If participants do not respond in time, the Central Validation Service has the right not to finalise the assessment (or finalise it on the basis of the information and documents submitted or publicly available).

### **5.3 Duration of validity and renewal**

The ownership control assessment is in principle valid for 18 months. If during this period the participant applies for another grant or tender and confirms that the ownership control status has not changed, the supporting documents will not be requested again.

 In this case, the participants will still have to submit the ownership control declaration with the application, but there will be no check by the Central Validation Service, unless there are justified grounds to doubt the declaration.

### **5.4 Modification of the assessment**

Changes in the ownership control status need to be communicated to the granting authority/contracting authority, which will trigger a new assessment by the Central Validation Service, if needed.

For more information on the ownership control assessment procedure, see [the \*Guidance on participation in DEP, HE, EDF and CEF-DIG restricted calls\*](#)\*.