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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

**on the exercise of the power to adopt delegated acts conferred on the Commission
pursuant to Regulation (EU) No 1173/2011 of the European Parliament and of the
Council of 16 November 2011 on the effective enforcement of budgetary surveillance in
the euro area**

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1. INTRODUCTION

Regulation (EU) No 1173/2011 of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area¹ is one of the six legal acts in the economic governance package called ‘the six-pack’. The economic governance package, as a whole, was designed to address the gaps and weaknesses identified in the EU economic governance system, which were partly responsible for the spread of economic crisis in EU countries.

Regulation (EU) No 1173/2011 empowers the Commission to adopt delegated acts with respect to certain procedures in connection with sanctions concerning the manipulation of statistics. In particular the Commission is empowered to establish detailed rules concerning the procedures for the investigations together with expressly defined associated measures. These powers delegated to the Commission were an illustration of the move towards more robust surveillance of economic and monetary cooperation, including sanction mechanisms.

2. LEGAL BASIS

This report is required under Article 11(2) of Regulation (EU) No 1173/2011. Pursuant to this provision, the power to adopt delegated acts is conferred on the Commission for a period of three years from 13 December 2011 and the Commission is required to prepare a report in respect of the delegation of power.

3. EXERCISE OF THE DELEGATION

The exercise of the empowerment was deemed necessary in order to respond to the need to supplement the rules on calculating fines imposed for manipulation of statistics and the rules on the procedure to be followed for investigations into possible misrepresentation of data (as described under Article 8(3) of Regulation (EU) No 1173/2011).

In accordance with Article 8(1) of Regulation (EU) No 1173/2011, the Council, acting on a recommendation from the Commission, may decide to impose a fine on a Member State which intentionally, or by serious negligence, misrepresents deficit and debt data. Moreover, it follows from Article 8(3) of the Regulation that the Commission may conduct all investigations necessary to establish the existence of such misrepresentations of data.

¹ OJ L 306, 23.11.2011, p. 1.

Pursuant to Article 8(4) of Regulation (EU) No 1173/2011, the Commission is empowered to adopt delegated acts concerning detailed criteria establishing the amount of the fine referred to in paragraph 1; detailed rules concerning the procedures for the investigations referred to in paragraph 3, the associated measures and the reporting on the investigations; and detailed rules of procedure aimed at guaranteeing the rights of the defence, access to the file, legal representation, confidentiality and provisions as to the timing and the collection of the fines referred to in paragraph 1.

The Commission adopted one single delegated decision on investigations and fines to cover all the aspects for which it was empowered to adopt delegated acts: Commission Delegated Decision 2012/678/EU of 29 June 2012 on investigations and fines related to the manipulation of statistics as referred to in Regulation (EU) No 1173/2011 of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area².

The parties consulted on the draft delegated Decision included national experts invited to two experts' meetings organized in January and March 2012. The Commission adopted the delegated act on 29 June 2012 and notified the European Parliament and the Council. In July 2012, a number of Member States voiced the opinion that more time was needed to examine the act. On 24 July, the Council therefore decided to extend the objection period by two months (in addition to the standard two-month period allowed) as provided for in Article 11(5) of Regulation (EU) No 1173/2011. Neither the European Parliament nor the Council issued any objection to the delegated act within the four-month period. On the expiry of the additional two-month period, the delegated act was published in the *Official Journal of the European Union* and entered into force on 26 November 2012.

4. CONCLUSION

The Commission has exercised its delegated powers correctly and invites the European Parliament and the Council to take note of this report.

² OJ L 306, 6.11.2012, p. 21.