

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(94) 214 final

Brussels, 15.06.1994

94/0146 (CNS)

Proposal for a
COUNCIL REGULATION (EC, Euratom)
on protection of the Community's financial interests

Proposal for
COUNCIL OF THE EUROPEAN UNION ACT
establishing a Convention for the protection of the Communities' financial interests

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. Introduction

The protection of the Community's financial interests ranks high among the institutions' priorities. Action began in the 1970s, with presentation by the Commission of a draft Treaty for the legal protection of the Community's financial interests in 1976. Since the late 1980s, closer attention has been paid to the question of legal protection under both Community law and national law.

The Council (Justice) passed a Resolution on 13 November 1991 stating that "cooperation between the Member States in the prevention and combating of fraudulent practices by which harm is done to the financial interests of the Communities is enhanced by a compatibility of norms in the legal and administrative provisions of the Member States by which such conduct is sanctioned" and requesting the Commission to "conduct, as soon as possible, a comparative law study of the abovementioned legal and administrative provisions of the Member States, in order to see whether action should be taken to achieve greater compatibility of these provisions".

The Commission of its own motion undertook a parallel comparative law study on the systems of administrative and criminal penalties of the Member States and on the general principles applicable to Community administrative penalties. The two studies revealed the need for remedial legislative action in both areas. The Commission transmitted the findings of the studies to the Council and Parliament in June 1993.

Endeavours to protect the Community's financial interests against fraud are now given direct expression in the new Article 209a EC, inserted by the Treaty on European Union, and in Title VI of the Union Treaty (justice and home affairs cooperation). Article 209a is broadly inspired by the judgment given by the Court of Justice in Case 68/88 (on 21 September 1989) which spells out the obligations of the Member States to protect the Community's financial interests in the same way as their own financial interests and to provide for penalties that are effective, proportionate and dissuasive.

On 27 October 1992 the Court of Justice gave judgment in Case C-240/90 expressly acknowledging the Commission's power to impose administrative penalties in the exercise of its powers to enact Regulations for the common organization of agricultural markets.

2. Legal framework for the Commission's initiative

The Resolution on the independent power of investigation and inquiry which the Union may exercise for the legal protection of its financial interests, passed by the European Parliament on a motion from its Committee on Budgetary Control in March 1994, calls on the Commission to make proposals based on Articles 100 and 209a EC in 1994 relating both to the principles governing Community administrative penalties and to protection by national criminal law of the Community's financial interests against fraud.

In March 1994 the United Kingdom presented a draft for joint action under Title VI.

The Commission believes that measures must be taken at both Community and national levels if they are to be successful.

The protection of the Community's financial interests requires both a definition of fraud and irregularity in Community law and national law and the establishment of a body of law to penalize fraud both at Community level (administrative penalties) and at national level (criminal penalties). The legal bases for the Commission proposal are accordingly:

- Articles 235 EC and 203 Euratom for Community law; and
- Article K.1(5) for national criminal law.

Article 209a EC writes a specific provision for the Member States' obligation to treat fraud against the Community budget in the same way as fraud against their own, but contains no enabling provisions for subordinate legislation.

The Commission's proposal in Community law terms is for a Regulation providing for Community administrative penalties. Its proposal in national law terms is for a Convention for the protection of the Community's financial interests.

The Commission considers the legal basis for the Community law instrument to be Articles 235 EC and 203 Euratom. The objective is to establish horizontal Community rules that do not merely provide for Community penalties (a specific sectoral instrument would have sufficed for that purpose) but would apply across the board to the general management of the Community's finances; the "default" legal bases available in the two Treaties must accordingly be used.

The objectives pursued in relation to national criminal law are so broad that only inter-State measures will be appropriate.

To achieve a situation of full protection for the Communities' financial interests, the Commission is also proposing to approve a Decision based on Article 95 ECSC to make the provisions of the EC/Euratom Regulation applicable in the ECSC area also.

3. The draft Regulation

Article 1 determines the scope of the Regulation - fraud, abuse and irregularity against the Community budget - defined collectively as irregularities to facilitate the drafting of subsequent articles.

Paragraph 2 extends the scope to include not only the budget itself but also other revenue managed by a Community institution.

Article 2 defines fraud in such a way as to encompass all unlawful intentional or negligent acts of omission or commission in breach of a duty of care.

Article 3 fleshes out the concept of abuse, defining it as any operation which is apparently lawful but has no real economic purpose beyond defrauding the budget. There is assumed to be no real economic purpose where a transaction has the sole purpose of obtaining payment of a grant or avoiding payment of sums due as revenue.

Article 4 prescribes the consequences of the various forms of offence against Community law. Unintentional irregularities give rise merely to restitutio in integrum.

Paragraph 2 provides for heavier penalties to be imposed in certain cases, chiefly where intention or serious negligence are proven.

Article 5 requires the Member States and the Commission to impose administrative penalties for fraud as defined in Article 2, abuse and negligent failure to discharge obligations. Intentional failures are covered by the concept of fraud.

Article 6 requires Member States to ensure that infringements are penalized in the same way as infringements of national law. Broadly speaking this restates the principle of Article 209a EC, adding to it the concepts of effectiveness, proportionality and dissuasiveness enunciated by the Court of Justice in Case 68/88.

Article 7 describes the types of administrative penalties that may be imposed for infringements of Community law.

Article 8 determines who may be liable to the penalties.

Article 9 prescribes limitation periods for both proceedings and enforcement. National rules currently diverge quite widely; the effect of the Regulation would be to achieve a degree of harmonization here.

Article 10 applies the very important nullum crimen sine lege rule to the specific context of Community administrative penalties. It also deals with some specific aspects of retroactivity.

Article 11 is to regulate checks and inspections in the Community budget context. It provides that procedures will depend on the legislation applicable to the specific area concerned, but the Regulation would permit checks and inspections to be performed by properly empowered agents.

The Commission's rights of access to premises with the assistance of the Member States are also determined in general terms.

4. The draft Convention

Article 1 defines fraud against the Communities' financial interests and what it consists of. The effect would be that a single, uniform offence of fraud against the Communities' financial interests would exist in the legislation of all Member States.

Article 2 brings attempts within the definition.

Article 3 determines the liability of both natural and legal persons. Among other things, liability can attach to persons who are not personally liable but exercise authority within a business.

Article 4 determines the penalties that may be applied for fraud against the Community budget and outlines a scale. It specifies what will constitute aggravating circumstances. The reference to conspiracy is not so much to a specific concept of criminal law as simply to fraud committed by organized crime.

Article 5 establishes rules of jurisdiction in multi-State fraud cases. The basic rule that jurisdiction lies with the Member State in which the main acts constituting the fraud were done will need to be amplified by subsequent implementing rules.

Article 6 provides for frauds committed in non-member countries to be treated as fraud committed within the Community where the benefit of the fraud was or could have been obtained in or transferred to a Member State's territory, where the perpetrator is a national of a Member State or where acts conducive to the commission of the fraud were done in the territory of a Member State.

Articles 7 and 8 deal with extradition, proceedings, limitation and judicial assistance, these being matters to which the Commission's right of initiative does not extend. Provisions are proposed in footnotes as material for reflection offered by the Commission.

Article 9 provides for cooperation between the Member States and the Commission for the evaluation of the Convention with a view to improvements.

Article 10 provides for the adoption of implementing measures (mentioned above in relation to Article 5).

Article 11 confers jurisdiction on the Court of Justice to give preliminary rulings on the interpretation of the Convention and to hear and determine disputes regarding its application.

Proposal for a
COUNCIL REGULATION (EC, Euratom)
on protection of the Community's financial interests

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 235 thereof,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 203 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas the general budget is financed by the Communities' own resources and administered by the Commission within the limit of the appropriations authorized and in accordance with principles of sound financial management; whereas the Commission works in close cooperation with the Member States to that end;

Whereas more than half of Community expenditure is paid to final beneficiaries by the Member States;

Whereas detailed rules governing the decentralized administration of Community resources and the monitoring of their use are laid down separately for individual Community policy areas; whereas acts detrimental to the Communities' financial interests must be countered in all areas, including those not financed from the Community budget itself;

Whereas, in order to make measures to counter fraud more effective, a common set of legal rules should be enacted for all areas of Community policy; whereas the categories of irregularities affecting the Communities' financial interests and the measures to be taken to counter them should be defined;

Whereas Community law already imposes administrative penalties in relation to the common agricultural policy; whereas such penalties should be extended to other areas;

Whereas administrative penalties imposed by the authorities of the Member States should be imposed on uniform terms in order to ensure effective protection of the Communities' financial interests;

Whereas it is necessary to establish the general principles governing Community administrative penalties, notably as regards the limitation ratione temporis and the non-retroactivity of provisions for penalties, without prejudice to express derogations in specific instruments providing for them;

Whereas Community law imposes on the Commission and the Member States an obligation to check that Community budget resources are used exclusively for their intended purpose; whereas there is a need for common rules to supplement existing provisions;

Whereas, although the Treaties confer powers to enact provisions for checks and penalties in relation to revenue and expenditure in specific areas, they do not confer powers to enact horizontal provisions applicable to revenue and expenditure in general terms, and whereas the application of Article 235 of the EC Treaty and Article 203 of the EAEC Treaty is justified,

HAS ADOPTED THIS REGULATION:

TITLE I

PRINCIPLES

Article 1

1. For the purposes of the protection of the Communities' financial interests, action shall be taken to counter:
 - fraud against the Communities' financial interests;
 - abuse of Community law;
 - any other failure to discharge an obligation provided for in rules governing Community revenue or the grant of aid, a subsidy or any other benefit.

Fraud, abuse and failure as enumerated in the first subparagraph are hereinafter jointly referred to as "irregularities".

2. The protection of the Communities' financial interests shall extend not only to all revenue and expenditure provided for by the general budget but also to all other revenue and expenditure managed by or on behalf of the Community institutions.

Article 2

1. "Fraud against the Community's financial interests" means any act or omission contrary to the applicable law, committed either intentionally or through gross negligence in respect of a duty of care, which has as its object or effect:
 - a diminution of the Community's own resources or other revenue; or
 - the misappropriation, wrongful retention or misapplication of monies paid by the Community.
2. Fraud against the Community's financial interests includes the following acts:
 - the preparation, supply, use or presentation of false, incorrect or incomplete documents or statements where information is to be furnished prior to the grant of a subsidy or the receipt of monies;
 - failure to furnish information to the relevant authorities in relation to any change in the circumstances giving rise to the grant of a subsidy or the receipt of monies;
 - misappropriation or dissipation of funds;
 - knowingly using aids or subsidies obtained on the basis of incorrect or incomplete statements or other misleading acts.

Article 3

1. "Abuse of Community law" means an act is done for the purpose of obtaining an unwarranted advantage by means of fictitious or artificial operations designed to create a situation that is formally in accordance with the law but is devoid of any real economic purpose and is contrary to the purpose sought by the material instrument of Community law.
2. No rights or benefits shall be conferred by operations as referred to in paragraph 1.

Article 4

1. As a general rule, where an irregularity is committed neither intentionally nor negligently, the following measures may be applied:
 - withdrawal of a benefit unjustifiably received;
 - the obligation to pay or reimburse amounts due or unjustifiably received, plus, where appropriate, interest which may be fixed at a flat rate;
 - the forfeiture of the whole or a part of a guarantee lodged in support of an application for a benefit or for the receipt of an advance.

Such measures shall not be treated as penalties.

2. However, even where an irregularity is committed neither intentionally nor negligently, Community administrative penalties may be applied if, to ensure its correct functioning, the rules in question provide for the imposition of penalties regardless of the element of fault.

Article 5

Where an irregularity is committed intentionally or negligently, the Member States or the Commission, as the case may be, shall impose such Community administrative penalties as are provided for by Community legislation in addition to the measures provided for by Article 4(1).

Article 6

The measures provided for by Articles 4 and 5 shall apply without prejudice to the Member States' obligation to ensure that infringements of Community law are penalized by appropriate measures under their national law and under conditions, both procedural and substantive, which are analogous to those applicable to infringements of national law of a similar nature and gravity and which, in any event, afford effective, proportionate and dissuasive protection for the Communities' financial interests.

TITLE II

RULES APPLICABLE TO COMMUNITY ADMINISTRATIVE PENALTIES

Article 7

1. "Community administrative penalties" means all enforcement measures provided by Community legislation to be taken in the event of conduct to which Article 5 applies which entail unfavourable financial or economic consequences for natural or legal persons to whom Article 8 applies.

Provision may be made in particular for the following penalties:

- an administrative financial penalty, including the obligation to pay an amount greater than the amounts unjustifiably received or evaded, plus interest where appropriate;
- withdrawal of the whole or a part of the benefit granted by Community legislation, even if only part of this benefit has been unjustifiably received;
- ineligibility for or withdrawal of the benefit for a period subsequent to that affected by the irregularity;
- temporary or permanent withdrawal of approval or recognition, if any, needed for eligibility for a scheme of Community aid.

2. In so far as is necessary to ensure the correct functioning of the legislation in question, provisions relating to penalties shall determine the type and scope of the penalties on the basis of the scale of the risk of irregularities, the amount of the benefit granted, and the nature and gravity of the irregularity, with particular reference to the element of fault.

Article 8

Community administrative penalties may be incurred by:

- natural persons who have committed or assisted in the commission of an irregularity;
- natural persons who, by reason of their position or function, are under a duty to ensure by appropriate means that irregularities are not committed;
- legal persons where the irregularity is committed by a natural person acting on their behalf and exercising a decision-making power conferred by law or agency or in fact;
- groups or associations of natural or legal persons where the irregularity is committed by a natural person acting on their behalf and exercising a decision-making power conferred by law or agency or in fact.

Article 9

1. Penalty proceedings shall not be commenced in respect of an irregularity if five years have elapsed following its commission. Where the irregularity is continuous or repeated, time shall run from the date on which it ceases. However, in any case concerning a multiannual programme, time shall run from the date when the programme terminates.

The limitation period applicable to the commencement of proceedings shall be interrupted by any act of a national or Community authority relating to investigation or the commencement of proceedings.

2. The limitation period applicable to decisions imposing penalties shall be five years. Time shall run from the day on which the decision becomes final.

The limitation period applicable to decisions imposing penalties shall be interrupted by notification of a decision varying the original amount of the penalty.

The limitation period applicable to decisions imposing penalties shall be suspended for such time as payment facilities are granted.

Article 10

No penalty may be imposed unless an instrument of Community law prior to the commission of the irregularity has provided for it. Where an instrument providing for penalties is amended, the less severe of the two forms shall be applied with retroactive effect, unless the amended instrument expressly provides otherwise.

TITLE III

CHECKS AND INSPECTIONS ON THE SPOT

Article 11

1. Measures providing for checks shall be so determined as to match the specific schemes implemented and shall be in proportion to the objectives pursued.

2. The nature and frequency of the checks and inspections and the procedure for performing them shall be determined in such a way as to ensure effective and uniform application of the material legislation and in particular to allow irregularities to be prevented and detected. Measures providing for checks and inspections shall as far as possible take account of the existing administrative practice and structures in the Member States and shall be determined so as not to entail excessive economic constraints or administrative costs.
3. Checks and inspections performed by the Commission in the exercise of powers conferred on it by specific Community legislation shall be performed by its own staff or by experts duly empowered to act on its behalf. These persons shall be given access to full information, including information obtained by national inspectors, and shall be entitled to take copies of documents, subject to rules of confidentiality applying to judicial proceedings.

All information obtained in the course of the checks or inspections referred to in the first subparagraph shall be subject to business secrecy. It may not be divulged to any persons other than those whose functions give them access to it, nor used for any purposes other than those specified in paragraph 2.

4. Checks and inspections shall be permitted and access to land, premises, means of transport and other places to be visited for the purpose shall be allowed by all natural or legal persons who:
 - enjoy a financial benefit, whether directly or indirectly;
 - are subject to obligations imposed by Community legislation;
 - are parties, directly or indirectly, to operations to which the relevant legislation applies, whether as suppliers, successive consignees, carriers or processors, managers, coordinators or in any other capacity.
5. Where persons to whom paragraph 4 applies refuse to permit checks or inspections to be made, the Member State concerned shall, in accordance with its national procedural rules, provide the Commission staff or experts duly empowered to act on its behalf with such assistance as they may require to enable them to take the measures necessary in order to perform the checks or inspections entrusted to them.

Article 12

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

Proposal for
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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on European Union, and in particular point (c) of the second indent of Article K.3(2) thereof,

Having regard to the proposal from the Commission⁽¹⁾,

Having regard to the opinion of the European Parliament,

Whereas, by virtue of Article K.1(5) of the Treaty on European Union, measures to combat fraud on an international scale are, without prejudice to the powers of the European Community, a matter of common interest warranting cooperation under Title VI of that Treaty;

Whereas Article 209a of the Treaty establishing the European Community, Article 78i of the Treaty establishing the European Coal and Steel Community and Article 183a of the Treaty establishing the European Atomic Energy Community impose specific obligations on the Member States to counter fraud against the Communities' financial interests, without prejudice to other more general obligations incumbent on them by virtue of Article 5 of the Treaty establishing the European Community;

Whereas the Council Resolution of 30 November 1993 declares that some of the questions to be dealt with in the fight against fraud injuring the Communities' financial interests fall within areas of common interest covered by Title VI of the Treaty on European Union and specifies the substantive questions to which special attention should be paid, including the definition of offences, liability, penalties, extraterritorial application and mutual assistance in criminal matters, and limitation ratione temporis;

Whereas the findings of the comparative law study requested of the Commission by the Council Resolution of 13 November 1991⁽²⁾ have revealed certain inadequacies; whereas a degree of compatibility should therefore be secured between the laws of the Member States, for the specific purpose of protecting the Communities' financial interests; whereas such laws should be implemented in a consistent fashion;

⁽¹⁾ OJ No C

⁽²⁾ OJ No C 328, 17.12.1991, p. 1.

Whereas⁽³⁾

1. Has decided to establish the Convention attached hereto, which has been signed this day by the Representatives of the Governments of the Member States of the Union.
2. Recommends the Member States to adopt the Convention in accordance with their respective constitutional requirements.
3. Calls upon the Member States to lodge with the General Secretariat of the Council their instruments recording the completion of the procedures required by their constitutional rules for the adoption of the Convention.
4. Requests the Secretary-General of the Council to inform the Member States of the date of entry into force of the Convention.

Done at Brussels,

For the Council
The President

⁽³⁾ See footnote to Title III of the Convention - Judicial cooperation between Member States.

Whereas rules should be laid down to govern jurisdiction, the commencement of proceedings, extradition and mutual assistance, since the conventions concluded hitherto for mutual assistance in criminal matters are not applicable in all the Member States and do not achieve all that is necessary for the protection of the Communities' financial interests; and whereas the Member States bear the primary responsibility for detecting, prosecuting and penalizing fraud against the Communities' financial interests.

CONVENTION FOR THE PROTECTION OF THE COMMUNITIES' FINANCIAL INTERESTS

THE MEMBER STATES OF THE EUROPEAN UNION, HIGH CONTRACTING PARTIES TO THIS CONVENTION,

Having regard to Council of the European Union Act No ... of ... ,

Whereas cases of economic and financial fraud affecting Community revenue and expenditure are often not confined to a single country and are more and more commonly committed by organized crime;

Whereas organized crime is likely to exploit the systems for collection and disbursement of Community funds with all the more impunity as national bodies of legislation provide for inadequate measures to penalize such fraud and diverge so widely as to hinder the effective protection of the Communities' financial interests;

Whereas protection of the Communities' financial interests calls for the criminal prosecution of all fraudulent conduct injuring those interests and requires the Member States, in doing so, to apply the same definition;

Whereas the principle of personal liability is the basis for criminal liability in the Member States; whereas the treatment of the different parties to the commission of an offence and the complexity of decision-making procedures within businesses necessitate changes to the laws of the Member States;

Whereas businesses play an important role in the areas financed by the Community budget, and provision must be made for them to be held liable for fraud against the Communities' financial interests where the fraud is committed with the assistance of any body, legal agent or person in those businesses who enjoys decision-making powers, whether in law or in fact;

Whereas the Member State in whose territory essential factual elements constituting the fraud occurred should, in the first instance, have jurisdiction;

Whereas transnational fraud against the Communities' financial interests is more and more highly organized and often involves several jurisdictions, whilst the rules governing the territorial extent of national laws impede the efficacy of measures to counter it;

Whereas⁽⁴⁾

⁽⁴⁾ See footnote to Title III - Judicial cooperation between Member States.

Whereas the rules governing the obligation to prosecute, extradite and afford mutual judicial assistance should be applicable to all cases of fraud against the Communities' financial interests, including fiscal cases relating to excise duties, value-added tax and customs duties.

HAVE AGREED AS FOLLOWS:

TITLE I - GENERAL PROVISIONS

Article 1 - Definition of the offence of fraud

1. There shall be a specific offence of fraud against the Communities' financial interests.
2. "Fraud against the Communities' financial interests" means any act or omission contrary to Community law committed either intentionally or through gross negligence in respect of a duty of care, which has as its object or effect:
 - a diminution of the Communities' own resources or other revenue; or
 - the misappropriation, wrongful retention or misapplication of monies paid by the Communities.
3. Fraud against the Communities' financial interests shall apply both to revenue and expenditure provided for by the general budget and to all other revenue and expenditure managed by or on behalf of a Community institution.
4. Fraud against the Communities' financial interests includes the following acts:
 - the preparation, supply, use or presentation of false, incorrect or incomplete documents or statements where information is to be furnished prior to the grant of a subsidy or the receipt of monies;
 - failure to furnish information to the relevant authorities in relation to any change in the circumstances giving rise to the grant of a subsidy or the receipt of monies;
 - misappropriation or dissipation of funds;
 - knowingly using aid or subsidies obtained on the basis of incorrect or incomplete statements or other misleading acts.

Article 2 - Attempts

An attempt to commit fraud against the Communities' financial interests shall be punishable in the same way as the full commission thereof.

Article 3 - Liability

1. Any person who is a party to fraud against the Communities' financial interests may be held liable as principal offender, instigator, accomplice or receiver of stolen goods.
2. Any person who exercises legal, delegated or de facto powers within a business may be held liable for a fraud against the Communities' financial interests committed by a member of the undertaking on its behalf.
3. Any legal person shall be liable, at least to financial penalties, for any fraud against the Communities' financial interests committed by any body, legal agent or person enjoying decision-making powers, whether in law or in fact, on its behalf.
4. The heads of liability under paragraphs 1 to 3 shall not be mutually exclusive.

Article 4 - Penalties

1. Fraud against the Communities' financial interests shall be punishable by a custodial sentence, by a financial penalty or by both. The subject of the fraud, including the means of transport used for its commission, and the proceeds of the fraud may be confiscated.
2. Aggravated fraud shall be punishable by harsher penalties. Aggravated fraud shall be evidenced by the following:
 - the repetition of the facts;
 - the premeditated nature of the act;
 - the involvement of the offender as a member of a conspiracy;
 - the offender's status as a public servant or officer;
 - bribery of a public servant;
 - involvement of amounts in excess of ECU 50 000.

TITLE II - APPLICATION OF NATIONAL LAW

Article 5 - National jurisdiction and obligation to prosecute

1. The Member State in which the essential factual elements constituting a fraud against the Communities' financial interests occurred shall, in the first instance, have jurisdiction to commence proceedings under its own law.
2. Rules for the determination of the concept of "essential factual elements constituting a fraud" shall be established as implementing measures in accordance with Article 10.

Article 6 - Ambit of national law

1. Where the essential factual elements constituting a fraud against the Communities' financial interests occurred in the territory of a non-member country, Member States shall treat the fraud as having been committed entirely within their own territory if:
 - the benefit could have been obtained or was obtained in, or was transferred to, their territory; or
 - the perpetrator of the fraud within the meaning of Article 3 is a national of one of them; or
 - any act related to the fraud was performed in their territory.
2. Where paragraph 1 applies, the Member State in whose territory the suspected offender resides or is arrested shall, in the first instance, have jurisdiction to commence proceedings.

TITLE III - JUDICIAL COOPERATION BETWEEN MEMBER STATES⁽⁵⁾

Article 7 - Extradition, prosecution and limitation⁽⁶⁾

⁽⁵⁾ Title III is not within the scope of the Commission's initiative under Article K.3(2) of the Union Treaty. It is presented to the Council as material for reflection so as to offer a full document.

⁽⁶⁾ Article 7

1. Member States shall, in accordance with the procedures laid down by the extradition treaties and agreements to which they are parties, extradite a person against whom proceedings have been commenced by the requesting Member State where the act or acts of which he is accused constitute or may constitute fraud against the Communities' financial interests.

Extradition shall not be refused solely on the ground that the offence is a fiscal offence, or because double criminality is a precondition.

Member States shall extradite sought for the purpose of enforcement of a criminal penalty or preventive measure imposed for fraud against the Communities' financial interests.

2. If the Member State in whose territory the suspected offender resides or is arrested declines to extradite him on the ground that he is a national, that Member State shall submit the case to its competent authorities in order that proceedings may be brought if they are considered appropriate. For this purpose, it shall request the transfer of proceedings from the Member State having jurisdiction in the first instance.

That Member State shall then treat the fraud as having been committed in its own territory.

3. Any event which suspends limitation periods in the applicant Member State shall have like effect in the Member State applied to, and vice versa.

Article 8 - Judicial collaboration⁽⁷⁾

TITLE IV - RULES TO GIVE EFFECT TO THE CONVENTION

Article 9 - Cooperation

The Council shall establish regular cooperation, with the Commission's assistance, to evaluate the operation of this Convention.

To this end a report shall be made every year on the operation of this Convention.

⁽⁷⁾ Article 8

- 1 Member States shall afford mutual assistance in all judicial proceedings commenced in respect of fraud against the Communities' financial interests.
- 2 For the purposes of this Convention, judicial assistance shall extend to:
 - investigations, including the hearing of witnesses, experts and persons undergoing examination, carriage to the locus in quo and the preparation of expert reports;
 - submission of evidence, case files and documents;
 - delivery of procedural documents and judicial decisions;
 - submission of extracts from court or police records, accompanied by all relevant information;
 - searches and seizures;
 - notification of documents seeking for the enforcement of penalties and similar, including the recovery of fines and costs;
 - measures for the enforcement of fines, including orders for confiscation within the meaning of Article 4(1)
- 3 Judicial collaboration shall be afforded in respect of all acts constituting fraud against the Communities' financial interests.

Double criminality shall not be a precondition.
- 4 Requests for judicial collaboration and responses to them may be made direct between the relevant judicial authorities. Each request and accompanying documents shall be translated into the language, or one of the languages, of the State applied to. A copy of the request and of the response shall be sent to the relevant Ministries of Justice and the Commission.
- 5 Requests for judicial collaboration shall as a general rule be acted upon in accordance with the rules of the State applied to. They may, however, be acted upon in accordance with the rules of the applicant State if such rules are expressly set forth in the request and are not in conflict with the rules of the State applied to.

Article 10 - Implementing measures

1. The Council, acting at the initiative of a Member State or on a proposal from the Commission, shall adopt such measures as may be necessary to give effect to this Convention.
2. The implementing measures may make provision for cooperation between Member States and the Commission for the settlement of specific cases.

Article 11 - Jurisdiction of the Court of Justice

The Court of Justice of the European Communities shall have jurisdiction to:

- interpret the provisions of this Convention by way of preliminary ruling in accordance with the procedure laid down in the second and third paragraphs of Article 177 of the Treaty establishing the European Community;
- hear and determine disputes arising out of the operation of this Convention, on application from a Member State or the Commission.

TITLE V - FINAL PROVISIONS

Article 12 - Publication

This Convention shall be published in the Official Journal of the European Communities immediately upon its entry into force.

Article 13 - Entry into force

This Convention shall enter into force on the first day of the second month following the last lodging by a Member State of its instrument of ratification with the General Secretariat of the Council.

Done at Brussels,

[Signatures]

ISSN 0254-1475

COM(94) 214 final

DOCUMENTS

EN

09 01

Catalogue number : CB-CO-94-265-EN-C

ISBN 92-77-70360-1

Office for Official Publications of the European Communities
L-2985 Luxembourg