

Program and Budget Committee

Twenty-Seventh Session Geneva, September 11 to 15, 2017

PROPOSED AMENDMENTS TO WIPO'S FINANCIAL REGULATIONS AND RULES (FRR)

Document prepared by the Secretariat

INTRODUCTION

1. The present document contains proposals for amendments to WIPO's Financial Regulations and Rules (FRRs). At its twenty-sixth session (July 10 to 14, 2017), the Program and Budget Committee (PBC) considered the proposed amendments to the FRRs contained in document WO/PBC/26/5, and:¹

"1. Recommended to the WIPO General Assembly to approve Regulation 5.11, as amended and indicated in Annex I of document WO/PBC/26/5.

2. Took note of (i) the amendments to Financial Rules 105.12, 105.17, 105.18, 105.19, 105.26, and 105.27; (ii) the deletion of Financial Rules 105.13, 105.16, 105.21, and 105.23; and (iii) the introduction of proposed new Rule 105.17bis, as indicated in Annex I of document WO/PBC/26/5.

3. Took note of the amendments proposed to the Financial Regulations and Rules in Annex II of document WO/PBC/26/5 and requested the Secretariat to present a revised draft of these amendments for the 27th session of the PBC, taking due consideration of the comments made by Member States.

4. Requested the Independent Advisory and Oversight Committee (IAOC) to review the amendments referred to under point 3 above, and to present their views thereon to the 27th session of the PBC."

¹ List of Decisions Adopted by the Program and Budget Committee (document WO/PBC/26/11).

2. In accordance with paragraph 3 of the above decision, the Secretariat hereby presents a revised draft of the proposals for amendments, for consideration by the PBC, taking due consideration of the comments made by Member States.
3. The document presents the proposed amendments in two sections. The first section focuses on amendments to WIPO's reporting practices and housekeeping changes to correct inaccuracies or provide clarification in the formulation of Regulations or Rules, which were discussed at the 26th session of the PBC, and for which general support was expressed during the meeting, subject to the review by the IAOC (detailed in Annex I). The second section reflects the initial changes proposed to Regulations and Rules for which Member States have provided specific/alternative proposals (detailed in Annex II).
4. The IAOC has been provided with the present document in order to enable it to provide its views to the PBC as requested. It is recalled that the Secretariat has previously discussed the subject of streamlining the financial and performance reporting with the IAOC, which the latter welcomed².
5. In accordance with the provisions of Regulation 10.1, "The Director General may propose amendments to these Regulations. Any such amendment to these Regulations must be approved by the General Assembly". Accordingly, amendments to the Regulations are proposed for approval by the General Assembly.
6. In accordance with Financial Regulation 10.1, Rule 110.1, the "present Rules may be amended by the Director General in a manner consistent with the Financial Regulations". Therefore, the amendments will be made by the Director General to the Financial Rules as indicated in Annex I.

PROPOSED AMENDMENTS TO WIPO'S REPORTING PRACTICES AND OTHER HOUSEKEEPING AMENDEMENTS

7. In keeping with the Secretariat's practice to maintain the FRRs under regular review, the most recent review has identified a number of amendments to be proposed to Financial Regulations and as well as changes to Financial Rules.
8. In line with the above, the following changes are proposed to the FRRs, as detailed in Annex I of the present document:
 - (a) Reporting:
 - (i) In recent years, it has become increasingly apparent that overlaps and duplications exist in the reporting provided to Member States on program and budgetary/financial performance of the biennium. In addressing this issue, however, it is of paramount importance to ensure that no information is lost through any changes, as also confirmed by Member States through a survey on this subject in 2014.
 - (ii) With this in mind, the following transformation is proposed, which ensures that duplication and overlaps in reporting are minimized, and coherence, clarity and transparency of reporting are enhanced without any loss of information or disclosure. Biennial information, which is currently being provided under the Financial Management Report (FMR) will be presented in the most appropriate and relevant report, as set forth below:

² See Report of the WIPO Independent Advisory Oversight Committee – Thirty-Third Session, Geneva, May 19 to 22, 2014 (WO/IAOC/33/2).

- Information related to program and budgetary performance, presented on a modified accrual basis, is proposed to be provided in an enhanced version of the program performance report of the second year of the biennium, i.e. the biennial “Program and Financial Management Report” (PFMR);
- Accounting information, presented on a full accrual basis in line with International Public Sector Accounting Standards, is proposed to be provided in the annual financial statements of the second year of the biennium; and
- An annual as well as a biennial statement on the status of contributions of the Member States to the General Assembly, in order to ensure compliance with the biennial requirement previously set out under the FMR.

(b) Amendments are also proposed to address the need to correct inaccuracies or provide clarification in the formulation of Regulations or Rules, which have become apparent as a result of the practical application of the FRRs.

9. Annex I of the present document provides the detailed proposals for changes to the FRRs, with justification for each change indicated alongside. On this basis, the following decision paragraphs are proposed:

10. *The Program and Budget Committee recommended to the WIPO General Assembly to approve (i) the proposed amendments to Regulations 2.14, 3.7, 3.13, 3.14, 5.3, 5.4, 5.7, 6.3, 6.7, and 10.1; (ii) the deletion of Regulation 6.6; and (iii) the introduction of proposed new Regulation 2.14bis., as indicated in Annex I of the present document WO/PBC/27/11.*

11. *The Program and Budget Committee took note of (i) the amendments to Financial Rules 101.1, 101.3(h) and (j), 103.2, 104.4, 105.1, 105.6, 105.9, 105.33, 106.3, 106.7, 106.10, and 110.1; (ii) the deletion of Financial Rule 106.12; and (iii) the introduction of proposed new Rules 102.7 and 106.11bis., as indicated in Annex I of the present document WO/PBC/27/11.*

AMENDMENTS PROPOSED TO REGULATIONS AND RULES FOR WHICH MEMBER STATES HAVE PROVIDED SPECIFIC PROPOSALS

12. The Delegations of France and of the United States of America have provided proposals for changes to the FRRs, which have been made available to Member States for their information in the six official languages of WIPO under the webpage dedicated to the PBC's 27th session on the WIPO website, under “Other Related Documents”.

13. The proposed changes refer to Regulations as well as to Rules. In accordance with the provisions of Regulation 10.1, "Any such amendment to these Regulations must be approved by the General Assembly". In accordance with Financial Regulation 10.1, Rule 110.1, the "present Rules may be amended by the Director General in a manner consistent with the Financial Regulations".

14. Annex II of the present document provides these proposals in the usual table format.

15. The Program and Budget Committee is invited to consider the proposed amendments contained in Annex II to the present document WO/PBC/27/11, and make its recommendation to the WIPO General Assembly.

[Annexes follow]

ANNEX I - PROPOSED AMENDMENTS TO WIPO'S REPORTING PRACTICES AND OTHER HOUSEKEEPING AMENDEMENTS

Current Text	Proposed New Text	Reason for Change
CHAPTER 1: GENERAL PROVISIONS	CHAPTER 1: GENERAL PROVISIONS	
<p>Applicability and authority Rule 101.1</p> <p>The Financial Rules are established by the Director General in accordance with the provisions of the Financial Regulations. The Program and Budget Committee is informed of any modification of the Financial Rules. They shall govern all the financial management activities of the Organization except as may otherwise explicitly be provided by the General Assembly or unless specifically exempted therefrom by the Director General. The Director General hereby delegates authority and assigns responsibility for the implementation of the Financial Regulations and Rules to the Controller. The Controller may in turn delegate aspects of his/her authority to other officers unless the Director General indicates otherwise. In the application of the Financial Regulations and Rules, officers shall be guided by the principles of effective and efficient financial management and the exercise of economy.</p>	<p>Applicability and authority Rule 101.1</p> <p>The Financial Rules are established by the Director General in accordance with the provisions of the Financial Regulations. The Program and Budget Committee is informed of any modification of the Financial Rules. They shall govern all the financial management activities of the Organization except as may otherwise explicitly be provided by the General Assembly or unless specifically exempted therefrom by the Director General. The Director General hereby delegates authority and assigns responsibility for the implementation of the Financial Regulations and Rules to the Controller, together with the authority to issue Office Instructions for such purpose. The Controller may in turn delegate aspects of his/her authority to other officers unless the Director General indicates otherwise. In the application of the Financial Regulations and Rules, officers shall be guided by the principles of effective and efficient financial management and the exercise of economy.</p>	<p>In line with the delegation of authority, the amendment to the Rule authorizes the Controller to issue appropriate Office Instructions regarding the implementation of the FRRs.</p>
<p>Definitions Rule 101.3</p> <p>For the purpose of these Rules:</p> <p>[...]</p> <p>(h) "Expenditure" shall mean the sum of disbursements and expense accruals;</p> <p>(i) "Headquarters" shall mean the offices of the Organization located in Geneva;</p>	<p>Definitions Rule 101.3</p> <p>For the purpose of these Rules:</p> <p>[...]</p> <p>(h) "Expenditure" shall mean the sum of disbursements (excluding amounts prepaid at the end of each year of the financial period) and expense accruals;</p> <p>(i) "Headquarters" shall mean the offices of the Organization located in Geneva;</p>	<p>The amendment rectifies an error in the definition of expenditures, as the amounts prepaid at the end of each year of the financial period need to be excluded from total disbursements.</p>

Current Text	Proposed New Text	Reason for Change
<p>(j) “Obligations” are amounts of orders placed, contracts awarded, and other transactions for which goods have been received or services rendered during the current financial period and which will require payment during the same or a future period;</p> <p>[...]</p>	<p>(j) “Obligations” (“contractual commitments”) are amounts of orders placed, contracts awarded, and other transactions for which goods have been received or services rendered during the current financial period and which will require payment during the same or a future period;</p> <p>[...]</p>	<p>The amendment rectifies an error in the definition that, as previously formulated, referred only to a sub-set of obligations.</p>
<p>CHAPTER 2: THE PROGRAM AND BUDGET</p>	<p>CHAPTER 2: THE PROGRAM AND BUDGET</p>	
<p>Program and budget performance and evaluation Regulation 2.14</p> <p>The Director General shall prepare a report on program performance, based on the program structure, results frameworks, benchmarks and indicators of achievement contained in the program and budget, in accordance with the mechanism adopted by the Member States in respect of their involvement in the preparation and follow up of the program and budget of the Organization.</p>	<p>Program and budget financial performance and evaluation reporting Regulation 2.14</p> <p>The Director General shall prepare a report on program and budgetary performance, based on the program structure, results frameworks, benchmarks and indicators of achievement contained in the program and budget, in accordance with the mechanism adopted by the Member States in respect of their involvement in the preparation and follow up of the program and budget of the Organization. The program and financial management report of (i) the first year of the biennium shall provide a progress report on program and budgetary performance; and of (ii) the second year of the biennium shall provide a report on the achievements of the biennium, together with financial management information as required under these Financial Regulations and Rules.</p>	<p>Changes are proposed to ensure that information provided to Member States with respect to program performance is reflected in an enhanced version of the program performance report. The new report will be entitled Program and Financial Management Report (PFMR), which will include information on program and budgetary performance, incorporating relevant elements from the previously issued Financial Management Report, as detailed in the proposed new Regulation 2.14bis below.</p>
	<p>Regulation 2.14bis</p> <p>The program and financial management report of the second year of the biennium shall include the following financial information:</p> <p>(a) A statement of budget and actual income and expenditure for the financial period reported on the same accounting basis as the adopted budget;</p>	<p>The information previously provided under the Financial Management Report (FMR) is proposed to be provided, depending on the nature of the information concerned, under (i) the Program and Financial Management Report of the second year of the biennium; or (ii) the annual financial statements of the second year of the biennium, or (iii) where appropriate, in a separate report (i.e. report on the status of contributions).</p>

Current Text	Proposed New Text	Reason for Change
	<p><u>(b) The status of appropriations, including:</u></p> <p><u>(i) the original budget appropriation;</u></p> <p><u>(ii) the appropriation as modified by transfers made by the Director General under Regulation 5.5;</u></p> <p><u>(iii) increases or decreases arising from the flexibility adjustments under Regulation 5.6;</u></p> <p><u>The Director General shall also give such other information as may be appropriate to indicate the current financial position of the Organization.</u></p>	<p>The proposed approach ensures that duplication and overlaps in reporting are minimized, and coherence, clarity and transparency of reporting are enhanced <u>without any loss or reduction of information or disclosure.</u></p> <p>This is ensured through the following combination of proposed changes:</p> <ul style="list-style-type: none"> - amendment to Regulation 2.14; - introduction of new Regulation 2.14<i>bis</i>; - introduction of new Rule 102.7; - amendment to Regulation 3.7; - amendment to Regulation 3.14; - amendment to Rule 106.3; - amendment to Regulation 6.3; - amendment to Rule 106.7; - amendment to 106.10 (c); - new Rule 106.11<i>bis</i>; - deletion of Regulation 6.6; - deletion of Rule 106.12; and - amendment to Regulation 6.7.
	<p><u>Rule 102.7</u></p> <p><u>The Controller shall prepare the program and financial management report in accordance with Regulation 2.14 and 2.14<i>bis</i>.</u></p>	<p>To reflect that the Controller is responsible for preparing the program and financial management reports.</p>

Current Text	Proposed New Text	Reason for Change
CHAPTER 3: FUNDS	CHAPTER 3: FUNDS	
A. ASSESSED CONTRIBUTIONS	A. ASSESSED CONTRIBUTIONS	
<p>Status of payment of assessed contributions Regulation 3.7</p> <p>The Director General shall submit to the General Assembly at each ordinary session a report on the payment of contributions.</p>	<p>Status of payment of assessed contributions Regulation 3.7</p> <p>The Director General shall submit an annual as well as a biennial statement on the status of contributions of the Member States to the General Assembly at each ordinary session a report on the payment of contributions.</p>	<p>To ensure that the biennial requirement (previously set out under the FMR) is complied with.</p>
D. MISCELLANEOUS INCOME	D. MISCELLANEOUS INCOME	
<p>Regulation 3.13</p> <p>All income except:</p> <ul style="list-style-type: none"> (a) Assessed contributions by Member States, (b) Fees derived for services provided by the Organization under the PCT, Madrid, Hague and Lisbon systems, (c) Direct refunds of expenditures made during the financial period, (d) Advances or deposits to funds, (e) Interest_or investment revenue, (f) Income from the Arbitration and Mediation Center, (g) Income from the sale of publications, <p>shall be classed as miscellaneous income.</p>	<p>Regulation 3.13</p> <p>All income except:</p> <ul style="list-style-type: none"> (a) Assessed contributions by Member States, (b) Fees derived for services provided by the Organization under the PCT, Madrid, Hague and Lisbon systems, (c) Direct refunds of expenditures made during each year of the financial period, (d) Advances or deposits to funds, (e) Interest_or investment revenue, (f) Income from the Arbitration and Mediation Center, (g) Income from the sale of publications, <p>shall be classed as miscellaneous income.</p>	<p>The change clarifies that refunds can only be made against expenditures of the same year of the biennium. Refunds received in year two of the biennium, which relate to expenditures in year one, will be treated as miscellaneous income.</p>

Current Text	Proposed New Text	Reason for Change
<p>Regulation 3.14</p> <p>Monies accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported in the financial management report of the financial period.</p>	<p>Regulation 3.14</p> <p>Monies accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported in the <u>annual financial management report statements</u> of the <u>financial period year to which they relate</u>.</p>	<p>Clarification highlighting current practice, which is fully aligned with the requirements of IPSAS - while the financial period is the biennium, the Organization reports on miscellaneous income annually in the annual financial statements.</p>
<p>Reimbursements of expenditures</p> <p>Rule 103.2</p> <p>(a) Within the same financial period, reimbursements of actual expenditures incurred may be credited to the accounts against which they were originally charged; reimbursements of actual expenditures incurred in prior financial periods shall be credited as miscellaneous income.</p> <p>(b) Adjustments that arise subsequent to the closing of a special account shall be debited or credited against miscellaneous income in the regular budget</p>	<p>Reimbursements of expenditures</p> <p>Rule 103.2</p> <p>(a) Within the same <u>year of the</u> financial period, reimbursements of actual expenditures incurred may be credited to the accounts against which they were originally charged; reimbursements of actual expenditures incurred in prior <u>financial periods years</u> shall be credited as miscellaneous income.</p> <p>(b) Adjustments that arise subsequent to the closing of a special account shall be debited or credited against miscellaneous income in the regular budget</p>	<p>Clarification to highlight that reimbursements can only be applied to expenditures of the same year.</p>
<p>CHAPTER 4: CUSTODY OF FUNDS</p>	<p>CHAPTER 4: CUSTODY OF FUNDS</p>	
<p>B. BANKING</p>	<p>B. BANKING</p>	
<p>Exchange of currencies</p> <p>Rule 104.4</p> <p>Officers responsible for the operation of WIPO bank accounts shall proceed to exchange all payments received in currencies other than the Swiss franc into Swiss francs except when the other currencies are necessary for the transaction of official business of the Organization in the foreseeable future. Policies and procedures for exchange of currencies shall be established in detail through appropriate Office Instructions.</p>	<p>Exchange of currencies</p> <p>Rule 104.4</p> <p>Officers responsible for the operation of WIPO bank accounts shall proceed to exchange all payments received in currencies other than the Swiss franc into Swiss francs except when the other currencies are necessary for the transaction of official business of the Organization in the foreseeable future. Policies and procedures for exchange of currencies shall be established in detail through appropriate Office Instructions.</p>	<p>Rule 104.10(b) already provides the guidance needed, therefore no further policies or Office Instructions are envisaged to be needed for this. A handbook is under preparation summarizing the procedures to be followed, which will be fully in line with the relevant Regulations, Rules and applicable policies.</p>

Current Text	Proposed New Text	Reason for Change
CHAPTER 5: UTILIZATION OF FUNDS	CHAPTER 5: UTILIZATION OF FUNDS	
A. APPROPRIATIONS	A. APPROPRIATIONS	
<p>Regulation 5.3</p> <p>Expense accruals shall remain available for twelve months following the end of the financial period to which they relate, to the extent that they are required to cover payments in respect of goods supplied and services rendered in the financial period.</p>	<p>Regulation 5.3</p> <p>Expense accruals shall remain available for twelve months following the end of <u>each year of</u> the financial period to which they relate, to the extent that they are required to cover payments in respect of goods supplied and services rendered in the financial period.</p>	<p>Clarification to highlight that accruals are kept available for one year following the closure of the year in question.</p>
<p>Regulation 5.4</p> <p>At the end of the twelve-month period provided for in Regulation 5.3 above, any expense accruals of the financial period in question shall be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.</p>	<p>Regulation 5.4</p> <p>At the end of the twelve-month period provided for in Regulation 5.3 above, any expense accruals of the <u>year financial period</u> in question shall be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.</p>	<p>As above.</p>
<p>Commitments against appropriations for future financial periods</p> <p>Regulation 5.7</p> <p>The Director General may enter into commitments for future financial periods, provided that such commitments:</p> <ul style="list-style-type: none"> (a) are for activities which have been approved by the General Assembly and are expected to continue beyond the end of the current financial period; or (b) are authorized by specific decisions of the General Assembly. <p>Rule 105.1</p> <p>In accordance with Regulation 5.7 above, the authority to approve commitments against future financial periods is delegated to the Controller. The Controller shall maintain a record in the accounting records of all such commitments (Rule 106.7), which shall constitute the first charges against</p>	<p><u>Contractual</u> Commitments against appropriations for future financial periods</p> <p>Regulation 5.7</p> <p>The Director General may enter into <u>contractual</u> commitments for future financial periods, provided that such commitments<u>these</u>:</p> <ul style="list-style-type: none"> (a) are for activities which have been approved by the General Assembly and are expected to continue beyond the end of the current financial period; or (b) are authorized by specific decisions of the General Assembly. <p>Rule 105.1</p> <p>In accordance with Regulation 5.7 above, the authority to approve <u>contractual</u> commitments against future financial periods is delegated to the Controller. The Controller shall maintain a record in the accounting records of all such</p>	<p>Correction to ensure accurate reference to obligations (contractual commitments), which is what this regulation intends, rather than commitments (pre-encumbrances).</p>

Current Text	Proposed New Text	Reason for Change
<p>relevant appropriations once they are approved by the General Assembly.</p>	<p>contractual commitments (Rule 106.7), which shall constitute the first charges against relevant appropriations once they are approved by the General Assembly.</p>	
<p>B. COMMITMENTS, OBLIGATIONS AND EXPENDITURES</p>	<p>B. COMMITMENTS, OBLIGATIONS AND EXPENDITURES</p>	
<p>Certifying officers Rule 105.6</p> <p>(a) Certifying officers are responsible for ensuring that the utilization of resources proposed by Program Managers, including posts, is in compliance with the Financial Regulations and Rules, the Staff Regulations and Rules of the Organization and the Office Instructions issued by the Director General.</p> <p>(b) Certifying officers are designated by the Controller. Certifying authority and responsibility is assigned on a personal basis and cannot be delegated. A certifying officer cannot exercise the approving functions assigned in accordance with Rule 105.7.</p>	<p>Certifying officers Rule 105.6</p> <p>(a) Certifying officers are responsible for ensuring that the utilization of resources proposed by Program Managers, including posts, is in compliance with the Financial Regulations and Rules, the Staff Regulations and Rules of the Organization and the Office Instructions issued by the Director General or other authorized officers.</p> <p>(b) Certifying officers are designated by the Controller. Certifying authority and responsibility is assigned on a personal basis and cannot be delegated. A certifying officer cannot exercise the approving functions assigned in accordance with Rule 105.7.</p>	<p>The proposed change is intended to reflect the delegated authority to the Controller and the HLOP under the FRRs to issue OIs.</p>
<p>Review, re-obligation and cancellation of obligations Rule 105.9</p> <p>(a) Outstanding obligations must be reviewed periodically by the responsible Program Manager. If an obligation is determined to be valid but cannot be liquidated during the period set forth in Regulation 5.3, the provisions of Regulation 5.4 shall, as appropriate, be applied. Obligations that are no longer valid shall be reduced or cancelled from the accounting records accordingly.</p> <p>(b) When any obligation previously recorded in the accounting records is, for any reason, reduced (other than by payment) or cancelled, the certifying officer shall accordingly ensure that appropriate adjustments are</p>	<p>Review, re-obligation and cancellation of obligations Rule 105.9</p> <p>(a) Outstanding obligations must be reviewed periodically by the responsible Program Manager. If an obligation is determined to be valid but cannot be liquidated during the period set forth in Regulation 5.3, the provisions of Regulation 5.4 shall, as appropriate, be applied. Obligations that are no longer valid shall be reduced or cancelled from the accounting records accordingly.</p> <p>(b) When any obligation previously recorded in the accounting records is, for any reason, reduced (other than by payment) or cancelled, the certifying officer shall accordingly ensure that appropriate adjustments are</p>	<p>This is covered under point (b) and therefore redundant.</p>

Current Text	Proposed New Text	Reason for Change
recorded in the accounting records.	recorded in the accounting records.	
D. PROPERTY MANAGEMENT	D. PROPERTY MANAGEMENT	
<p>Physical verification of property Rule 105.33</p> <p>Officers responsible for the management of the property of the Organization shall perform periodic physical inventories of non-expendable equipment for the purposes of ensuring that the accounting records of fixed assets are accurate.</p>	<p>Physical verification of property Rule 105.33</p> <p>Officers responsible for the management of the property of the Organization shall perform periodic physical inventories of non-expendable equipment such property for the purposes of ensuring that the accounting records of fixed assets are accurate.</p>	For clarification, to remove confusion generated by the previously used terminology.
CHAPTER 6: ACCOUNTING	CHAPTER 6: ACCOUNTING	
<p>Accounting bases and standards Rule 106.3</p> <p>The accounting records shall be maintained to support the preparation of financial reports on different accounting bases as required by the Organization. The program and budget and related reporting in the financial management report are prepared on a modified accrual basis. The annual financial statements are prepared on a full accrual basis in compliance with the accounting standards applicable to the United Nations System. Unless otherwise directed by the Controller or by the particular terms governing the operation of a trust fund or special account, all other financial reporting shall be prepared on a full accrual basis.</p>	<p>Accounting bases and standards Rule 106.3</p> <p>The accounting records shall be maintained to support the preparation of financial reports on different accounting bases as required by the Organization. The program and budget and related reporting in the <u>program and</u> financial management report are prepared on a modified accrual basis. The annual financial statements are prepared on a full accrual basis in compliance with the accounting standards applicable to the United Nations System. Unless otherwise directed by the Controller or by the particular terms governing the operation of a trust fund or special account, all other financial reporting shall be prepared on a full accrual basis.</p>	To reflect the fact that program and budget related reporting, prepared on a modified accrual basis, will be provided in the Program and Financial Management Report.
<p>Currency of accounting records Regulation 6.3</p> <p>The annual financial statements and the financial management report of the Organization shall be presented in Swiss francs. Accounting records may, however, be kept in such currency or currencies as the Director General may deem necessary.</p>	<p>Currency of accounting records Regulation 6.3</p> <p>The annual financial statements and the financial management report of the Organization shall be presented in Swiss francs. Accounting records may, however, be kept in such currency or currencies as the Director General may deem necessary.</p>	<p>The Organization presents all its financial information in Swiss francs.</p> <p>The Program and Budget is presented in Swiss francs, in accordance with Regulation 2.1, and</p>

Current Text	Proposed New Text	Reason for Change
		<p>income and expenditures are presented on the same basis, in Swiss francs, in the Program Performance Report and the Program and Financial Management Report in accordance with proposed new Regulation 2.14bis.</p> <p>Reporting in the annual financial statements is presented in Swiss francs.</p>
<p>Accounting for commitments against future financial periods Rule 106.7</p> <p>Commitments established prior to the financial period to which they pertain, pursuant to Regulation 5.7 and Rule 105.1, shall be disclosed in the financial management report. For the purposes of the annual financial statements, contractual capital commitments for the acquisition of fixed assets and contractual commitments under lease arrangements which fall due in future calendar years shall be disclosed in the notes to the financial statements.</p>	<p>Accounting for <u>contractual</u> commitments against future financial periods Rule 106.7</p> <p><u>Contractual</u> commitments established <u>against future financial periods</u>prior to the financial period to which they pertain, pursuant to Regulation 5.7 and Rule 105.1, shall be disclosed in the <u>notes to the financial statements</u>management report. For the purposes of the annual financial statements, contractual capital commitments for the acquisition of fixed assets and contractual commitments under lease arrangements which fall due in future calendar years shall be disclosed in the notes to the financial statements.</p>	<p>To clarify and simplify the rule and fully align it with Regulation 5.7 and related Rule 105.1. All contractual commitments, including those previously separately listed (contractual capital commitments for the acquisition of fixed assets and contractual commitments under lease arrangements falling due in future calendar years) are disclosed fully and transparently in the notes to the annual financial statements.</p>
<p>Direct and indirect expenses Rule 106.10</p> <p>(a) Any expenditure which is incurred in the exclusive interest of a given Union shall be considered as a “direct expense” of that Union.</p> <p>(b) Any other expenditure which is incurred to implement the program and budget approved by the Assemblies of the Member States shall be considered as an “indirect expense.”</p> <p>(c) The financial management report of the Organization shall provide a clear distinction between direct and indirect expenses.</p>	<p>Direct and indirect expenses Rule 106.10</p> <p>(a) Any expenditure which is incurred in the exclusive interest of a given Union shall be considered as a “direct expense” of that Union.</p> <p>(b) Any other expenditure which is incurred to implement the program and budget approved by the Assemblies of the Member States shall be considered as an “indirect expense.”</p> <p>(c) The <u>program and</u> financial management report of the Organization shall provide a clear distinction between direct and indirect expenses.</p>	<p>To reflect the fact that expenditures incurred will be presented as “direct” or “indirect” expenses in the Program and Financial Management Report.</p>

Current Text	Proposed New Text	Reason for Change
	<p><u>Rule 106.11bis</u></p> <p><u>The annual financial statements of the second year of the biennium shall provide the following:</u></p> <p>(a) <u>The income and expenditures of all funds;</u></p> <p>(b) <u>Credits, if any, other than the appropriations approved for the biennium, together with amounts charged against these, in the form of a comprehensive table;</u></p> <p>(c) <u>Within the discussion and analysis accompanying such statements, financial information for the financial period drawn from the primary financial statements prepared for each calendar year;</u></p> <p>(d) <u>A report on investments, as part of the notes to the financial statements.</u></p>	<p>To reflect the elements previously included in the FMR, which will form part of the annual financial statements of the second year of the biennium.</p>
<p>Regulation 6.6</p> <p>Within five months after the end of each financial period, the Director General shall prepare the financial management report for that financial period. That report shall include the following information:</p> <p>(a) A statement of budget and actual income and expenditure for the financial period reported on the same accounting basis as the adopted budget;</p> <p>(b) The income and expenditures of all funds;</p> <p>(c) The status of appropriations, including:</p> <p>(i) the original budget appropriation;</p> <p>(ii) the appropriation as modified by any transfers made by the Director General under Regulation 5.5;</p> <p>(iii) increases or decreases arising from the flexibility adjustments under Regulation 5.6;</p> <p>(iv) credits, if any, other than the appropriations approved by the General Assembly;</p>	<p>Regulation 6.6 (deleted)</p> <p>Within five months after the end of each financial period, the Director General shall prepare the financial management report for that financial period. That report shall include the following information:</p> <p>(a) A statement of budget and actual income and expenditure for the financial period reported on the same accounting basis as the adopted budget;</p> <p>(b) The income and expenditures of all funds;</p> <p>(c) The status of appropriations, including:</p> <p>(i) the original budget appropriation;</p> <p>(ii) the appropriation as modified by any transfers made by the Director General under Regulation 5.5;</p> <p>(iii) increases or decreases arising from the flexibility adjustments under Regulation 5.6;</p> <p>(iv) credits, if any, other than the appropriations approved by the General Assembly;</p>	<p>The information previously provided under the Financial Management Report (FMR) is proposed to be provided, depending on the nature of the information concerned, under (i) the Program and Financial Management Report of the second year of the biennium; or (ii) the annual financial statements of the second year of the biennium, or (iii) where appropriate, in a separate report (i.e. report on the status of contributions).</p> <p>The proposed approach ensures that duplication and overlaps in reporting are minimized, and coherence, clarity and transparency of reporting are enhanced <u>without any loss or reduction of information or disclosure.</u></p> <p>This is ensured through the following combination of proposed changes:</p> <ul style="list-style-type: none"> - amendment to Regulation 2.14; - introduction of new Regulation 2.14bis; - introduction of new Rule 102.7; - amendment to Regulation 3.7; - amendment to Regulation 3.14;

Current Text	Proposed New Text	Reason for Change
<p>(v) the amounts charged against those appropriations and/or other credits;</p> <p>(d) Primary financial statements for the financial period prepared on the same accounting basis as the annual financial statements;</p> <p>(e) A report on investments;</p> <p>(f) A statement on the status of contributions of the Member States.</p> <p>The Director General shall also give such other information as may be appropriate to indicate the current financial position of the Organization.</p> <p>Rule 106.12</p> <p>The Controller shall prepare the financial management report in accordance with Regulation 6.6.</p>	<p>(v) the amounts charged against those appropriations and/or other credits;</p> <p>(d) Primary financial statements for the financial period prepared on the same accounting basis as the annual financial statements;</p> <p>(e) A report on investments;</p> <p>(f) A statement on the status of contributions of the Member States.</p> <p>The Director General shall also give such other information as may be appropriate to indicate the current financial position of the Organization.</p> <p>Rule 106.12 (deleted and moved to new Rule 102.7)</p> <p>The Controller shall prepare the financial management report in accordance with Regulation 6.6.</p>	<ul style="list-style-type: none"> - amendment to Rule 106.3; - amendment to Regulation 6.3; - amendment to Rule 106.7; - amendment to 106.10 (c); - new Rule 106.11 bis; - deletion of Regulation 6.6; - deletion of Rule 106.12; and - amendment to Regulation 6.7.
<p>Regulation 6.7</p> <p>After the annual audit, the annual financial statements and the report of the External Auditor shall be transmitted to all the interested States. Every two years following the end of the biennium, the financial management report shall also be transmitted to all interested States.</p>	<p>Regulation 6.7</p> <p>After the annual audit, the annual financial statements and the report of the External Auditor shall be transmitted to all the interested States. Every two years following the end of the biennium, the financial management report shall also be transmitted to all interested States.</p>	<p>The program and financial management reporting frequency is addressed under Regulation 2.14.</p>
<p>CHAPTER 10: FINAL PROVISIONS</p>	<p>CHAPTER 10: FINAL PROVISIONS</p>	
<p>Amendment</p> <p>Regulation 10.1</p> <p>The Director General may propose amendments to these Regulations. Any such amendment to these Regulations must be approved by the General Assembly.</p>	<p>Amendment</p> <p>Regulation 10.1</p> <p>The Director General may propose amendments to these Regulations. Any such amendment to these Regulations must be approved by the General Assembly. <u>Such amendments shall become effective on the date of approval by the General Assembly, unless specified otherwise.</u></p>	<p>To clarify the timing of entry into force of amendments.</p>

Current Text	Proposed New Text	Reason for Change
<p>Rule 110.1 The present Rules may be amended by the Director General in a manner consistent with the Financial Regulations.</p>	<p>Rule 110.1 The present Rules may be amended by the Director General in a manner consistent with the Financial Regulations. Such amendments shall become effective on the date determined by the Director General.</p>	<p>To clarify the timing of entry into force of amendments.</p>

[Annex II follows]

ANNEX II – AMENDMENTS PROPOSED TO REGULATIONS AND RULES FOR WHICH MEMBER STATES HAVE PROVIDED SPECIFIC PROPOSALS

Current Text	Proposal of the Secretariat as contained in WO/PBC/26/5:	Proposals for Amendments by Member States
<p>Definitions</p> <p>Rule 101.3</p> <p>For the purpose of these Rules:</p> <p>[...]</p> <p>(e) “Appropriations” shall mean the budgetary expenditure authorizations approved by the General Assembly for the financial period against which expenditures may be incurred for purposes specified by the General Assembly;</p> <p>[...]</p>	<p>(e) “Appropriations” shall mean the budgetary expenditure authorizations <u>in accordance with the Program and Budget</u> approved by the General Assembly for the financial period against which expenditures may be incurred for purposes specified by the General Assembly;</p> <p>Comment: “<i>The amendment simplifies the definition of appropriations, ensuring clarity and transparency with the explicit reference to the approved Program and Budget.</i>”</p>	<p>AMENDMENT PROPOSED BY THE DELEGATION OF THE UNITED STATES OF AMERICA:</p> <p>(e) “Appropriations” shall mean the budgetary expenditure authorizations <u>in accordance with the Program and Budget</u> approved by the General Assembly, <u>and by the Unions, each as far as it is concerned for the financial period against which expenditures may be incurred for purposes specified by the General Assembly, and by the Unions, each as far as it is concerned</u> for the financial period against which expenditures may be incurred for purposes specified by the General Assembly;</p> <p>Comment: “<i>Rule 101.3 (e) should reflect that approval is by the GA AND by the Unions.</i>”</p> <hr/> <p>AMENDMENT PROPOSED BY THE DELEGATION OF FRANCE:</p> <p><i>“We also support the other amendments proposed by the Secretariat in document WO/PBC/26/5 as submitted, in particular those at Rules 101.3(e) and (n). In our view, these amendments seek simplification and compliance with the presentation of financial statements, as the Secretariat states. They also seek, as France hopes, to buttress the unity of the Organization.</i></p> <p>[...]</p> <p><i>France supports all proposals within the PBC to amend the Financial Regulations and Rules which will result in the simplified presentation of the budget and financial statements, while also making the presentation consistent with the actual budget implementation per program and ensuring that it affords a bird’s eye view of the Organization.</i></p> <p><i>Accordingly, France does not view with favor the amendments proposed by the delegations of certain other Member States, whose effect would be to maintain or strengthen the presentation of the budget and financial statements “separately for each Union”. [...].”</i></p>

Current Text	Proposal of the Secretariat as contained in WO/PBC/26/5:	Proposals for Amendments by Member States
<p>Definitions</p> <p>Rule 101.3</p> <p>For the purpose of these Rules:</p> <p>[...]</p> <p>(n) “Reserve funds” shall mean funds established by the Assemblies of the Member States and of the Unions, each as far as it is concerned, in which surplus income from fees that exceed the amounts required to finance the program and budget appropriations should be deposited. Reserve funds shall be used in a manner decided by the Assemblies of the Member States and of the Unions, each as far as it is concerned;</p> <p>[...]</p>	<p>(n) “Reserve funds” shall mean funds established by the Assemblies of the Member States and of the Unions, each as far as it is concerned, in which surplus income from fees that exceed the amounts required to finance the program and budget appropriations should be deposited. Reserve funds shall be used in a manner decided by the Assemblies of the Member States and of the Unions, each as far as it is concerned <u>are the net assets of the Organization, and include accumulated surpluses, special projects reserve, revaluation reserve and working capital funds;</u></p> <p>Comment: “The definition is proposed to be simplified and aligned with the presentation in the financial statements. Reference to the use of the reserves has been removed as Regulation 4.6 refers to the use of reserves.”</p>	<p>AMENDMENT PROPOSED BY THE DELEGATION OF THE UNITED STATES OF AMERICA:</p> <p>(n) “Reserve funds” shall mean funds established by the Assemblies of the Member States and of the Unions, each as far as it is concerned, in which surplus income from fees that exceed the amounts required to finance the program and budget appropriations should be deposited. Reserve funds shall be used in a manner decided by the Assemblies of the Member States and of the Unions, each as far as it is concerned;</p> <p>Comment: “The EXISTING DEFINITION of reserves funds should be retained in Rule 101.3(n).”</p> <p>AMENDMENT PROPOSED BY THE DELEGATION OF FRANCE:</p> <p>“We also support the other amendments proposed by the Secretariat in document WO/PBC/26/5 as submitted, in particular those at Rules 101.3(e) and (n). In our view, these amendments seek simplification and compliance with the presentation of financial statements, as the Secretariat states. They also seek, as France hopes, to buttress the unity of the Organization.</p> <p>[...]</p> <p>France supports all proposals within the PBC to amend the Financial Regulations and Rules which will result in the simplified presentation of the budget and financial statements, while also making the presentation consistent with the actual budget implementation per program and ensuring that it affords a bird’s eye view of the Organization.</p> <p>Accordingly, France does not view with favor the amendments proposed by the delegations of certain other Member States, whose effect would be to maintain or strengthen the presentation of the budget and financial statements “separately for each Union”. [...]</p>

Current Text	Proposal of the Secretariat as contained in WO/PBC/26/5:	Proposals for Amendments by Member States
<p>CHAPTER 2: THE PROGRAM AND BUDGET</p>		<p>CHAPTER 2: THE PROGRAM AND BUDGET</p>
<p>Regulation 2.3</p> <p>The proposed program and budget shall cover estimates for income and expenditure for the financial period to which it relates, in a consolidated form for the Organization, as well as separately for each Union.</p>	<p>n/a</p>	<p>AMENDMENT PROPOSED BY THE DELEGATION OF THE UNITED STATES OF AMERICA:</p> <p>n/a</p> <hr/> <p>AMENDMENT PROPOSED BY THE DELEGATION OF FRANCE:</p> <p><i>"[...] On the contrary, France would prefer that the clarifications proposed by the Secretariat in respect of rules 101.3(e) and (n) be implemented in all the articles and rules of the Financial Regulations and Rules in which the "separately for each Union" approach is inconsistent with the actual operations of the Organization. Examples are Article 2.3 and Rule 102.2(ii)."</i></p>

Current Text	Proposal of the Secretariat as contained in WO/PBC/26/5:	Proposals for Amendments by Member States
<p>Rule 102.2</p> <p>The proposed program and budget shall contain:</p> <p>(i) A statement of financial and human resources requirements by proposed program and by nature of expenditure in a consolidated form for the Organization, as well as separately for each Union; for purposes of comparison, the expenditures for the previous financial period, the adopted initial budget and the proposed revised budget for the current financial period shall be indicated alongside the resource requirements estimates for the forthcoming financial period;</p> <p>(ii) A statement of estimated income including income from contributions, fees for services rendered under the PCT, Madrid, Hague and Lisbon systems and income classified as miscellaneous in accordance with Regulation 3.13;</p> <p>(iii) A statement of estimated demand for services under the PCT, Madrid, Hague and Lisbon systems, respectively; and</p>	<p>n/a</p>	<p>AMENDMENT PROPOSED BY THE DELEGATION OF THE UNITED STATES OF AMERICA:</p> <p>Rule 102.2</p> <p>The proposed program and budget shall contain:</p> <p>(i) A statement of financial and human resources requirements by proposed program and by nature of expenditure in a consolidated form for the Organization, as well as separately for each Union; for purposes of comparison, the direct and indirect expenditures and any cumulative surpluses for the previous financial period, the adopted initial budget and the proposed revised budget for the current financial period shall be indicated alongside the resource requirements estimates for the forthcoming financial period;</p> <p>(ii) A statement of estimated income including income from contributions, fees for services rendered under the PCT, Madrid, Hague and Lisbon systems and income classified as miscellaneous in accordance with Regulation 3.13 and the projected reserve/working capital fund target (RWCF target) and the projected working capital fund for each Union;</p> <p>(iii) (iv) A statement of estimated demand for services under the PCT, Madrid, Hague and Lisbon systems, respectively;</p> <p>(iii) (iv) A statement of the estimated income classified as miscellaneous in accordance with regulation 3.13; and</p> <p>(iv) (v) A detailed organigram of the International Bureau including names of Directors and Program Managers.</p> <p>Comment: <i>“The U.S. requests that 102.2(i) provides a clear distinction between direct and indirect expenses of each union. We understand that this is already happening, but would like it to be explicit in 102.2(i).”</i></p>

Current Text	Proposal of the Secretariat as contained in WO/PBC/26/5:	Proposals for Amendments by Member States
<p>(iv) A detailed organigram of the International Bureau including names of Directors and Program Managers.</p>		<p>AMENDMENT PROPOSED BY THE DELEGATION OF FRANCE:</p> <p><i>“[...] On the contrary, France would prefer that the clarifications proposed by the Secretariat in respect of rules 101.3(e) and (n) be implemented in all the articles and rules of the Financial Regulations and Rules in which the “separately for each Union” approach is inconsistent with the actual operations of the Organization. Examples are Article 2.3 and Rule 102.2(ii).”</i></p>
<p>CHAPTER 4: CUSTODY OF FUNDS</p>	<p>CHAPTER 4: CUSTODY OF FUNDS</p>	<p>CHAPTER 4: CUSTODY OF FUNDS</p>
<p>A. INTERNAL ACCOUNTS</p>	<p>A. INTERNAL ACCOUNTS</p>	<p>A. INTERNAL ACCOUNTS</p>
<p>Surpluses and deficits; Reserve Funds</p> <p>Regulation 4.6</p> <p>The use, other than for the covering of any deficits, of any of the reserve funds is a matter for the decision of the General Assembly of WIPO or the Assembly of the Union concerned, as the case may be.</p>	<p>Regulation 4.6</p> <p>The use, other than for the covering of any deficits, of any of the reserve funds shall be approved in accordance with WIPO's policy on reserves is a matter for the decision of the General Assembly of WIPO or the Assembly of the Union concerned, as the case may be.</p> <p>Comment: <i>“Member States have approved WIPO's policy on reserves separately. The FRRs accordingly cross reference the approved policy.</i></p> <p><i>This is aligned with the way other policies/decision are cross-referenced in the FRRs, including:</i></p> <ul style="list-style-type: none"> - <i>reference to the “involvement of Member States in the preparation of the proposed program and budget for the next financial period [...] in accordance with the mechanism that they adopted in that respect” in Regulation 2.2.;</i> - <i>reference to adjustments to be made “in accordance with the methodology and formula(e) approved by the respective assemblies of the PCT, Madrid and Hague Unions, and presented in the proposed program and budget for the relevant financial period” in Regulation 5.6; as well as</i> - <i>references to the “Organization's investment policy, as approved by Member States” in Regulation 4.10 and 4.11).”</i> 	<p>AMENDMENT PROPOSED BY THE DELEGATION OF THE UNITED STATES OF AMERICA:</p> <p>Regulation 4.6</p> <p>In accordance with WIPO's policy on reserves, The use, other than for the covering of any deficits, of any of the reserve funds is a matter for the decision of the General Assembly of WIPO or the Assembly of the Union concerned, as the case may be.</p> <p>Comment: <i>“We would like to see a continued reflection of the fact that the reserves policy is subject to the legal authority of each of the Unions. As such, we would like to retain that element of the original formulation of Reg 4.6.”</i></p> <p>AMENDMENT PROPOSED BY THE DELEGATION OF FRANCE:</p> <p><i>“We also support the other amendments proposed by the Secretariat in document WO/PBC/26/5 as submitted, in particular those at Rules 101.3(e) and (n). In our view, these amendments seek simplification and compliance with the presentation of financial statements, as the Secretariat states. They also seek, as France hopes, to buttress the unity of the Organization.</i></p> <p>[...]</p>

Current Text	Proposal of the Secretariat as contained in WO/PBC/26/5:	Proposals for Amendments by Member States
		<p><i>France supports all proposals within the PBC to amend the Financial Regulations and Rules which will result in the simplified presentation of the budget and financial statements, while also making the presentation consistent with the actual budget implementation per program and ensuring that it affords a bird's eye view of the Organization.</i></p> <p><i>Accordingly, France does not view with favor the amendments proposed by the delegations of certain other Member States, whose effect would be to maintain or strengthen the presentation of the budget and financial statements "separately for each Union". [...]</i></p>
<p>Regulation 4.7</p> <p>If, after the closure of the financial period, any Union shows a surplus of income, such surplus shall be accounted for under the reserve funds, unless otherwise decided by the General Assembly or the Assembly of the Union concerned.</p>	<p>n/a</p>	<p>AMENDMENT PROPOSED BY THE DELEGATION OF THE UNITED STATES OF AMERICA:</p> <p>Regulation 4.7</p> <p>If, after the closure of the financial period, any Union shows a surplus of income, such surplus shall be accounted for under the reserve funds, unless otherwise decided by the General Assembly or the Assembly of the Union concerned. Reserve funds of the PCT, Madrid, Hague and Lisbon Union shall be indicated together with any working capital funds in the program and budget (including proposed and revised) and have a Working Capital Fund Target (RWCF), each as far as it is concerned.</p> <hr/> <p>AMENDMENT PROPOSED BY THE DELEGATION OF FRANCE:</p> <p><i>"[...] Accordingly, France does not view with favor the amendments proposed by the delegations of certain other Member States, whose effect would be to maintain or strengthen the presentation of the budget and financial statements "separately for each Union". [...]"</i></p>

Current Text	Proposal of the Secretariat as contained in WO/PBC/26/5:	Proposals for Amendments by Member States
	n/a	<p>AMENDMENT PROPOSED BY THE DELEGATION OF THE UNITED STATES OF AMERICA FOR A NEW REGULATION TO BE INTRODUCED:</p> <p>Regulation 4.8bis</p> <p>Advances made from the reserve funds to cover the deficit of another Union shall be reimbursed to the reserve funds as soon as and to the extent that income is available for that purpose.</p> <p>Comment: <i>"This is modeled on Regulation 4.4."</i></p> <hr/> <p>AMENDMENT PROPOSED BY THE DELEGATION OF FRANCE:</p> <p><i>"[...] Accordingly, France does not view with favor the amendments proposed by the delegations of certain other Member States, whose effect would be to maintain or strengthen the presentation of the budget and financial statements "separately for each Union". [...]"</i></p>

[End of Annex II and of document]