

## PRESS RELEASE

### **ESMA publishes 2018 Work Programme for CRAs, trade repositories and third country CCPs**

The European Securities and Markets Authority (ESMA) has today published its [2017 Annual Report and 2018 Work Programme](#) setting out its main supervisory activities for credit rating agencies (CRAs), trade repositories (TRs), and third country central counterparties (TC-CCPs) in the EU. ESMA supervises eight registered TRs, 26 registered CRAs and four certified CRAs from third-countries. The report also details ESMA's supervisory activities and achievements in 2017.

Steven Maijoor, Chair, said:

“Our achievements in 2017 demonstrate how ESMA's supervisory responsibilities play a key role in the EU's objective of protecting investors and promoting financial stability.

ESMA has developed an improved risk assessment process and framework for TRs and CRAs, which allows us to better identify and evaluate supervisory risks. Our work on a number of common areas of focus for CRAs and TRs – internal controls, cloud computing, Brexit, fees, ancillary services – have delivered positive results and aided the development of supervisory tools.

Looking forward into 2018, ESMA will implement its new direct supervisory role under the Securities Financing Transactions Regulation. Our supervision will help to increase the transparency of shadow banking activities. In addition, ESMA will continue to actively engage with CRAs and TRs regarding strategy, governance, operational matters, and preparations for when the United Kingdom leaves the EU.

Finally, with the application of the Securitisation Regulation in January 2019, there will be significant preparatory work in 2018 with regards to the applications for registration of securitisation repositories.”

## 2018 Supervisory Priorities

For CRAs and TRs in the EU, the key supervisory themes identified for 2018 are based on ESMA's risk-based approach. In 2018, ESMA will prioritise its supervision on the quality of the credit rating process, including CRAs' validation practices and the quality of data reported by TRs. ESMA will also continue to focus on information technology and internal control, in addition to governance structures and management quality. Common themes in the supervision of both TRs and CRAs on which ESMA will perform further work include Brexit, fees charged by CRAs and TRs, cloud computing and preparing guidelines for periodic information. The work on Brexit will be key for ESMA in 2018. By the end of the year all supervised entities should be ready if the UK leaves the EU under a cliff-edge scenario.

The report details the priority areas for supervision that ESMA has identified for TC-CCPs in 2018. These include assessment of 15 pending applications for recognition as TC-CCPs and monitoring the potential risks TC-CCPs might import into the EU. In addition, ESMA will monitor the impacts of Brexit on the third country CCP regime.

## 2017 Achievements

ESMA's supervisory work in 2017 delivered a number of concrete results. Important achievements were:

- the work on fees charged by CRAs and TRs (which resulted in the publication of a [thematic report](#) at the beginning of January 2018);
- the thematic review following the publication of the [guidelines on validation](#);
- the publication of the [Endorsement Guidelines](#) for CRAs;
- [Guidelines on Portability](#) for TRs;
- various Q&As for CRAs and TRs; and
- ESMA's Data Quality Action Plan delivered improvements in the quality of data reported by TRs.

## Supervisory investments and enforcement

ESMA also launched investigations into the system development lifecycle of a TR and access to TR data by National Competent Authorities (NCAs). Further investigations into changes of analytical approach, rigorosity of CRA methodologies, interactions between CRAs and



issuers and the issuance process of structured finance ratings were also carried out. ESMA also took enforcement action, most notably by levelling a fine of €1.24 million on a CRA for infringements of the CRA Regulation.

The number of entities supervised by ESMA also grew in 2017. ESMA registered two additional TRs, the first new TRs since the end of 2013, bringing the total number of TRs registered in the EU to eight. The number of CRAs supervised by ESMA remained unchanged following the registration one new CRA and the withdrawal of another.

## Notes for editors

1. [ESMA80-199-153 ESMA's supervision of credit rating agencies, trade repositories and monitoring of third country central counterparties - 2017 Annual Report and 2018 Work Programme.](#)
2. ESMA has been the sole, direct supervisor for CRAs since 2011 and trade repositories from 2013, responsible for supervising [26 registered CRAs and four certified CRAs](#) and [eight trade repositories](#) in 2017.
3. In order to fulfil their reporting obligations under EMIR, counterparties and CCPs need to report the details of any derivative contract to a TR. TRs registered or recognised by ESMA may be used for EU derivative regulatory reporting.
4. Any company wishing to issue credit ratings in the EU must register with ESMA. CRAs established in third countries may also issue credit ratings on entities established or financial instruments issued in third countries which can be used for regulatory purposes in the EU where they have been certified as equivalent.
5. ESMA must recognise TC-CCPs before they can operate in the EU and only following a decision by the European Commission that the CCP's home country has a regulatory framework broadly equivalent to that of the EU. ESMA must recognise TC-CCPs acting in the EU, both initially and when they extend their range of activities and services. ESMA also assesses whether the classes of OTC derivatives cleared by recognised TC-CCPs should be subject to the clearing obligation under EMIR. The list of ESMA recognised TC-CCPs is published on ESMA's website [here](#).
6. ESMA's mission is to enhance investor protection and promote stable and orderly financial markets. It achieves these objectives through four activities:
  - a. assessing risks to investors, markets and financial stability;
  - b. completing a single rulebook for EU financial markets;
  - c. promoting supervisory convergence; and
  - d. directly supervising specific financial entities.



7. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

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