

Opening Statement

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Chair
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Economic and Monetary Affairs Committee
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Dear Chairman, honourable Members of the European Parliament,

I am grateful for the opportunity today to give you a brief outline of ESMA's key activities over the past 12 months. In my statement, I will focus on three main areas, which not only required most of ESMA's attention and resources, but have also been of critical importance for both public institutions and stakeholders over that period: MiFID II implementation, facilitating progress of the Capital Markets Union (CMU) and Brexit preparations, including the corresponding supervisory convergence work. If you allow me, when talking about the CMU, I would also like to share with you some brief remarks on the ESA review.

Starting with MiFID II, many of you will recall that around this time last year you, like many stakeholders, frequently asked me whether its implementation was on track and whether any disruptions were expected. Today, I am in a much more comfortable position than I was then to respond to this question as the starting date of 3 January 2018 is nine months behind us and MiFID II has had a much smoother start than many feared. I am therefore happy to report on the overall progress of this broad and complex project.

I would like to highlight three areas of MiFID II implementation in particular:

- i) the application of supervisory convergence tools;
- ii) data reporting and IT projects; and
- iii) the first use of ESMA's product intervention powers.

Firstly, regarding ESMA's supervisory convergence tools like guidelines and Q&As, they are primarily aimed at facilitating a smooth, timely and harmonised application of the rules in all EEA jurisdictions. A substantial part of the MiFID II Q&As are the result of requests for clarification received either directly from market participants or via the National Competent Authorities (NCAs). In my view, this illustrates the usefulness of supervisory convergence measures for the entire regulatory and supervisory framework. In addition, MiFID II has given a new perspective on the use of ESMA's Opinions: in the last 12 months, ESMA issued around 400 Opinions to NCAs on both pre-trade transparency waivers and position limits in commodity contracts, and a few hundred more will be finalised soon. These are significant numbers, and against the backdrop that we delivered all these Opinions in the highly technical secondary markets area, I am confident that we could also provide Opinions on outsourcing and delegation for fund authorisations, as proposed under the ESAs review.

Turning to data reporting, and corresponding IT solutions, here I am very satisfied that nearly all NCAs decided to delegate certain required deliverables to the European level, and worked closely with ESMA staff to design and launch six new data systems, collecting information on thousands of financial instruments and trades across Europe. As you may be aware, we did have some initial glitches and delays in the data calculation process, however, given the scale of required efforts, the number of institutions involved, and the complexity of the projects, I would call it a good start.

Finally, the application date of the MiFID II/MiFIR package marked the assignment of new product intervention powers to ESMA. This was an important development for retail investors in the EU, who have been put at risk for years by Binary Options and Contracts for Differences (CFDs), distributed across the EU out of a few Member States. Equipped with these new powers, ESMA adopted in spring this year measures banning Binary Options and restricting the sales, marketing and distribution of CFDs, and so directly improved retail investor protection across the Union.

Overall, I believe that MiFID II implementation is a very good example of what ESMA's contribution to investor protection, orderly markets and financial stability in the EU financial markets can and should be. I would underline that this project is still ongoing, and significant

allocation of resources, in particular for data and IT issues, market monitoring and supervisory convergence work, continues to be planned over the next months.

Let me now turn to the development of the CMU project, where we have progressed swiftly on a number of Level 2 mandates assigned to ESMA under the new Prospectus and Securitisation Regulations. In both cases, the co-legislators arranged for a sufficiently long implementation period, which is helpful for planning and executing ESMA's work.

Furthermore, ESMA has continued to support the CMU project through its multiple supervisory convergence activities. This included, during the year, important peer reviews – on Guidelines dealing with Efficient Portfolio Management Techniques (EPM) for UCITS and on certain aspects of the compliance function under MiFID I – and the cross-sectoral project on the performance and fees of investment services, which has been carried out jointly with the EBA and EIOPA. I believe it is important to keep the momentum of these convergence activities, as a number of CMU areas require further attention, including participation of retail investors in the capital markets.

In this context, I value the engagement of the European Parliament with the most recent Commission legislative proposals earlier this year. I also appreciate the commitment of this Committee to work towards finalising the ESAs review proposal in this legislative term. I believe it is essential that the European Institutions allow for a further development of the ESAs, and ESMA in particular, without delay.

While I understand that these legislative proposals are ambitious, which include substantial improvements of our convergence powers and resources, the opposition from some is unexpectedly vociferous. I personally see it as a contradiction to support strongly the CMU objectives on the one hand, and on the other hand oppose the proposal, including some of its key elements like the proposed enhancements of the supervisory convergence tools and moving some targeted direct supervisory powers over entities in the wholesale capital markets to the European level.

I will now move to Brexit, and ESMA's corresponding preparatory work. Following the four Opinions published in 2017, and reflecting on re-location activities to the EU27, we have continued to address this issue with the NCAs within ESMA's Supervisory Coordination Network, including regular discussions on individual relocation cases on an anonymous basis. In addition, as the supervisor of Credit Rating Agencies and Trade Repositories in the EU –



with a number of them headquartered in London – ESMA required appropriate contingency planning from individual supervised entities. We are carefully monitoring the execution of these plans to ensure that they are meeting all the requirements in the EU27 in case of a no-deal by the end of March 2019. Moreover, with this date approaching quickly, ESMA continues to focus on the various areas of risk in case of a no-deal Brexit, and is in constant dialogue with other EU Institutions including the other ESAs, the Commission and the ECB, as well as with market participants.

As a final comment on Brexit, I want to draw your attention to the fact that this work takes up a significant portion of our limited resources, and that this requires even stricter prioritisation of our activities than usual.

In conclusion, I want to thank you again for today's opportunity to exchange views about ESMA's work and the broader state of the EU's capital markets. I also thank you for your ongoing support, and remain at your disposal for questions and suggestions in the course of this afternoon and beyond.