

Spotlight on Markets – August & September 2024

# PUTTING INVESTORS AND COMPANIES AT THE HEART OF EFFECTIVE AND ATTRACTIVE EU CAPITAL MARKETS

- Chair's latest on EU Capital Markets and securitisation
- ESMA Work Programme 2025
- Second risk monitoring report of 2024
- Next steps for the selection of CTPs



## In this issue

### ESMA in August and September

Putting investors and companies at the heart of effective and attractive EU capital markets	<b>3</b>
Verena Ross' speech at the AFME's Annual European Compliance and Legal Conference	<b>5</b>
ESMA Work Programme 2025	<b>6</b>
Next steps for the selection of Consolidated Tape Providers	<b>8</b>
ESAs warn of risks from economic and geopolitical events	<b>9</b>
Markets increasingly sensitive after strong performance in early 2024	<b>11</b>
Translations of ESMA Guidelines on funds' names	<b>14</b>

### Look ahead

Consultations, hearings and webinars	<b>16</b>
Open vacancies	<b>17</b>
Contact info	<b>18</b>

# Putting investors and companies at the heart of effective and attractive EU capital markets

**ESMA Chair, Verena Ross, delivered a speech at Eurofi on the vital importance of putting investors and companies at the heart of effective and attractive capital markets. She referred to the ESMA Position Paper launched in May in which the Authority put forward key recommendations.**

We need to further stimulate investment in the EU. We need to help connect companies and investors (in whatever member state they are based) to make the vast pool of European savings work for the EU economy. For this, we need to invest in capital markets that are genuinely pan-EU - built on European standards, harmonised regulation, and seamless supervision.

ESMA has built up experience in direct supervision and expertise, which would allow us to support a more effective EU supervisory framework. This means even stronger cooperation and converge between national supervisors for the vast majority of EU firms, but also, in line with Draghi's report, ESMA believes we should seriously investigate where more EU-level supervision might be an important step towards more effective, fully integrated capital markets.





# Eurofi conference

The Eurofi conference in Budapest was a great opportunity to engage with stakeholders and talk about current market developments and ESMA's priorities in the context of the new EU legislative cycle.

Read our contributions:

Picking up the pace in building EU  
capital markets  
- Verena Ross



Moving to T+1 – 'not if, but when'  
- Natasha Cazenave



Implementing EMIR 3  
- Klaus Löber





# Verena Ross' speech at the AFME's Annual European Compliance and Legal Conference

**ESMA Chair, Verena Ross, joined AFME's 8th Annual European Compliance and Legal Conference last week. In her keynote speech, she focused on ESMA's work on securitisation and operational resilience, both important parts of building effective, attractive, and resilient capital markets in the EU.**

On the latter, we advocate for broadening investments opportunities for EU citizens, for enhancing the financing of EU companies, and for improving regulatory agility, supervisory consistency and global competitiveness.

In addition, Chair Ross highlighted the importance of reviewing the regulatory framework of the EU securitisation market. The three ESAs are working closely with the European Commission towards that end. From ESMA's perspective, we need to look at clarity, predictability and (importantly) proportionality of the securitisation framework – particularly around scope, due diligence and disclosure/transparency.



[Read the speech](#)



# ESMA 2025 Work Programme: Focus on key strategic priorities and implementation of new mandates

**ESMA, the EU's financial markets regulator and supervisor, has published its 2025 Annual Work Programme (AWP), which reaffirms ESMA's strategic orientation and commitment to safeguarding resilient, transparent, and sustainable European financial markets.**

ESMA has contributed to the ongoing discussion of how to make European capital markets more efficient and attractive, and in 2025 will advance on those aspects within its control, while working with the co-legislators and others to support the construction of the European Savings and Investment Union.

A significant portion of ESMA's work in 2025 will comprise policy work to facilitate the implementation of the large number of mandates received in the previous legislative cycle, and the preparation of new mandates, such as the European Green Bonds and the ESG Rating Providers Regulations. Following the adoption of EMIR 3, ESMA will take on new responsibilities and develop a substantial number of technical standards, including for the new Active Account Requirement.

2025 will also see the selection and authorisation of the first Consolidated Tape Provider, an important step to enhance transparency of European markets. The effective implementation of MiCA will be crucial to ensuring adequate protection for investors and convergent supervisory approaches for Crypto Assets Services Providers.



***“In 2025, ESMA is set to deliver across an ambitious number of technical mandates entrusted to us during the last legislative cycle. Through these implementation tasks, we will provide clarity to assist market participants and support national competent authorities to achieve convergent supervisory approaches.***

***To make EU capital markets more effective and efficient, ESMA stands ready to support and advise the incoming Commission and co-legislators as the new priorities take shape.”***

**Verena Ross, *Chair***



***“In 2025 ESMA will be preparing for a number of new supervisory responsibilities. The entry into application of the Digital Operational Resilience Act in 2025 marks the end of an intense preparatory phase, during which ESMA worked closely with EBA and EIOPA, market participants, and relevant stakeholders to support the convergent implementation of a solid operational resilience framework.”***

***As ESMA gears up to assume new supervisory and oversight tasks, I would like to thank the ESMA staff for their unwavering commitment, strong expertise and sustained efforts.”***

**Natasha Cazenave, *Executive Director***



# ESMA announces next steps for the selection of Consolidated Tape Providers

**The European Securities and Markets Authority (ESMA) is publishing additional details on the selection of Consolidated Tapes Providers (CTPs) for bonds and for shares and Exchange-Traded Funds (ETFs).**

ESMA will launch the selection procedure for the CTP for bonds on Friday 3 January 2025. This is the first working day for EU Institutions after Sunday 29 December 2024, the date set out in Article 27da(1) of MiFIR. ESMA intends to adopt a reasoned decision on the selected applicant within 6 months of the launch, i.e. by early July 2025.

In June 2025, ESMA will launch the selection procedure for the CTP for shares and ETFs with the objective to adopt a reasoned decision on the selected applicant by the end of 2025.

Each selection procedure will be launched with the publication of a contract notice and procurement documents on the [EU Funding & Tenders Portal](#). Prospective applicants are invited to register and familiarise themselves with the Portal. In the coming weeks, ESMA intends to share additional guidance on the assessment of exclusion criteria.

ESMA will be available to answer questions throughout the application periods. Applicants will be granted as much time as possible, within the boundaries of EU procurement rules, to provide details on their projects.

Today's announcement on the launch dates of the first selection procedures for the CTP for bonds and equities aims to foster a successful competition with multiple solid offers in transparent and fair selection procedures.



# ESAs warn of risks from economic and geopolitical events

The three European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) issued their Autumn 2024 Joint Committee Report on risks and vulnerabilities in the EU financial system. The Report underlines ongoing high economic and geopolitical uncertainties. The ESAs warn national supervisors of the financial stability risks stemming from these uncertainties and call for continued vigilance from all financial market participants. For the first time, the Report also includes a cross-sectoral deep dive into credit risks in the financial sector.

The continued decline of inflation in late 2023 and early 2024 has led central banks to begin the shift towards looser monetary policy. Financial markets performed strongly in anticipation of future rate cuts and an improving macroeconomic outlook, save for the short-lived but sharp equity price dip in August. Considerable uncertainties, nonetheless, remain regarding the future path of the global economy, inflation and monetary policy and the interplay of these factors across different jurisdictions.

Amid ongoing geopolitical developments, such as the Russian aggression against Ukraine, the war in the Middle East and elections in the European Union and the United States, there is potential for sudden shifts in the economic outlook and market expectations. High market volatility in August provided a glimpse of the continued potential for sudden shifts in outlook and market expectations. In sum, the highly uncertain current environment continues to present material financial stability and operational risks that necessitate vigilance from all financial market participants.



Against the backdrop of these risks and vulnerabilities, the Joint Committee of the ESAs advises national competent authorities, financial institutions and market participants to take the following policy actions:

- financial institutions and supervisors should remain prepared to face the impacts of continued high interest rates on the real economy;
- credit risk should continue to be monitored and carefully managed as its potential materialisation remains a concern. This underlines the need for adequate provisioning levels and forward-looking provisioning policies, while maintaining prudent and up-to-date collateral valuation;
- financial institutions need to be flexible and agile and have proper plans and processes in place to address unexpected short-term multi-fold challenges;
- financial institutions and supervisors should remain vigilant regarding the impact of inflation on product development.
- financial institutions and supervisors should remain vigilant to operational and financial stability risks that could arise from cyber-risks, as exemplified by the global IT disruption in July from the failed software update of a widely used cybersecurity company.

### Notes to Editors

This Autumn 2024 Joint Committee update on Risks and Vulnerabilities was presented to the EFC FST meeting on 6 September 2024 as input from the ESAs to the meeting.



# Markets increasingly sensitive after strong performance in early 2024

The European Securities and Markets Authority (ESMA) published its second risk monitoring report of 2024, setting out the key risk drivers currently facing EU financial markets. External events continue to have a strong impact on the evolution of financial markets, and ESMA also sees high or very high overall risks in the markets within its remit.

Less volatile markets earlier in 2024 and a return of search-for-yield behaviour in riskier market segments suggested a general market anticipation of a 'soft landing'. However, more recent events show how markets remain very sensitive, especially to interest rate developments, deteriorating credit risk and to political and electoral news. There remains a high risk of corrections in a context of fragile market liquidity, in equity and in other markets.

***“Markets are getting more nervous about the economic outlook and political events, as the dip in equity valuations in early August and market volatility around recent European and French elections shows.***

***Close monitoring of the financial markets in our remit and strong coordination of supervisory efforts with national authorities remains our priority.***

***We continue to see risks in the fund area linked to liquidity mis-matches, particularly in the real estate sector, and deteriorating quality of assets linked to interest rate, credit risk and valuation issues.”***

Verena Ross, **ESMA Chair**



Beyond the risk drivers, ESMA's report provides an update on structural developments and the status of key sectors of financial markets, during the first half of 2024.

## Structural developments

**Market-based finance:** Capital availability for European corporates through capital markets has been broadly stable in 2024 so far. Although the market environment remains very challenging for equity issuance, there were signs of improvement in IPO activity. Corporate bond issuance was high in 1Q24 but fell in the second quarter of the year. The corporate bond outlook continues to show a significant upcoming maturity wall from 2024 until 2028. In this context, corporate debt sustainability remains a considerable risk, especially in lower quality segments.

**Sustainable finance:** In the last few years, a strong interest in and uptake of sustainable investments has been sending positive signals about investors' willingness to finance the green transition. However, recent ESG-related market developments have sparked concerns on the ability to mobilise private capital, with green bond issuance slowing and sustainable funds facing outflows for the first time in 2H23. Looking ahead, firms' ability to announce credible transition plans could steer broader willingness to invest in transitioning firms, supported by transition finance instruments.

**Financial innovation:** Crypto-assets markets continued to surge in the first half of 2024, fuelled by the approval of spot Bitcoin and Ether ETPs in the US, to reach a total global market valuation of EUR 2.2tn by end-June (+40% since end-2023). Liquidity also recovered to pre-FTX levels. However, the market developments in early August led to volatility and some substantial falls in crypto-asset valuations. High concentration also continues both for crypto-assets and crypto exchanges.



## Market monitoring

**Securities markets:** Asset prices in early 2024 trended upwards with little volatility suggesting future rate cuts were being anticipated. Episodes of market volatility took place linked to elections in the EU in June and July, and a short-lived dip in global equity valuations in early August was associated with weaker-than-expected US macroeconomic indicators. In fixed income markets, corporate bond spreads have continued to fall, especially for high-yield corporates while the credit quality of high-yield non-financials has continued to decline, particularly real estate. This may indicate search-for-yield behaviour with a possible underestimation of risks.

**Asset management:** EU fund performance was positive across categories and funds exposed to fixed income instruments (bond funds and MMFs) recorded inflows. The increase in interest rates has been offset by a broad-based market perception of declining credit risk, reflected in low credit spreads. However, bond fund portfolio credit quality, as measured by credit rating, has continued to deteriorate, raising the risk of a disorderly repricing of risky assets. Risks continue around liquidity risks and potential losses related to interest rate, credit risk and valuation issues. Open-ended real estate funds remain particularly vulnerable given their structural liquidity mismatch and downward pressure on valuations in housing markets.



# Translations of ESMA Guidelines on funds' names

**The European Securities and Markets Authority (ESMA) published the translations in all official EU languages of its Guidelines on funds' names using ESG or sustainability-related terms.**

The Guidelines will start applying three months after this publication, i.e. on 21 November 2024.

Within two months of the date of publication of the Guidelines, i.e. on 21 October 2024, national competent authorities must notify ESMA whether they (i) comply, (ii) do not comply, but intend to comply, or (iii) do not comply and do not intend to comply with the guidelines.

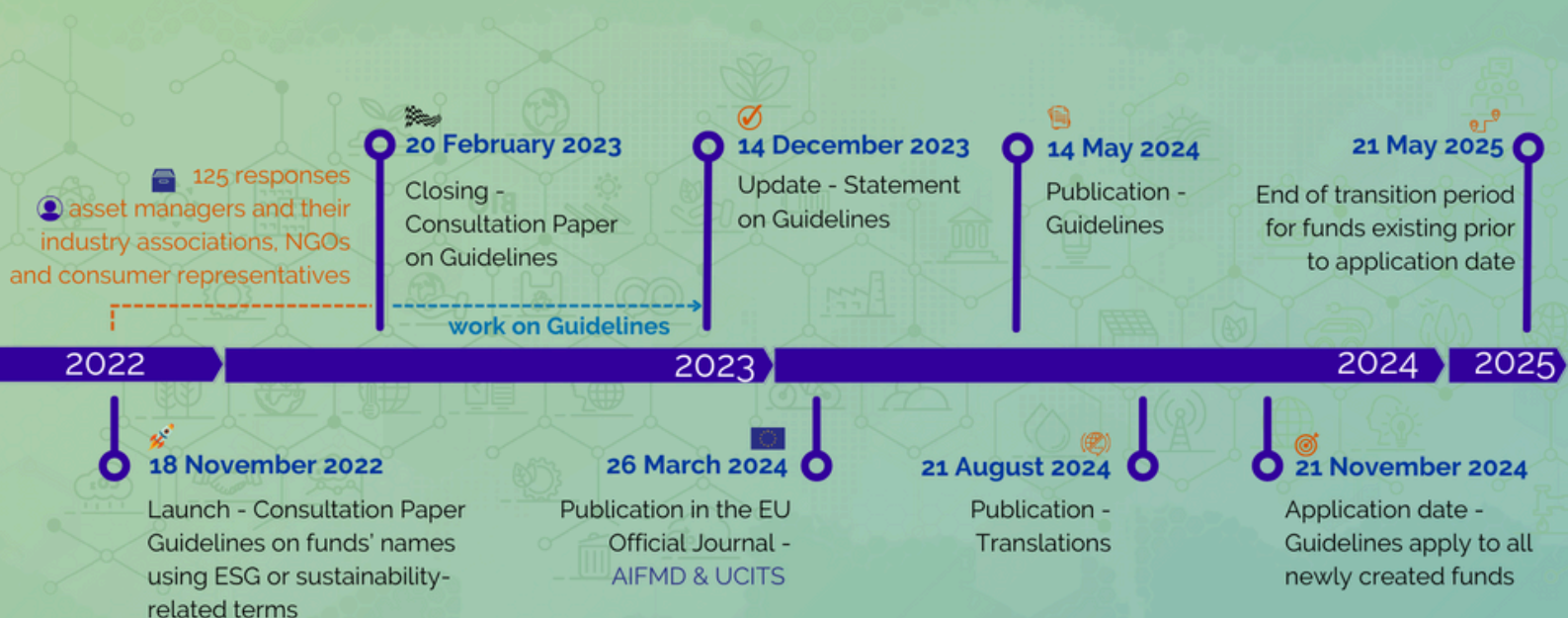
The transitional period for funds existing before the application date will be six months after that date, i.e. 21 May 2025. Any new funds created on or after the application date should apply these Guidelines immediately.

The objective of the Guidelines is to ensure that investors are protected against unsubstantiated or exaggerated sustainability claims in fund names, and to provide asset managers with clear and measurable criteria to assess their ability to use ESG or sustainability-related terms in fund names. More [here](#).

## Guidelines on funds' names

### Timeline

Last updated: 21 August 2024





# Consultations

Click on the consultation

## Closing date

- |               |   |
|---------------|---|
| <b>8 Oct</b>  | <a href="#"><u>Consultation on Liquidity Management Tools for funds</u></a>   |
| <b>12 Oct</b> | <a href="#"><u>Consultation on the Guidelines under MiCA establishing templates for explanations and legal opinions regarding the classification of crypto-assets</u></a>   |
| <b>15 Oct</b> | <a href="#"><u>MiFIR Review - Consultation Package 3   SI ITS (Section 5), RTS 3 (Section 6) and RTS 7 (Section 7)</u></a>  |
| <b>16 Oct</b> | <a href="#"><u>CP on the Technical Standards specifying the criteria for establishing and assessing the effectiveness of investment firms' order execution policies</u></a> |
| <b>18 Oct</b> | <a href="#"><u>CP on reporting requirements and governance expectations for some supervised entities</u></a>  |

# Events

Click on event

## Date

- |               |   |
|---------------|---|
| <b>23 Sep</b> | <a href="#"><u>Hearing on the Guidelines under MiCA</u></a><br>▸ presentation                                 |
| <b>3 Oct</b>  | <a href="#"><u>11th Joint ESAs Consumer Protection Day</u></a>  |
| <b>15 Oct</b> | <a href="#"><u>Research Conference on Environmental risks and ESG investing: securities market impact</u></a> |

# Open vacancies

All open vacancies can be found on [ESMA's recruitment portal](#)

## Deadline

<b>16 Oct</b>	<b><u>Head of Investigation Unit</u></b>
<b>25 Oct</b>	<b><u>ICT Officer (various roles)</u></b>
<b>31 Dec</b>	<b><u>Seconded National Experts (multiple profiles)</u></b>
<b>31 Dec</b>	<b><u>Traineeship Notice - Support functions profile</u></b>
<b>31 Dec</b>	<b><u>Traineeship Notice - Data, Economics and IT profile</u></b>
<b>31 Dec</b>	<b><u>Traineeship Notice - Legal, Supervision and Policy</u></b>

## Contact info

info@esma.europa.eu  
www.esma.europa.eu

## Press contact information

press@esma.europa.eu

## Social Media



ESMAComms



European Securities and Markets Authority (ESMA)