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ESMA
European Securities and Markets Authority

Spotlight on Markets – November 2024

JOIN US FOR THE ESMA CONFERENCE 2025

- T+1 by October 2027
- Results of "Fit-For-55" climate stress test
- Response to NBFI consultation
- Updates on Consolidated Tape Providers

SHAPING THE FUTURE OF EU CAPITAL MARKETS

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ESMA in November

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Look ahead

Join us for ESMA's conference "Shaping the future of EU capital markets" on 5 February 2025

The European Securities and Markets Authority (ESMA) is organising its high-level conference "Shaping the future of EU capital markets" on 5 February 2025 in Paris, France.

ESMA's aim for this event is to discuss priority areas for the coming years to ensure the success of the Savings and Investments Union (SIU) for EU citizens and businesses. The conference will build on the ESMA Position Paper on "Building more effective and attractive capital markets in the EU", where ESMA provided recommendations on broadening investments opportunities for EU citizens, enhancing the financing of EU companies, and improving regulatory agility, supervisory consistency and global competitiveness.

Programme

Defining the vision for EU capital markets under the SIU project

- We will exchange on developing effective and attractive EU capital markets by enhancing the wider market framework and prioritising the needs of investors and companies. We will focus on what can be done to turn our ambitions into reality and how to deliver lasting value and impact for EU citizens and businesses.

Filling the funding gap for competitive European businesses

- We will talk about how to create a more competitive business environment by developing diverse sources of funding and fostering a supportive ecosystem for SMEs, start-ups, and markets. The emphasis will be on defining how to channel funding into this direction.

Shaping a culture of retail investors

- We will explore possible options to empower EU citizens to invest more in capital markets. Simple and cost-efficient investment options, backed by protections, incentives, and education can provide a gateway for all citizens to turn their savings into investments for the future.

Speakers

Join us for lively discussions with the following confirmed speakers (in alphabetical order):

- **Maria Luís Albuquerque**, Commissioner for Financial Services and the Savings and Investments Union, European Commission
- **John Berrigan**, Director-General, Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA), European Commission
- **Stéphane Boujnah**, CEO, Euronext
- **Nadia Calviño**, President, European Investment Bank
- **Natasha Cazenave**, Executive Director, ESMA
- **Jacques de Larosière**, Author of the Larosière Report
- **Adena Friedman**, CEO, Nasdaq
- **Aurore Lalucq**, Chair, Committee on Economic and Monetary Affairs (ECON), European Parliament
- **Karel Lannoo**, CEO, Centre for European Policy Studies (CEPS)
- **Enrico Letta**, President, Jacques Delors Institute
- **Erkki Liikanen**, Chair, International Financial Reporting Standards (IFRS) Foundation Trustees
- **Klaus Löber**, Chair of the CCP Supervisory Committee, ESMA
- **Aleksandra Maczynska**, Managing Director, European Federation of Investors and Financial Services Users - Better Finance
- **Laura Noonan**, Financial journalist, Bloomberg
- **Verena Ross**, Chair, ESMA
- **Jean-Paul Servais**, Chairman, International Organization of Securities Commissions (IOSCO)
- **Evert van Walsum**, Head of Investor Protection and Sustainable Finance Department, ESMA
- **David Wright**, Chairman of Eurofi

Registrations

Visit the conference's page to register and to find more information about the event, programme and speakers. You can register for online participation by 24 January 2025, as well as indicate if you are interested to join the conference in-person in case there is a possibility to accommodate additional in-person attendees.

REGISTER NOW

ESMA proposes to move to T+1 by October 2027

The European Securities and Markets Authority (ESMA) published its Final Report providing the assessment of the shortening of the settlement cycle in the European Union (EU).

The report highlights that the increased efficiency and resilience of post-trade processes that should be prompted by a move to T+1 would facilitate achieving the objective of further promoting settlement efficiency in the EU, contributing to market integration and to the Savings and Investment Union objectives.

ESMA recommends that the migration to T+1 occurs simultaneously across all relevant instruments and that it is achieved in Q4 2027. Considering the different elements assessed by ESMA, in particular the difficulties linked to the go-live of such a big project in November and December, and the challenges linked to the first Monday of October (just after the end of a quarter), ESMA recommends 11 October 2027 as the optimal date for the transition to T+1 in the EU. ESMA also suggests following a coordinated approach with other jurisdictions in Europe.

Regarding the quantification of the costs and benefits, the elements assessed by ESMA suggest that the impact of T+1 in terms of risk reduction, margin savings and the reduction of costs stemming from the misalignment with other major jurisdictions globally, will represent important benefits for the EU capital markets.

However, this change will also imply some challenges, including amending the Central Securities Depositories Regulation (CSDR) and the settlement discipline framework, in order to have legal certainty and foster the necessary improvements in post-trading processes to move successfully to T+1.

Additionally, all actors of the financial system will need to work on harmonisation, standardisation, and modernisation to improve settlement efficiency. This will require some level of investment.

The complexity of a trading and post-trading environment such as the EU capital markets means that this project will require a specific governance to be put in place.

Next steps

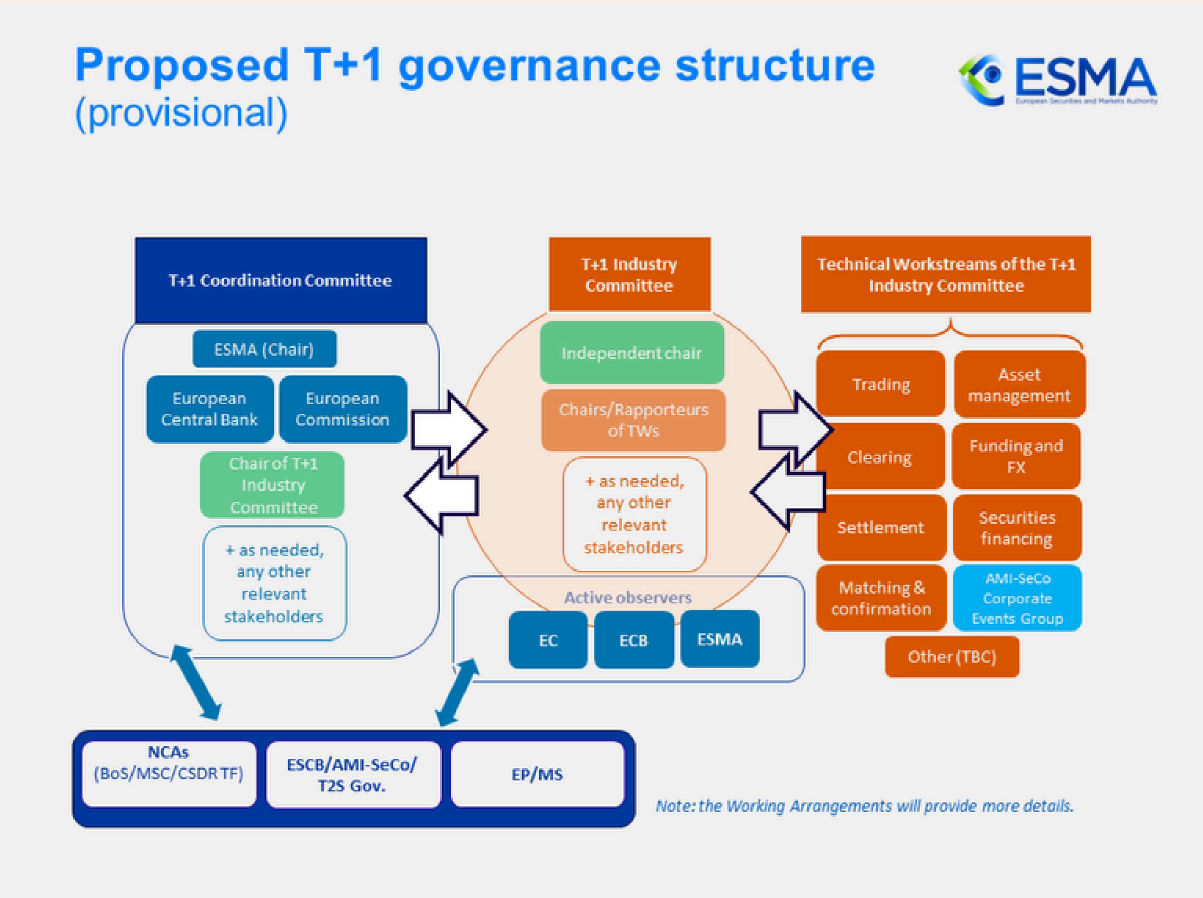
Following the publication of this report, ESMA will continue its regulatory work related to the revision of rules on settlement efficiency, and addressing the T+1 governance together with the European Commission (EC) and the European Central Bank (ECB).

New governance structure for transition to T+1 settlement cycle

On 10 December 2024, following up on ESMA's report on shortening of the settlement cycle in the EU, a first milestone was reached as ESMA, together with the European Commission and the European Central Bank, hosted a first meeting with industry representatives to discuss setting up a governance structure to ensure a seamless and efficient transition to T+1.

The trade associations that participated in the 'European T+1 Industry Task Force', along with organisations representing consumers and issuers were invited to participate. It was a fruitful discussion setting the foundations for the upcoming work of the governance structure.

One key outcome of the discussion is the agreement for the governance structure to be balanced to cover industry from all sectors, for it to be geographically diverse and work in a transparent manner.



Transition risk losses alone unlikely to threaten EU financial stability, "Fit-For-55" climate stress test shows

The European Supervisory Authorities (EBA, EIOPA, and ESMA – the ESAs) together with the European Central Bank (ECB), released the results of the one-off "Fit-For-55" climate scenario analysis. Under the scenarios examined, transition risks alone are unlikely to threaten financial stability. However, when transition risks are combined with macroeconomic shocks, they can increase losses for financial institutions and may lead to disruptions. This calls for a coordinated policy approach to financing the green transition and the need for financial institutions to integrate climate risks into their risk management in a comprehensive and timely manner.

Objectives

The European Commission invited the ESAs and the ECB to assess the impact on the EU banking, investment fund, occupational pension fund and insurance sectors of three transition scenarios incorporating the implementation of the Fit-for-55 package, as well as the potential for contagion and amplification effects across the financial system. The European Union's Fit-for-55 package aims to stimulate investment and innovation in the transition to a green economy and plays a crucial role in the EU's goal to achieve an emissions' reduction of 55% by 2030 and climate neutrality by 2050. It aims to bring EU legislation in line with these goals with a set of policies that include – among others – the EU emissions trading system, the carbon border adjustment mechanism, sector-specific emissions targets, as well as revisions to the renewable energy and energy efficiency directive.

Scenarios and methodology

The climate stress test was conducted against three scenarios developed by the European Systemic Risk Board (ESRB), with the support of the ECB. The scenariosincorporate transition risks as well as macroeconomic factors, under the assumption that the Fit-for-55 package is implemented as planned.

- Under the **baseline scenario**, the Fit-for-55 package is implemented in an economic environment that reflects the ESCB's June 2023 forecasts, while still facing additional cost related to the green transition.
- Under the **first adverse scenario**, transition risks materialise in the form of "Run-on-Brown" shocks, whereby investors shed assets of carbon-intensive firms. This hampers the green transition, since "brown" firms don't have the financing they need to green their activities.
- Under the **second adverse scenario**, the "Run-on-Brown" shocks are amplified with other standard macro-financial stress factors.

To measure the impact of the scenarios on the respective financial sectors (the so called "first-round effects"), and to assess the potential for contagion and amplification effects across the financial system (the so called "second-round effects"), the ESAs and the ECB used top-down models. The estimates are produced relying on granular data and consider a time horizon of 8 years (from 2022 to 2030). The ESAs and the ECB models cover loans to Non-Financial Corporations (NFCs), equity, debt securities (including government bonds) and positions in funds held by a sample of financial institutions composed by 110 banks, 2,331 insurers, 629 institutions for occupational retirement provision (IORPs) and around 22,000 EU-domiciled funds.

Results

The results of the exercise show that estimated losses stemming from a "Run-on-Brown" scenario have a limited impact on the EU financial system. Over the 8-year horizon, total first-round losses stand between 5.2% and 6.7% of starting point exposures, in each sector. The second-round losses are mostly relevant for investment funds, and amount to 11.2% of starting point exposures.

The interaction of adverse macro-financial developments with transition risk factors could disrupt the evolving transition and substantially increase financial institutions' losses, thereby impairing their financing capacity. This is assessed in the second adverse scenario where the "Run-on-Brown" shocks are coupled with adverse macroeconomic conditions. Under this scenario, the first-round losses registered by banks, insurers, occupational pension funds and investment funds stand between 10.9% and 21.5%, depending on the sector. Although sizeable, the impact of these losses on financial institutions' capital is expected to be mitigated by factors such as banks' income, insurers' and occupational pension funds' liabilities, and cash holdings by investment funds that were not included in the assessment.

Table 1: Summary of the results of the exercise

	First-round losses			First- and second-round losses (including cross-sectoral amplification)		
	Baseline	**Adverse 1**	**Adverse 2**	**Baseline**	**Adverse 1**	**Adverse 2**
Banking sector	-5.8	-6.7	-10.9	-5.8	-6.8	-11.0
Insurance sector	-2.2	-5.2	-18.8	-2.9	-6.9	-23.3
IORP Sector	-3.0	-6.4	-21.5	-	-	-
Investment fund sector	-4.0	-6.1	-15.8	-6.6	-11.2	-25.0
Total (financial system)	-3.9	-6.0	-15.8	-5.3	-8.7	-20.7

Given the novelty of the methodological approaches and the data-related challenges, the results are subject to a large margin of uncertainty.

This exercise is the result of a fruitful collaboration among EU institutions and supervisory authorities and provided a tangible opportunity to assess climate risks from a joint perspective that aligns methodologies and analytical tools while leveraging on sector-specific expertise. Its findings can help policymakers develop policy measures that ensure sufficient financial resources for the real economy to advance the green transition, while mitigating risks within the financial system.

ESMA responds to the European Commission consultation on Non-Bank Financial Intermediation

The European Securities and Markets Authority (ESMA) sent its response to the European Commission (EC) consultation on assessing the adequacy of macroprudential policies for NBFI.

In its response to the consultation, ESMA makes key proposals in several areas, as follows:

Liquidity Management: ESMA recognises the progress made with the revised Undertakings for Collective Investments in Transferable Securities (UCITS) and the Alternative Investment Fund Manager (AIFM) Directives. This is especially the case with the provisions on liquidity management tools.

ESMA however still considers that there is a need to address some remaining issues concerning liquidity mismatches in open-ended funds (OEFs). In particular, competent authorities could require funds that invest in assets that are not liquid to be structured as closed-ended funds. This is why ESMA fully supports the Recommendation of the Financial Stability Board related to the classification of OEFs based on asset liquidity and calls for appropriate efforts to ensure the convergent and consistent application of these recommendations in the EU.

Money Market Fund Regulation (MMF) Review: ESMA reiterates its position on the necessity to complete the reform of the MMF Regulation, considering the vulnerabilities identified in its Opinion.

Supervision and Data: ESMA proposes to progress towards data driven supervision, first by harmonising the framework to analyse risks posed by investment funds (especially regarding liquidity risks), and second by developing an EU system-wide stress test across NBFI and the banking sector. These proposals imply having comprehensive and good quality data to assess financial stability risks. Supervisors also need enhanced data sharing, ensuring that ESMA and other authorities have all required information and avoiding unnecessary burden on reporting market participants.

Coordination: ESMA suggests enhancing coordination between competent authorities by the creation of a formal reciprocation mechanism for leverage limits under the AIFMD. This mechanism would make national measures more effective by guarding against the potential for regulatory fragmentation or arbitrage across the EU. In addition, ESMA calls for the EC to consider granting ESMA the formal power to request the implementation of stricter macroprudential requirements by one or multiple national competent authorities, in order to address risks at EU-level.

Background

On 22 May 2024, the EC launched a targeted consultation aimed at assessing the adequacy of macroprudential policies for NBFI, as a response to major events in recent years and the related financial stability concerns that have emerged.

Next steps

ESMA stands ready to further collaborate with the Commission on any of the proposals made in its response.

Further guidance on exclusion criteria for the selection of Consolidated Tape Providers

The European Securities and Markets Authority (ESMA) is clarifying details for some of the documents that future applicants will be expected to provide when participating in the selection process for Consolidated Tapes Providers (CTPs).

During the first stage of the selection procedure, the exclusion criteria will be used to assess if applicants can be invited to submit their applications in the second stage of the procedure. ESMA will require specific documentation from applicants, including a declaration of honour and valid evidence on exclusion criteria.

The publication includes an indicative overview of the relevant certificates issued in each EU Member State for such evidence. Further information to be found in the Guidance and on the eCertis webpage.

Next steps

ESMA stands ready to answer general questions on the exclusion criteria via the dedicated contact form of its website, if they do not touch upon the specifics of the forthcoming selection procedures.

Background

ESMA will launch the selection procedure for the CTP for bonds on Friday 3 January 2025, and for the CTP for shares and Exchange Traded Funds (ETFs) in June 2025.

Active Account Requirement - ESMA is seeking first input under EMIR 3

The European Securities and Markets Authority (ESMA) published a Consultation Paper (CP) on the conditions of the Active Account Requirement (AAR) following the review of the European Market Infrastructure Regulation (EMIR 3).

The amending Regulation introduces a new requirement for EU counterparties active in certain derivatives to hold an operational and representative active account at a Central Counterparty (CCP) authorised to offer services and activities in the European Union (EU).

ESMA is seeking stakeholder input on several key aspects of the AAR, including the:

- three operational conditions to ensure that the clearing account is effectively active and functional, including stress-testing;
- representativeness obligation for the most active counterparties; and
- reporting requirements to assess their compliance with the AAR

Next steps

ESMA will consider the feedback received to this consultation by 27 January 2025 and aims to submit the final draft RTS to the European Commission within 6 months following the entry into force of EMIR 3.

ESMA will organise a public hearing on 20 January 2025.

Timeline to collect information for the designation of critical ICT third-party service providers under the Digital Operational Resilience Act

The European Supervisory Authorities (EBA, EIOPA and ESMA – the ESAs) published a Decision on the information that competent authorities must report to them for the designation of critical ICT third-party service providers under the Digital Operational Resilience Act (DORA). In particular, the Decision requires competent authorities to report by 30 April 2025 the registers of information on contractual arrangements of the financial entities with ICT third-party service providers.

Following the entry into force of DORA on 17 January 2025, the ESAs, together with competent authorities, will start the oversight of critical ICT third-party service providers (CTPPs) offering services to financial entities in the EU. The first oversight activity is the designation of CTPPs.

The Decision provides a general framework for the annual reporting to the ESA of the information necessary for the CTPP designation, including timelines, frequency and reference dates, general procedures for the submission of information, quality assurance and revisions of submitted data, as well as confidentiality and access to information.

As the deadline for the first submission of the registers of information to the ESAs is set for 30 April 2025, the ESAs expect competent authorities to collect the registers of information from the financial entities under their supervision in advance, following their own timelines.

Although the implementing technical standards (ITS) on the Registers of information have not yet been adopted by the EU Commission, the ESAs note that the essential part of the requirements for registers of information is publicly available since the publication of the ESAs Final Report in January 2024 and that any potential changes in the registers following the rejection by the EU Commission and the ESAs Opinion on the rejection should be limited. Therefore, the ESAs encourage financial entities to anticipate as much as possible the preparation of their registers, especially for information which may not be immediately available (e.g. the relevant identifiers of their ICT providers).

Support to the industry

To support the industry preparations, the ESAs have shared the draft templates, data point model and reporting technical package in May 2024 and have carried out a voluntary Dry Run exercise on reporting of registers of information with participation of around 1000 financial entities across the financial sector in the EU.

The ESAs also published a list of validation rules that will be used when analysing the registers of information and the visual representation of the data model. These rules will be included in the updated reporting technical package (including updated data point model, taxonomy and validation rules), which is set to be published in December 2024.

Workshop

Financial entities who would like to learn more about how to prepare their registers of information and hear about the outcomes of the 2024 Dry Run exercise, are invited to take part in an information workshop on 18 December 2024.

The workshop will be held virtually from 10:00 to 13:00. Interested parties can register by 16 December 2024 at the following link.

Data collection exercise on costs linked to investments in AIFs and UCITS

The European Securities and Markets Authority (ESMA) is launching a data collection exercise together with the national competent authorities (NCAs), on costs linked to investments in AIFs and UCITS.

ESMA with the NCAs has designed a two-stage data collection involving both manufacturers and distributors of investment funds.

- Information requested from manufacturers will provide an indication on the different costs charged for the management of the investment funds.
- Information requested from distributors (i.e., investment firms, independent financial advisors, neo-brokers) will inform on the fees paid directly by investors to distributors.

This initiative contributes to shedding light on pricing practices in a key part of the EU financial markets, information that has until now not been accessible to retail investors and supervisory authorities. Greater transparency will allow investors to know more about the features of the products that are offered to them and will further support the development of a competitive market for UCITS and AIFs.

The data collection follows the Level 1 mandate received from the European Commission under the UCITSD/AIFMD review.

Next steps

A report based on these data will be submitted to the European Parliament, the Council and the European Commission in October 2025. This will also be part of an enhanced 2025 ESMA market report on costs and performance of EU retail investment products.

Consultations

Click on the consultation

Closing date

Closing date	
31 Dec	Call for evidence on potential further steps towards harmonising rules on civil liability pertaining to securities prospectuses under the Prospectus Regulation
31 Dec	Consultation on draft technical advice concerning the Prospectus Regulation and on updating the CDR on metadata
17 Jan	MiFIR: Consultation on the Review of RTS 22 on transaction data reporting and RTS 24 on order book data
27 Jan	Consultation on the Conditions of the Active Account Requirement under EMIR 3
28 Jan	Consultation on the technical Advice to the European Commission on the amendments to the research provisions in the MiFID II Delegated Directive

Hearings and webinars

Click on the hearing or webinar

Date

Date	
18 Dec	Public hearing on the review of RTS 22 and 24 following the MiFIR review
20 Jan	Open hearing on the Consultation on the Active Account Requirement under EMIR 3

Open vacancies

All open vacancies can be found on ESMA's recruitment portal

Deadline

31 Dec	**Seconded National Experts (multiple profiles)**
31 Dec	**Traineeship Notice - Support functions profile**
31 Dec	**Traineeship Notice - Data, Economics and IT profile**
31 Dec	**Traineeship Notice - Legal, Supervision and Policy**

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