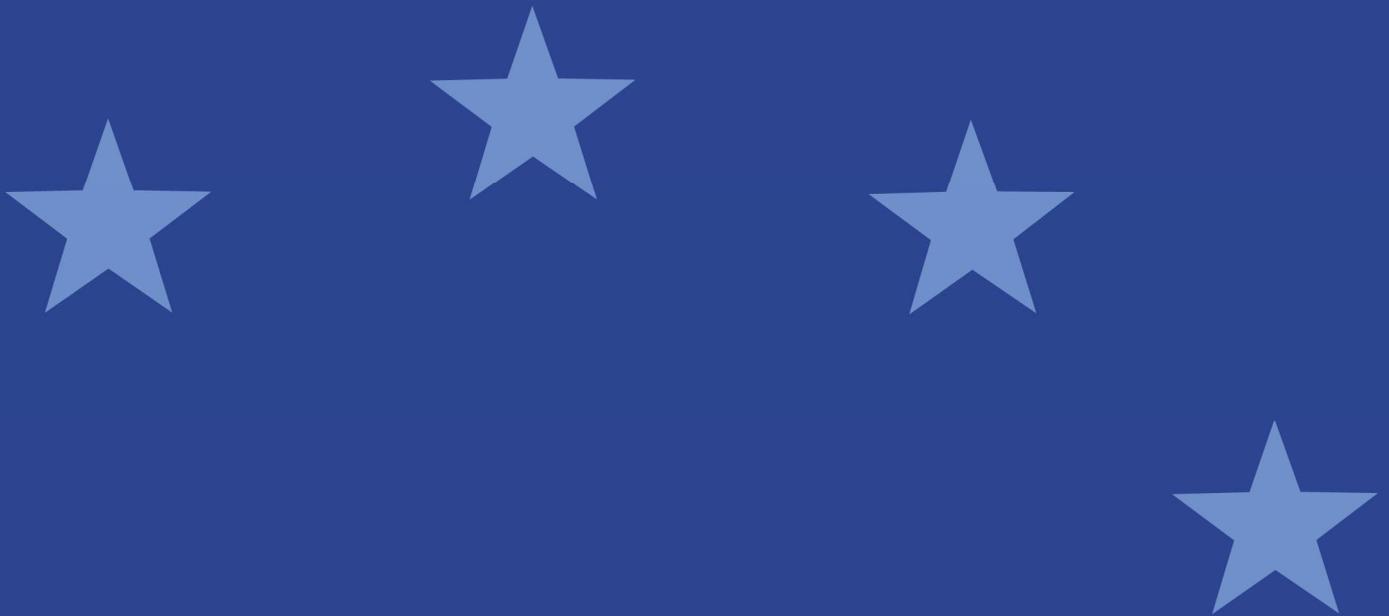




European Securities and  
Markets Authority

# 2016 Work Programme



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<b>ESMA's mission</b>	<b>Enhance investor protection and promote stable and orderly financial markets</b>			
<b>ESMA's objectives</b>	<b>Investor protection</b>	<b>Orderly markets</b>	<b>Financial stability</b>	
<b>ESMA's activities</b>	<b>Supervisory convergence</b>	<b>Assessing risks</b>	<b>Single rulebook</b>	<b>Direct supervision</b>
<b>ESMA's sub-activities</b>	<ul style="list-style-type: none"> <li>▪ Guidelines, Opinions, Q&amp;As and other convergence tools</li> <li>▪ Peer reviews, BUL and mediation</li> <li>▪ Supervisory co-operation</li> <li>▪ EU IT projects</li> <li>▪ EMIR convergence reports and Central Counterparty colleges</li> <li>▪ Transparency and Prospectus</li> <li>▪ Accounting and Auditing</li> <li>▪ Role for ESMA in functioning of non-EU passport</li> <li>▪ Third-country Central Counterparties and Central Securities Depositories</li> <li>▪ Third-country firms applying for the provision of investment services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Financial market risk analysis</li> <li>▪ Data and statistics</li> <li>▪ Monitoring of financial activities and innovation and preparing for product intervention</li> </ul>	<ul style="list-style-type: none"> <li>▪ Credit Rating Agency Policy</li> <li>▪ MiFID II and MiFIR</li> <li>▪ Corporate Reporting</li> <li>▪ Benchmark Policy</li> <li>▪ Market Abuse and Short Selling</li> <li>▪ European Investment Fund Legislation</li> <li>▪ Securities Financing Transactions Regulation</li> <li>▪ Clearing obligation under EMIR</li> <li>▪ Packaged Retail and Insurance-based Investment Products</li> </ul>	<ul style="list-style-type: none"> <li>▪ Credit Rating Agencies</li> <li>▪ Trade Repositories</li> <li>▪ Enforcement</li> </ul>

## 1 ESMA's key priorities for 2016

In 2015 ESMA undertook a strategic planning exercise that resulted in “ESMA’s Strategic Orientation 2016-2020”. The strategy describes how ESMA’s focus from 2011 to 2015 was on building a single rulebook and establishing itself as a credible direct supervisor. Over the next few years our focus will shift towards implementation and convergence of supervisory practices.

ESMA’s 2016 work programme is based on a budget of €39,392,742 and an establishment plan of 140 (208 full time equivalents).

### Supervisory Convergence

ESMA’s 2016-2020 Strategy identifies that the establishment of a single rulebook is necessary but in itself not sufficient to work towards achieving our objectives. Therefore from 2016 onwards, ESMA’s focus will shift increasingly from rulemaking to implementation. As such, supervisory convergence in the implementation, supervision and enforcement of common EU rules will be a core focus of ESMA’s activities. In addition, co-operation with other institutions and in particular the Joint Committee of the ESAs, will also be vital to ensuring increased cross-sectoral consistency. 2016 will be the first year that ESMA produces a dedicated work programme for its supervisory convergence activity. The Capital Markets Union (CMU) action plan published by the European Commission in September 2015 envisages some new tasks for ESMA that are subject to the usual EU legislative process in the course of 2016 and beyond; some initiatives in the CMU context will have an impact on ESMA’s work already in 2016, others in the following years.

### MiFID II and MiFIR

In a common theme from previous annual work programmes MiFID II and MiFIR will continue to dominate ESMA’s work in 2016, however in line with the shift towards supervisory convergence the focus will be particularly on guidelines and Q&As helping with the consistent implementation of MiFID II across NCAs that will need to be developed. There will also be a continuation of the single rulebook activity as ESMA has a range of Technical Standards to draft.

### Data collection and management

In 2015-2017 IT work programme will be dominated by the legal requirements for data collection and reporting stemming from MiFID II and MiFIR. However ESMA will also set up tools and collect data related to CRA supervision and investor protection. ESMA will also continue to develop systems to support ESMA’s activities on supervision, risk monitoring and single rulebook. It also includes two projects that are delegated tasks to ESMA from National Competent Authorities (NCAs) and are funded by assigned revenue:

- Financial Instruments Reference Data System: a project where ESMA would collect, store and process instruments reference data from trading venues, including



executing transparency calculations and management of suspensions from trading;  
and

- Access to Trade Repositories: a project to set up a logical portal, e.g. a single access point for querying and getting back data from Trade Repositories without storage.

## **1.1 ESMA's Governance and Management**

Two decision-making bodies govern ESMA: the Board of Supervisors and the Management Board.

ESMA has a full-time Chair, Steven Maijoor, and an Executive Director, Verena Ross. Both are based at ESMA's premises in Paris and serve a five-year term which may be extended once. The Chair is responsible for preparing the work of the Board of Supervisors and chairs both the meetings of the Board of Supervisors and the Management Board. He also represents the Authority externally.

The Executive Director is responsible for the day-to-day running of the Authority, including staff matters, developing and implementing the annual work programme, developing the draft budget of the Authority and preparing the work of the Management Board.

### **1.1.1 ESMA's Board of Supervisors**

In addition to the ESMA Chair, the Board of Supervisors is currently composed of the heads of 28 national authorities with the European Commission, EBA and EIOPA and the ESRB as non-voting members. In addition, Norway, Iceland and Liechtenstein are invited to attend as permanent observers. The Board guides the work of the Authority and has the ultimate decision-taking responsibility regarding the approval of Technical Standards and enforcement action and the adoption of ESMA's guidelines, opinions and any other decisions, including the issuance of advice to the EU institutions.

### **1.1.2 ESMA's Management Board**

In addition to the ESMA Chair, the Management Board of ESMA is composed of six members selected from the Board of Supervisors by its members. The Vice-Chair, Executive Director and a representative from the European Commission attend as non-voting participants (except on budget matters where the European Commission has a vote).

The main role of the Management Board is to focus on the management aspects of the Authority, such as the development of a multi-annual work programme, the budget and staff resources.



### 1.1.3 ESMA's Securities and Markets Stakeholder Group

The Securities and Markets Stakeholder Group was established under ESMA's founding Regulation to help facilitate consultation with stakeholders in areas relevant to ESMA's tasks. ESMA is required to consult the Group on its draft guidelines and Technical Standards. The Group is composed of 30 members appointed by ESMA for a period of two and a half years. They variously represent financial market participants and their employees, consumers and other retail users of financial services, academics and small and medium-sized enterprises.



## **1.2 How ESMA plans**

### **1.2.1 The budget setting process**

Each year, by 31 January, ESMA sends its budget request for the following year to the EU institutions. For 2016 this took the form of a budget request, a multi-annual staff policy plan and a high-level work programme for 2016.

In addition, ESMA has a Strategy that covers the years 2016 to 2020. ESMA has the requirement to plan on a multi-annual basis; this is in accordance with the multi-annual financial framework adopted by the EU, and will produce a multi-annual plan, in the light of the strategy by the end of 2015.

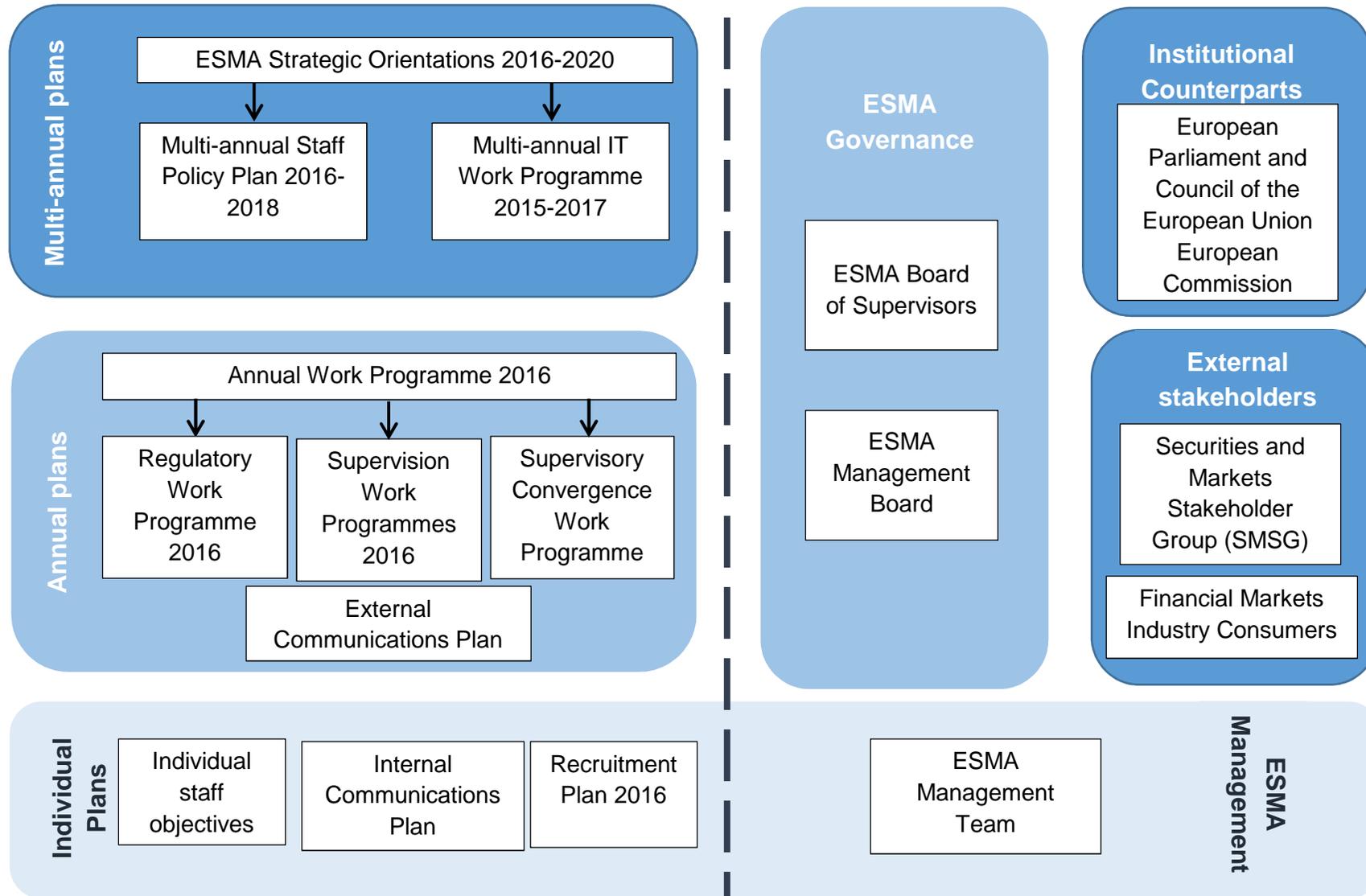
### **1.2.2 Activity-based management**

ESMA plans according to an activity-based method. In summary this aims to allocate budgeted financial and staff resources per activity, rather than per functional cost or per internal management hierarchy.

# How ESMA plans its activities and remains accountable

## Planning

## Reporting



## 2 ESMA's planned activities in 2016

ESMA's mission is to:

**Enhance investor protection and promote stable and orderly financial markets.**

This mission is derived from ESMA's founding Regulation and encompasses three objectives:

1. **Investor protection:** to have the needs of financial consumers better served and to reinforce the rights of investors while acknowledging their responsibilities;
2. **Orderly markets:** to promote the integrity, transparency, efficiency, and well-functioning of financial markets and robust market infrastructures; and
3. **Financial stability:** to strengthen the financial system in order to be capable of withstanding shocks and the unravelling of financial imbalances while fostering economic growth.

The three objectives are inter-linked and contribute to well-founded investor confidence. Investor protection and orderly markets feed into overall market stability. At the same time increased financial stability supports orderly markets and investor protection.

ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active co-operation with National Competent Authorities (NCAs) and securities market regulators in particular, the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA). ESMA has a unique position within the ESFS as it focuses on the securities and financial markets dimensions and the overarching European aspects of these objectives.

ESMA achieves its mission and objectives through four activities:

- Completing a single rulebook for EU financial markets
- Assessing risks to investors, markets and financial stability
- Promoting supervisory convergence
- Direct supervision of specific financial entities

### 2.1 Completing a single rulebook for EU financial markets

ESMA's single rulebook work is aimed at strengthening regulation and creating a level-playing field across the EU. It involves delivering technical advice on legislation to the European

Commission, drafting Regulatory and Implementing Technical Standards and issuing advice and guidelines on the application of Union law.

### 2.1.1 Credit Rating Agency Policy

Objective for 2016	Continue the development of the CRA single rulebook by delivering two guidelines. Start the preparation of up to five Regulatory Technical Standards related to the proposal on securitisation.
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Policy development in the area of Credit Rating Agency supervision involves drafting or updating Regulatory Technical Standards (RTS), guidelines and Q&As. In 2016 this will include producing guidance on the validation of methodologies, Q&As resulting from ongoing supervisory work and, as part of the Joint Committee of the ESAs, guidelines on reducing reliance on ratings.

ESMA also co-operates on an international level, particularly as part of the IOSCO Committee on Credit Rating Agencies (Committee 6), which is currently working on ancillary services/non-ratings products provided by CRAs. In this context, in co-operation with the Supervision department, ESMA will better understand how these services and products are produced by CRAs and used by market participants to make investment decisions. In combination with the development of the supervisory strategy on fees charged by CRAs, ESMA envisages further policy work in this area. ESMA will also carry out assessments of third-country regulatory frameworks for endorsement decisions, as well as Technical Advice to the European Commission on the equivalence of third countries.

In addition, in 2016 and onwards into 2017, ESMA will follow-up on the European Commission’s legislative proposal on securitisation. Depending on the outcome and the timeline for finalisation, ESMA will start working on the preparation of the draft RTS mandated in the proposal.

Finally, as one of the objectives of the CRA Regulation is to increase competition in the markets for credit ratings. ESMA provides transparency by publishing a list of CRAs registered in the European Union (EU) on its website every year, indicating their total market share and the types of credit ratings issued. ESMA also supports sectoral competent authorities at national level that are responsible for supervising and enforcing the requirements imposed on issuers with regard to the use of ratings.

Key deliverables in 2016		Due date	
3 sets of guidelines/Q&As		Q4 2016	
Up to 5 Regulatory Technical Standards		Q4 2017	
Activity budget	€1,040,240	Activity staff	7 FTE

### 2.1.2 MiFID II and MiFIR<sup>1</sup>

Objective for 2016	Deliver between 15 and 18 Technical Standards including 2 Technical Standards assessing whether certain classes of derivatives should be subject to the trading obligation as per Article 32 of MiFID and one item of technical advice.
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Most of the delegated acts and Technical Standards (TS) required under MiFID II/MiFIR would have been delivered in 2015 or have to be delivered at the very beginning of 2016. Therefore, the work in 2016 will focus on supervisory convergence.

With respect to the single rulebook, one major task for ESMA will be to start assessing whether certain classes of derivatives have to be subject to the trading obligation for derivatives foreseen in MiFIR and which is a direct consequence of decisions taken by the G20 in its Pittsburgh accord. For a specific class of derivatives, the adoption of those Regulatory Technical Standards (RTS) required, as a first step, the adoption of RTS specifying whether a certain class of OTC derivatives should be subject to the clearing obligation (EMIR). Therefore, the number of RTS to be adopted in this respect will depend on the number of RTS to be adopted in the context of the clearing obligation but in all likelihood two sets of Technical Standards (specifying the trading obligations for two classes of derivatives) should be delivered in 2016. In addition, ESMA will have to develop a technical standard in respect of the consolidated tape for non-equity instruments and an item of technical advice to the Commission of whether exchange-traded derivatives should be temporarily excluded from the access provisions in MiFIR.

Key deliverables in 2016		Due date	
Between 15 and 18 Technical Standards including 2 on the trading obligation under MiFIR		Q1 & Q4 2016	
Activity budget	€445,817	Activity staff	3 FTE

### 2.1.3 Corporate Reporting

Objectives for 2016	Contribute to the set-up of high-quality accounting standards through providing enforcer's view on new pronouncements.
	Define the RTS of the European Single Electronic Format by end 2016.

<sup>1</sup> NB: any potential delay in the application date of the MiFID package will not significantly affect the tasks outlined in this work programme.

ESMA contributes actively to the accounting standard setting and endorsement in the EU through its observership at the EFRAG Supervisory Board and Technical Expert Group. In addition, ESMA contributes to the International Accounting Standards Board (IASB) in charge of developing those global standards. ESMA provides comment letters as part of the process of standard setting with the aim of improving the transparency and decision usefulness of financial statements and the enforceability of International Financial Reporting Standards (IFRS).

The amended Transparency Directive (2013/50/EU) requires that ESMA draft RTS to specify the electronic reporting format (ESEF) and to carry out an adequate assessment of possible electronic reporting formats with due reference to current and future technological options. This work started in 2015, but the finalisation of the draft RTS might be delayed because of decisions on 2015 resource constraints. Furthermore, although ESMA prepared the draft RTS specifying the European Electronic Access Point (EEAP) in 2015, it will not be implemented until 2017 (subject to budget being available).

ESMA will also contribute to tasks in the audit area in relation to equivalence and adequacy of third countries oversight systems and other tasks of common interest for both accounting and auditing regulators through active participation in the new Committee of the European Audit Oversight Bodies, as required by the new Audit Regulation. Part of this work might be relevant to supervisory convergence and risk assessment.

Key deliverables in 2016		Due date	
Approximately 20 comment letters to the EFRAG and the IASB		Q4 2016	
Regulatory Technical Standards on European Single Electronic Format		Q4 2016	
Activity budget	€594,423	Activity staff	4 FTE

#### 2.1.4 Benchmark Policy

Objective for 2016	Contribute to improving the integrity of benchmarks by delivering up to 16 Technical Standards and up to 10 Technical Advices and through international co-operation.
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The integrity of benchmarks is critical to the pricing of many financial instruments; any doubts about their integrity or accuracy may therefore undermine market confidence.

The proposed regulation on benchmarks would require ESMA to conduct significant work on Level 2 measures. This work began in 2015 and will continue into 2016, although the Level 1

text has still to be published in the Official Journal of the European Union and, therefore, the deadlines are not yet confirmed. In addition there will be ongoing tasks from 2017 for ESMA resulting from the regulation on co-ordinating the development of co-operation arrangements with third countries, participating and possibly mediating in colleges, and maintaining registers of notifications on the use of benchmarks and a list of registered benchmark administrators.

At international level, there is a need to engage with the Financial Stability Board and the IOSCO taskforce on the subject. It also requires co-ordination with the Commission, the ECB and EBA.

Key deliverables in 2016		Due date	
Up to 10 Technical Advices on Benchmarks		Q4 2016	
Up to 16 Technical Standards on Benchmarks		Q1 2017	
Activity budget	€594,423	Activity staff	4 FTE

#### 2.1.5 Market Abuse and Short Selling

Objective for 2016	Finalise the framework for co-operation under the Market Abuse Regulation and report on the evaluation of the Short Selling Regulation by end 2016.
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ESMA should complete an equivalence assessment of the European Market Abuse regime if it receives a mandate from the Commission (stemming from the Short Selling Regulation (SSR) and/or other European texts such as the Transparency Directive or MiFID).

ESMA should be involved in the process of evaluating the appropriateness and impact of the SSR on the basis of a mandate to be received from the Commission. According to the first Evaluation report of the Commission (Com(2013) 885) of 12 December 2013, the evaluation should be completed by 2016. ESMA's involvement is very likely to take the form of technical advice.

Key deliverables in 2016		Due date	
Report on the evaluation of the SSR		Q4 2016	
Activity budget	€445,817	Activity staff	3 FTE

#### 2.1.6 European Investment Fund Legislation

Objective for 2016	Contribute to the establishment of new European frameworks for money market funds and depositaries through delivering Technical Standards and Technical Advices by end 2016.
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Although the deadlines are still uncertain due to the lack of a political agreement at the time of publication, ESMA is expected to be tasked with the elaboration of advice to the European Commission and the development of draft Technical Standards on the Money Market Funds Regulation in 2016.

In the context of the Alternative Investment Fund Managers Directive (AIFMD), ESMA will deliver advice to the European Commission on the depositary frameworks of non-EU jurisdictions.

Furthermore, ESMA is required to continue the ongoing work regarding the possible extension of the AIFM passport towards third countries and the potential termination of the national private placement regimes for AIFs, and will do so in close co-operation with National Competent Authorities.

Key deliverables in 2016		Due date	
Technical Advices on Money Market Funds Regulation		Q4 2016	
Technical Standards on Money Market Funds Regulation		Q4 2016	
Technical Advice on depositary frameworks of non-EU jurisdictions under Article 21(6) of AIFMD		Q4 2016	
Advice on the application of the passport to third-country AIFMs and AIFs in accordance with the rules set out in Article 35 and Articles 37 to 41 of AIFMD		Q4 2016	
Activity budget	€445,817	Activity staff	3 FTE

### 2.1.7 Securities Financing Transactions Regulation

Objective for 2016	Contribute to improved transparency of securities financing transactions by delivering Technical Standards.
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The Securities Financing Transactions Regulation (SFTR) was adopted in 2015. Therefore, in 2016 ESMA will draft the Regulatory and Implementing Technical Standards under the SFTR. The Standards comprise the definition of reports to be submitted to Trade Repositories and their format, the information to be made available to competent authorities and the information to be provided to ESMA for TRs to be registered for SFTR purposes. ESMA is also empowered by the SFTR to develop Regulatory Technical Standards on disclosures by UCITS and AIFMs.

Key deliverables in 2016		Due date	
Regulatory and Implementing Technical Standards		Q4 2016	
Activity budget	€445,817	Activity staff	3 FTE

### 2.1.8 Clearing obligation under EMIR

Objective for 2016	Improve the clearing of OTC derivatives by determining which classes of derivatives should be subject to the clearing obligation and defining Technical Standards for CCPs.
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In 2016 ESMA will continue its work on the determination of the classes of OTC derivatives to be subject to the clearing obligation. In the context of the EMIR Review and following the evaluation of the effectiveness of certain provisions, ESMA might also consider amendments to the adopted Regulatory Technical Standards on CCPs.

Key deliverables in 2016		Due date	
Regulatory Technical Standards on the clearing obligation		Q4 2016	
Regulatory Technical Standards on CCP requirements		Q4 2016	
Activity budget	€297,212	Activity staff	2 FTE

### 2.1.9 Packaged Retail and Insurance-based Investment Products (PRIIPs)

Objective for 2016	Improve the quality and comparability of information provided to retail investors by delivering 2 Regulatory Technical Standards and advice by March 2016.
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In 2016 ESMA will continue the work begun in 2014 under the auspices of the Joint Committee of the ESAs on the Technical Standards on Packaged Retail and Insurance-based Investment Products (PRIIPs). ESMA will also contribute to the work of the Joint Committee on the Technical Advice to the European Commission on PRIIPs.

Key deliverables in 2016		Due date	
Regulatory Technical Standards under Article 8 of PRIIPs Regulation		Q1 2016	
Technical Advice under Article 8 of PRIIPs Regulation		Q4 2016	
Activity budget	€297,212	Activity staff	2 FTE

## 2.2 Assessing risks to investors, markets and financial stability

ESMA was created as part of a Europe-wide response to a financial and economic crisis that posed risks to the stability of the financial system and the functioning of the internal market. To this end, ESMA continues to strengthen its activities in analysing developments, systemic risks,

and structures in the financial markets within its remit. ESMA will further intensify its co-operation with the EU institutions, the other European Supervisory Authorities, the European Systemic Risk Board (ESRB) and international organisations. ESMA conducts these activities with the purpose to establish a level-playing field, to provide targeted guidance and opinions, to coordinate action at a global level and between national and international supervisors and to identify necessary new tools and resources warranted for securities regulators in order to harmonise related supervisory approaches across National Competent Authorities.

### 2.2.1 Financial market risk analysis

Objective for 2016	Identify financial market risks and report on these risks to the relevant institutions.
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ESMA monitors market developments in its remit in light of its objectives of promoting financial stability, orderly markets, and investor protection. In our Report on Trends, Risks, and Vulnerabilities we analyse on a semi-annual basis key market developments in our remit, provide risk indicators and discuss topical issues relevant for financial stability, market integrity, and investor protection. On a quarterly basis, the ESMA Risk Dashboard presents updates on key risk metrics and market incidences. On the basis of these sectoral risk assessments for the EU, ESMA contributes to the systemic risk surveillance work undertaken by the ESRB, the Joint Committee, and to international risk reporting by IOSCO. In doing so, ESMA draws on a variety of sources, including proprietary data, commercial data, market intelligence, and assessments by experts at the National Competent Authorities.

As new proprietary data sources become available in 2016, for example through AIFMD reporting and position data on derivatives transactions, ESMA will analyse the new statistical sources and report on key findings.

Similarly, ESMA will continue to analyse and report on short selling activities, settlement failures and other market activities on which it collects regulatory data.

Key deliverables in 2016		Due date	
2 half-yearly Reports on Trends, Risks, and Vulnerabilities		Q1 2016 Q3 2016	
Quarterly Risk Dashboards		By the end of each quarter	
Topical analyses contributing to ESMA regulatory and supervisory activities (incl. regulatory Impact Assessments, supervisory convergence and supervisory Stress Tests)		Q4 2016	
Activity budget	€2,171,955	Activity staff	13 FTE

## 2.2.2 Data and statistics

Objective for 2016	Enhanced, centralised data management and statistical analysis.
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ESMA will strengthen and concentrate its activities around hosting, maintaining and managing market data collected under the relevant regulatory frameworks, as well as commercial and publicly available data, for the purposes of market supervision, market transparency, and financial stability analysis. As ESMA develops key shared functions around risk assessment and statistics horizontally, with the aim of achieving a central service which provides core data management and statistical services to the public and to the relevant analysts and experts in the organisation, particular attention will be given to providing high-quality and efficient data management, and advanced tools for statistical analysis.

The rationale of concentrating on data management and statistical activities is to obtain synergies in horizontal activities, allow the combination of datasets to enrich the information content and the spread of data use within ESMA. Efforts will be directed to managing datasets including their cleaning, reconciliation and maintenance, as well as the preparation of basic analyses, the automatised provision of recurring charts and reports, and the use of sophisticated analytical tools and methods.

Key deliverables in 2016		Due date	
Establish a data framework (aiming towards centralised data management in 2017)		Q1 2016	
Metadata on data assets (with advanced tools for statistical analysis in 2017)		Q1 2016	
Activity budget	€1,503,661	Activity staff	9 FTE

## 2.2.3 Monitoring of financial activities and innovation and preparing for product intervention

Objective for 2016	Develop a framework for the use of the product intervention powers provided by MiFIR by end 2016.
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The task of monitoring the heterogeneous financial market across the 28 Member States and multiple asset classes is complex. The markets differ in breadth, depth, volume, and sophistication of market participants. ESMA, in co-operation with National Competent Authorities, needs to monitor not simply innovations, but activities in general. What may have been designed and targeted to a given segment of sophisticated market participants may over

time migrate to a market segment home to less informed investors for whom the product introduces unexpected or poorly understood risks.

In order to achieve this task, ESMA monitors financial activities, with a particular focus on financial innovation, and helps to co-ordinate NCAs' initiatives on market monitoring and facilitating exchanges of best practices. The monitoring also helps ESMA to play a proactive role in market surveillance and to develop metrics that will guide us in determining when and where ESMA will employ its own product intervention powers, and to fulfil its responsibility to ensure that NCAs' use of the powers is co-ordinated and coherent. Monitoring activities can also support identification of areas to be addressed through other tools such as investor warnings.

In 2016 ESMA's focus in this area will be on setting up the operating analytical framework for product intervention.

Key deliverables in 2016			Due date
Product intervention framework/methodology			Q4 2016
Identification of areas for policy or supervisory action			Q4 2016
Activity budget	€1,002,441	Activity staff	6 FTE

## 2.3 Promoting supervisory convergence

In line with the trend established in 2015, ESMA in 2016 will have delivered most of the key elements required for the single rulebook to the European Commission. In particular, most of the package of Regulatory Technical Standards required for MiFID and MiFIR as well as on the Technical Standards on MAR were delivered in 2015. ESMA's focus in 2016 will therefore be more and more on supervisory convergence.

Article 29 of ESMA's founding Regulation establishes one of ESMA's key objectives as fostering supervisory convergence and avoiding regulatory arbitrage resulting from different supervisory practices; as this has the potential to undermine not only integrity, efficiency and the orderly functioning of markets but ultimately also financial stability and investor protection. It therefore aims to build a level-playing field by strengthening supervisory co-ordination and promoting supervisory convergence for the benefit of the financial markets at large, including financial institutions, other market players, investors and consumers.

ESMA's supervisory convergence work is presented here below along three themes:

- A. Supervisory Convergence tools
- B. Thematic work
- C. Relations with third countries

## **A. Supervisory Convergence tools**

### 2.3.1 Guidelines, Opinions, Q&As and other convergence tools

Objective for 2016	Help consistent implementation between supervisors by delivering between 12 and 17 guidelines and recommendations on MAR, MiFID, EMIR, UCITS V, EuSEF and Transparency Directive by the end of 2016, as well as updating Q&As.
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In order to foster supervisory convergence, ESMA will develop other supporting measures and use a wider range of tools aiming at facilitating and supporting NCAs in the effective application of new rules, in responding to new market developments, in the application of common basic standards of supervision. ESMA will also use tools designed to understand how rules or market developments are being supervised in practice to enable NCAs to improve their practices and/or ESMA to take actions to address a live issue. This can take various forms e.g. supervisory training, workshops, fora for discussion of live issue cases, thematic reviews, etc.

In the context of MiFID II there will be many operational arrangements required for its implementation. ESMA will have to put in place a set of guidelines already mandated in MiFID II where drafting and finalising those guidelines has been postponed to 2016. ESMA will also have to analyse whether there are elements of its original guidelines that need to be updated after the implementation of the MiFID II package or as a result of the outcomes of Peer Reviews or thematic studies that were conducted in 2014 and 2015.

ESMA is tasked by the Market Abuse Regulation (MAR) to produce three sets of guidelines to be delivered before MAR enters into application on 3 July 2016. MAR implementation will also require developing further guidelines to adapt the current Market Abuse Directive CESR guidance as well as Q&As.

There will be many ongoing tasks within the area of investment funds: ESMA expects there to be an ongoing need for guidelines, opinions and Q&As under the UCITS Directive and the Alternative Investment Fund Managers Directive (AIFMD). ESMA will also work to establish common supervisory priorities for National Competent Authorities in the asset management sector. Equally, under the Transparency and Prospectus Directive ESMA will aim to facilitate a higher degree of exchange of experience, address issues of practical non-convergence and where possible address issues arising from the transposition of the Directives and Technical Standards. In particular this includes further targeted supervisory exercises and potential development of Q&As and setting out common enforcement and supervisory priorities among the Member States.

ESMA will continue to provide a forum for the National Competent Authorities in the area of Takeover Bids with a view to intensifying the exchange of experiences, of changes in rules and of views between authorities and to set out guidance for common practices where necessary. ESMA will also hold confidential workshops for National Competent Authorities in order to share best practices on supervisory procedures under the new regulations, for example under MiFID/MiFIR or MAD/MAR.

Key deliverables in 2016		Due date	
Q&As on product governance and other MiFID II/MiFIR topics		Q2 2016	
Follow-up on previous peer reviews		Q3 2016	
Guidelines on MiFID II/MiFIR topics		Q4 2016	
Follow-up on and conduct additional thematic studies/exercises to further convergence related to the Prospectus and Transparency Directive		Q4 2016	
Guidelines on asset segregation under AIFMD		Q4 2016	
Three sets of guidelines under MAR		Q4 2016	
Activity budget	€5,349,808	Activity staff	36 FTE

### 2.3.2 Peer reviews, BUL and mediation

Objective for 2016	Foster consistent supervisory practices across the EU by leading peer reviews between National Competent Authorities.
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In order to foster consistent supervisory practices, ESMA conducts an ongoing peer review programme on the application of existing EU legislation in the field of securities regulation. The findings of these reviews are reported to its Board of Supervisors and have the purpose of encouraging convergence of supervisory practices across national authorities. ESMA's approach is to follow targeted reviews backed by on-site visits rather than all-encompassing reviews of the 31 countries that are members or observers of its Board of Supervisors. A follow-up of previous peer reviews is also included in the work programme.

The final peer review programme will be determined in the context of the overall supervisory convergence work programme so as to ensure coherence with the use of other supervisory convergence tools.

ESMA will use its powers to investigate and remedy cases of breach of Union law and to settle disagreements between Competent Authorities in cross-border situations. ESMA is also ready to

use its powers of binding mediation, in the event of disputes between National Competent Authorities, and non-binding mediation in order to promote a co-ordinated Union response.

Key deliverables in 2016			Due date
Deliver two peer reviews			Q4 2016
Activity budget	€1,337,452	Activity staff	9 FTE

### 2.3.3 Supervisory co-operation

Objective for 2016	Enhance ESMA's constructive working relationship with its stakeholders and international partners.
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#### European Supervisory Authorities

On an ongoing basis ESMA works with the other European Supervisory Authorities (ESAs), typically within the ESAs Joint Committee, to ensure an efficient exchange of information and a consistent approach to cross-sectoral topics. The Joint Committee produces an annual work programme, which for 2016 includes three key areas of work: Consumer Protection, Cross-sectoral Risk Assessment and other Regulatory Work. In particular, in the area of consumer protection, the Joint Committee will submit the draft Regulatory Technical Standards on the format and content of the Key Information Document (Article 8 of the PRIIPs Regulation) by end March 2016 and will support the consistent implementation of the new disclosure requirements following the date of application of the PRIIPs Regulation (end of 2016). The Joint Committee will furthermore produce guidelines, regulatory technical standards and an opinion in the area of anti-money laundering; produce guidelines on supplementary supervision in the area of financial conglomerates, assess the compliance of the different initial margin models to the requirements of the draft joint regulatory technical standards on EMIR and the BCBS-IOSCO framework as well as continue to monitor developments regarding the securitisation market in the EU. In addition, ESAs will organise again the Joint Consumer Protection Day, hosted by ESMA in Paris in 2016.

#### European Union institutions

Equally ESMA maintains an open dialogue with and, transparent accountability towards the EU institutions. It inputs to EU regulatory dialogues with third countries, plays a central role in assessing the equivalence of third-country supervisory regimes, and provides advice to the European Commission and opinions to the EU institutions on topics within its area of competence. ESMA will also co-operate with the Single Supervisory Mechanism (SSM).

#### International organisations

Finally, ESMA co-operates with international organisations, such as the International Organization of Securities Commissions (IOSCO), as well as with third-country supervisory

authorities on Credit Rating Agency and Trade Repository regulatory and supervisory issues and on co-operation concerning provision of services by third-country investment firms.

### Other agencies

Under the implementation of the Market Abuse Regulation ESMA is required to be involved in developing third-country Memorandum of Understanding (MoU) templates (e.g. regulators of spot commodities markets in third countries), as well as drafting those MoUs and negotiating on behalf of NCAs. Equally, the MoU with the European Agency for the Cooperation of Energy Regulators (ACER) will also continue to drive ongoing work between ESMA and ACER.

Key deliverables in 2016		Due date	
Consumer day		Q2 2016	
Memorandum of Understanding template		Q4 2016	
Activity budget	€297,212	Activity staff	2 FTE

## **B. Thematic work**

### 2.3.4 EU IT projects

Objective for 2016	Deliver quality IT systems that allow ESMA to respond to its legal requirements as efficiently as possible.
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In addition to maintaining more than 20 running IT systems ESMA's Multi-annual IT Work Programme 2016-2018 contains four programmes, as well as two delegated projects:

- The **CRA III Programme** will support the supervision of Credit Rating Agencies (CRA) and investor protection (daily collection and publication of large data sets related to the credit ratings issued in the EU). The programme requires the implementation of two interrelated systems which will be delivered in 2016: the European Rating Platform and the fees database
- The **Markets Programme** will support the development and the implementation of new regulatory and supervisory standards in this area. The programme is specifically related to MiFIR/MiFID II and MAR, of which the most difficult projects will include the instrument reference data reporting, double volume cap mechanism, and commodity derivatives position reporting. The programme also includes collection of other data sets to be published, and initiatives within the Central Securities Depositories Regulation (CSDR), European Market Infrastructure Regulation (EMIR), and Securities Financing Transactions Regulation (SFTR).

- The **Transparency Programme** mainly relates to the revision of the Transparency Directive, which requires that ESMA should work on the development of the network of Officially Appointed Mechanisms (OAMs) and the definition of a common format to report financial statements in Europe. The programme also includes the support for investor protection (such as information collection and publication) stemming from other regulations (like MiFIR/MiFID II, the Undertakings for Collective Investment in Transferable Securities (UCITS V) Directive, European Investment Fund Legislation and Prospectus Directive). In 2016 the only initiative planned to be launched within the programme is the update of the current Registers of Authorised and Registered Entities and Sanctions.
- The **ESMA Corporate Programme** includes initiatives for continuing to build ESMA’s internal IT capacity in support of administrative and data management processes. In 2016 the Document Management System will be completed.
- The **IT delegated projects**:
  - the Financial Instruments Reference Data (FIRDS), a project where ESMA will collect data, from trading venues and/or NCAs, which will be stored, processed and published by ESMA. This project will also include performing transparency calculations and the management of suspensions from trading; and
  - the Access to Trade Repositories Data (TRACE), a project to set up a logical portal, i.e. a single point of access for querying and retrieving data from Trade Repositories without storing the data.

Key deliverables in 2016		Due date	
CRA programme: European Rating Platform go-live		Q1 2016	
CRA programme: Fees database go-live		Q3 2016	
Upgraded data analysis tool go-live		Q2 2016	
Access to Trade Repositories project go-live		Q3 2016	
Activity budget	€11,829,395	Activity staff	26 FTE

### 2.3.5 EMIR convergence reports and Central Counterparty colleges

Objective for 2016	Monitor the implementation of EMIR via delivering an annual report, two peer reviews and a stress test on CCPs.
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ESMA has the direct responsibility to participate in all colleges of EU CCPs. As a member of the colleges of CCPs established in the EU, ESMA fulfils a co-ordination role between competent authorities and across colleges in order to facilitate the consistent and correct application of

EMIR, with a view to building a common supervisory culture and consistent supervisory practices, ensuring uniform procedures and consistent approaches, and strengthening consistency in supervisory outcomes. ESMA also takes an active role in the review and validation of the CCP risk models.

Key priorities in this area in 2016 will be around the common issues identified in CCP colleges, as well as the related opinions, Q&As, common procedures, and guidelines and recommendations.

The EMIR Regulation also requires ESMA to conduct the following annual tasks that will be performed in 2016:

- present an annual report to the European Parliament, the Council and the Commission on the penalties imposed by competent authorities, including supervisory measures, fines and periodic penalty payments (Art. 85.5);
- an annual peer review analysis of the supervisory activities of all competent authorities in relation to the authorisation and the supervision of Central Counterparties (CCPs) (Art. 21.6.a of EMIR);
- an annual peer review of the entities included on the pension schemes included in the list of types of entities and types of arrangements referred to in Article 2(10)(c) and (d) (Art. 89.2 of EMIR);
- an annual EU-wide stress test for CCPs in co-operation with the ESRB.

Finally ESMA might be involved either in Technical Advice for the EMIR review or in assisting the Commission in the drafting of the proposal for changes in the EMIR regulation.

Key deliverables in 2016		Due date	
CCPs stress test exercise		Q3 2016	
Annual report on penalties imposed by competent authorities		Q4 2016	
Recommendations resulting from CCPs stress testing exercise		Q4 2016	
Peer review on CCPs under EMIR		Q4 2016	
Validation of CCPs risk model changes		Q4 2016	
Annual peer review analysis on the authorisation and the supervision of CCPs		Q4 2016	
Annual peer review of entities included on the pension schemes		Q4 2016	
Annual EU-wide stress test for CCPs		Q4 2016	
Activity budget	€1,486,058	Activity staff	10 FTE

### 2.3.6 Transparency and Prospectus

Objective for 2016	Contribute to improving Corporate Governance by evaluating the Prospectus and Transparency regimes, producing a review of the best practice principles of the proxy industry and an insight into disclosure of directors' remuneration.
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In the area of prospectuses ESMA expects to continue work on mainly supervisory convergence while monitoring the outcome of the review of the Prospectus Directive by the European Commission and contribute to any requests for advice or information that may arise. As a follow-up to the revision and reaching the implementation deadline of the Transparency Directive of 28 November 2015, ESMA intends to work with NCAs to start monitoring closely the application of the Directive in order to gain sufficient experience with the regime as well as measures implemented in 2015 and the first half of 2016.

In connection with monitoring financial innovation and trends in offerings and types of securities ESMA will maintain an indicative list of financial instruments subject to notification requirements under the Transparency Directive.

ESMA will finalise a review on the Best Practice Principles set out by the proxy industry and aims to monitor closely the outcome of the revision of the Shareholder Rights Directive in order to provide input where possible concerning corporate governance issues whether in the form of outcomes of mapping exercises, technical advice or application of rules related to the securities markets.

ESMA will continue to exchange and gather experiences, practices and knowledge in the corporate governance area by way of meetings and focused sessions on topics of particular interest either from the perspective of National Competent Authorities or international attention.

Key deliverables in 2016		Due date	
Finalise review of proxy advisors and mapping of disclosure of directors' remuneration		Q1 2016	
Use of standard forms and other tools for consistent application of notification requirements under the Transparency Directive		Q2 2016	
Activity budget	€1,040,240	Activity staff	7 FTE

### 2.3.7 Accounting and Auditing

Objective for 2016	Strengthen supervisory convergence in the accounting area and contribute to the successful implementation of
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	the Audit Regulation.
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In 2016 ESMA will increase supervisory convergence in the area of financial reporting by ensuring the implementation of the ESMA guidelines on enforcement of financial information which will apply to all National Competent Authorities as well as any other bodies in the EU undertaking enforcement responsibilities under Article 24 of the Transparency Directive. ESMA will monitor the implementation of the guidelines and further work with the national enforcers on implementing certain aspects of the guidelines, organisation of technical workshops, in-depth review of selected accounting topics, etc.

In 2016 ESMA will report to the market its quantitative and qualitative assessment based on the analysis of supervisory and enforcement data of a relevant sample of issuers for the International Financial Reporting Standards (IFRS) common enforcement priorities examined in 2015. Furthermore, ESMA will also contribute to the objective of supervisory convergence by issuing a statement on European common enforcement priorities highlighting topics significant for European issuers when preparing their 2016 year-end IFRS financial statements.

The final guidelines on Alternative Performance Measures were published in 2015, with an effective date of 3 July 2016. Considering the wide scope of the guidelines, ESMA will closely monitor the implementation of these guidelines by issuers and National Competent Authorities across the EU and the impact of these guidelines on supervisory convergence.

A key part of ESMA's convergence role in financial reporting in the area of supervision and enforcement of IFRS lies in analysing and discussing accounting matters faced by individual enforcers which are of relevance to other European enforcers either by their degree of complexity, significant importance to European regulated markets or because of having a widespread effect around EU. This work is performed by the European Enforcers Co-ordination Sessions (EECS), which continue to meet to promote consistent application of IFRS and to foster convergence of enforcement practices across the EU. In addition, ESMA will organise technical workshops, in-depth review of selected accounting topics, depending on needs etc. ESMA will also intensify its co-operation with the ECB on accounting matters relevant for financial institutions.

Key deliverables in 2016		Due date
Extracts of EECS decisions		Q2 2016 Q4 2016
EECS Activity Report		Q2 2016
Analysis of European common enforcement priorities		Q3 2016
Study of an accounting topic (to be confirmed)		Q4 2016
Activity budget	€743,029	Activity staff 5 FTE

## **C. Relations with Third Countries**

### 2.3.8 Role for ESMA in functioning of non-EU passport

Objective for 2016	Facilitate Alternative Investment Funds (AIF) passporting across EU Member States.
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While not granting any supervisory powers to ESMA on third-country entities, the AIFMD does foresee a more operational role for ESMA once the passport has been extended to non-EU Alternative Investment Funds (AIFs) and Managers (AIFMs). In particular, ESMA is required to issue advice to the relevant National Competent Authority in relation to its assessment of the Member State of reference of an AIFM. ESMA has one month in which to deliver its advice following receipt of a notification. Similarly, ESMA is expected to intervene in situations where a non-EU AIFM seeks to rely on the possibility provided by the AIFMD for non-compliance with a particular provision in case there is incompatibility with the law to which the non-EU entity is subject. ESMA must issue advice to the National Competent Authority that intends to grant an exemption to a non-EU AIFM within one month of receiving a notification.

Key deliverables in 2016		Due date	
Advice to National Competent Authorities on Member State of reference assessments and applications for exemption from AIFMD provisions		Q4 2016	
Activity budget	€297,212	Activity staff	2 FTE

### 2.3.9 Third-country Central Counterparties and Central Securities Depositories

Objective for 2016	Develop equivalence of third countries by recognition of CCPs providing clearing services in the Union.
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Under EMIR, ESMA has direct responsibilities regarding the recognition of third-country CCPs providing clearing services within the Union.

In 2016 it is expected that several third-country CCPs will be recognised under EMIR. In this context, ESMA will continue to co-operate with third-country authorities to ensure that the services provided to European clearing members do not expose the latter to undue risks.

ESMA is also responsible for the recognition of non-EU Central Securities Depositories (CSDs). This procedure is similar to other recognition procedures that ESMA has already undertaken in the past, notably for CCPs.

Activity budget	€297,212	Activity staff	2 FTE
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### 2.3.10 Third-country firms applying for the provision of investment services or performance of activities throughout the Union

Objective for 2016	Set-up of the work to establish co-operation arrangements with third-country competent authorities.
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While not granting any supervisory powers to ESMA on third-country firms, MiFIR requires ESMA to establish co-operation arrangements with competent authorities of third countries whose legal and supervisory frameworks have been recognised by the European Commission as effectively equivalent.

Such arrangements shall specify at least:

- (a) the mechanism for the exchange of information between ESMA and the competent authorities of third countries concerned, including access to all information regarding the non-Union firms authorised in third countries that is requested by ESMA;
- (b) the mechanism for prompt notification to ESMA where a third-country competent authority deems that a third-country firm infringes the conditions of its authorisation or other law to which it is obliged to adhere;
- (c) the procedures concerning the co-ordination of supervisory activities including, where appropriate, on-site inspections.

Furthermore, ESMA will keep a register of third-country firms allowed to provide services in the Union (and will be able to withdraw the registration in circumstances specified by MiFIR).

Key deliverables in 2016		Due date	
First batch of co-operation agreements with third-country authorities		Q4 2016	
Activity budget	€148,606	Activity staff	1 FTE

## 2.4 Direct supervision of specific financial entities

In 2016 ESMA will have direct supervisory powers in two areas: Credit Rating Agencies and Trade Repositories. At the end of 2015 ESMA completed an internal reorganisation to put the teams working on the direct supervision of Credit Rating Agencies and Trade Repositories together. This will ensure one approach to ESMA's supervision, allowing for better sharing and consistency of experiences, processes and resources.

### 2.4.1 Credit Rating Agencies

Objectives for 2016	Ensure that registered CRAs comply with the CRA Regulation and, where applicable, refer cases to the Independent Investigation Officer (IIO) where there are serious indications of potential infringements of the CRA Regulation.
	Protect investors by ensuring that only registered CRAs issue credit ratings in the Union.
	Ensure that ESMA only registers applicants who comply with the standards set out in the CRA Regulation by assessing applications for registration as a CRA in a timely and thorough manner.

Supervision of Credit Rating Agencies involves three broad areas of work and follows the Annual Credit Rating Agency Supervisory Work Programme that ESMA produces for the year concerned:

#### Supervision

ESMA continuously carries out perimeter assessment (i.e. identification of entities which may be operating without registered status). It assesses applications to be registered as CRAs and then carries out ongoing supervision of registered CRAs. Supervisory reviews may be either thematic or individual reviews (deep dives); the main findings and outcomes are reported publicly when appropriate and mitigation actions to shortfalls are followed up. Where necessary, enforcement actions are proposed. Throughout this supervisory work co-operation with third-country regulators is maintained.

In order to support CRA supervision, a new Credit Ratings Data Reporting System (RADAR) will go live. RADAR will create one single database from a new public interface for the European Rating Platform (ERP), a new internal fees database and two existing systems, CEREP and SOCRAT.

#### Strategy & Risk

Risk-based supervision refers to (1) the use of a structured approach to identify the most serious risks at individual CRA or industry level, (2) a targeted review by supervisors to assess how CRAs are managing the risks identified and (3) the use of available and proportionate measures to reduce and manage these risks.

The identification of risks and trends requires continuous monitoring of the periodic information and data provided by the CRAs and monitoring of overall market dynamics and changes in credit

markets as a whole. Our risk framework, including the core risk analysis model, is developed through both stand-alone analytical activities (e.g. market intelligence, data analysis) and through interaction and co-ordination with the supervisory function (e.g. risk impact analysis of supervisory activities). In addition, ESMA monitors industry-wide developments through engagement with CRAs and other external stakeholders.

The risk-based dimension allows ESMA to target its supervisory resources to those areas where the greatest risks have been identified, as well as to assess the impact and effectiveness of its supervisory strategy. This allows ESMA to adapt its supervisory approach to the evolving nature of the industry, for example to allow it to launch new investigations or market studies as well as to take ad hoc supervisory measures where necessary to reflect changes in market dynamics and innovations such as new entities, new products, services and delivery channels or new methodologies.

Key deliverables in 2016		Due date	
Integrate go-live of RADAR into supervisory activities		Q2 2016	
Define the annual supervisory strategy/workplan and annual report and execute it		Q4 2016	
Refined approach to risk assessment and prioritisation		Q4 2016	
Activity budget	€4,606,779	Activity staff	31 FTE

#### 2.4.2 Trade Repositories

Objective for 2016	Improve access to data on derivative contracts by ensuring Trade Repositories comply with EMIR requirements.
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Under EMIR, ESMA has direct responsibilities regarding the registration, supervision and recognition of Trade Repositories; this work is directed by the specific annual Trade Repository Supervision Work Programme.

Supervision of Trade Repositories by ESMA aims to ensure that they comply on an ongoing basis with all EMIR requirements, thereby enabling regulators to access data and details of derivative contracts in order for them to fulfil their respective mandates.

For the supervision of Trade Repositories, ESMA has the right to require information, to conduct general investigations and on-site inspections, and if needed, to take enforcement measures.

Key deliverables in 2016		Due date	
Define the annual supervisory strategy/workplan and annual		Q4 2016	

report and execute it			
Activity budget	€1,337,452	Activity staff	9 FTE

### 2.4.3 Enforcement

Objective for 2016	Take appropriate enforcement action where breaches of regulation in supervised entities are discovered.
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ESMA has the power to take appropriate enforcement action where it discovers a breach of regulation in its supervised entities. These actions may range from the issuance of public notices to the withdrawal of registration and imposition of fines. Therefore ESMA maintains an Independent Investigation Officer function that is required in enforcement cases. ESMA's Board of Supervisors also requires legal advice on its execution of these powers.

Activity budget	€1,337,452	Activity staff	9 FTE
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## 2.5 ESMA as an organisation

### 2.5.1 Provide efficient and proactive support to staff.

Objectives for 2016	Improve support to ESMA's Standing Committees and Technical Committees by promoting video, audio and web conference tools for ESMA's staff and stakeholders' use.
	Reduce manual workload and improve efficiency and traceability by starting making some workflows paperless such as document management, missions, payments and procurement.

First, as part of ESMA's ongoing maturation process, in 2016 focus will be placed on providing a better support to staff and stakeholders in their daily work with ESMA. Tools that allow better collaboration within Task Forces and Standing Committees will be developed.

The achievement of ESMA's work programme requires working groups including participants from all over the EU. The process of organising meetings will be improved by introducing tools to manage work group participants and online registration systems to help simplify the organisation process and ensure traceability. In addition, not all meetings need to be physically held in Paris: ESMA has made recent improvements to its e-meetings offer via new audio, video and web conferencing tools. These possibilities will be promoted to ESMA's staff and stakeholders to increase take-up.

Second, efficiencies in internal processes may partly be achieved via automatisisation of certain processes. To this end ESMA will transform some financial workflows to reduce usage of paper and systematise the usage of an e-procurement tool (sourced in 2015), as well as the second phase (roll-out) of a tool to manage staff business trips.

Following the annual risk assessment, internal control assessments will be conducted to ensure compliance, transparency, efficiency and effectiveness.

Key deliverables in 2016	Due date
Online registration for meetings	Q2 2016
Roll-out to staff IT tool for missions	Q2 2016
Promotion of tools to support Standing Committees via first training sessions	Q3 2016

## 2.5.2 Manage resources in a flexible, efficient and effective way

Objectives for 2016	Improve the planning of ESMA's work by extending project management across the organisation.
	Ensure the secure management of ESMA's assets by launching a project to implement archiving and destroying of documents at the end of their lifecycle.

In 2015 ESMA adopted the PM<sup>2</sup> project management methodology for the governance of its IT projects. In 2016, ESMA intends to extend this project management culture across the organisation. The change will be accompanied by training staff on project management and setting up adequate project reporting and follow-up.

ESMA, as it enters into its fifth year of operations, will need to define and implement an archiving and retention policy in order to ensure that its information is secure and can be retrieved easily. 2016 will also be the year that ESMA finishes its initial Security Action Plan and finalises a Business Continuity Plan that can then be implemented and tested in the following years.

In 2015 ESMA defined an Activity-based Budgeting (ABB) and Costing (ABC) model for its fee-funded supervisory activities. In 2016 this will be developed into a full ABB/C model across all activities; this may then be rolled out in 2017. In addition, ESMA will continue to assist the European Commission to review ESMA's financing.

Key deliverables in 2016	Due date
Implement project management methodology for corporate projects	Q2 2016
Develop full ABB/C model	Q2 2016
Finalise Security Plan	Q2 2016

Adopt archiving and retention policy	Q3 2016
Finalise Business Continuity Plan	Q4 2016

### 2.5.3 Recruit, develop and retain good quality staff

Objective for 2016	Further develop ESMA's human resources by adopting a learning and professional development strategy.
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Following the approval of ESMA's strategy for 2016-2020, there are important steps to be undertaken to ensure its understanding and implementation by all ESMA's staff. To assist in this the strategic objectives will be cascaded down through the organisation to the individual level. ESMA will also improve recruiting practices through sharing best practices and regular training sessions.

The HR system, which has been an ongoing joint-ESA project over several years, will reach its final phase.

Key deliverables in 2016	Due date
Map strategic objectives to individual level	Q2 2016
Complete HR system improvements	Q2 2016
Adopt Learning and Professional Development Strategy	Q4 2016

### 2.5.4 Governance & Stakeholders

Objectives for 2016	Set-up of the Corporate Affairs Department to provide support to senior management and the organisation on planning, internal control and stakeholders' relations.
	Implementation of Action Plan in response to IAS Audit on stakeholders' relations.

In 2016 ESMA will develop and implement an integrated approach to the planning, management and execution of ESMA's communications activities towards its internal and external stakeholders. This will be characterised by centralised oversight of the definition of goals, target audiences, timing, channels etc. The aim is to have in place an approach, which supports ESMA's corporate mission, objectives and activities, while also ensuring that it is accessible, open and transparent to its stakeholders.

The creation of a centralised Department merging the current Communications Team, the Co-operation element of LCC, the Securities Markets Stakeholders Group secretariat along with the

Planning and Reporting and Internal control functions will support the move to a co-ordinated approach to stakeholders and organisational strategic planning. The successful roll-out of this new Department will be a key objective for 2016.

The change will result in a number of synergies, including greater co-ordination of stakeholders' activities across all communications channels, which will support and be supported by, more central oversight of ESMA's planning and strategy setting.

Key deliverables in 2016	Due date
Roll-out of revamped ESMA's website	Q1 2016
Publish 2015 Annual Report	Q2 2016
Publish 2017 Annual Work Programme	Q3 2016
Produce External Communications Strategy 2017	Q4 2016
Produce Internal Communications Plan 2017	Q4 2016
Produce Internal Control Work Programme 2017	Q4 2016

### 3 Annexes

#### Annex 1 – Human resources

2016 Establishment Plan			
AD 16	1		
AD 15	1	AST 11	
AD 14		AST 10	
AD 13	2	AST 9	
AD 12	4	AST 8	
AD 11	7	AST 7	2
AD 10	10	AST 6	2
AD 9	22	AST 5	4
AD 8	29	AST 4	4
AD 7	24	AST 3	1
AD 6	17	AST 2	
AD 5	10	AST 1	
AD total	127	AST total	13
<b>GRAND TOTAL</b>		<b>140</b>	

Contract Agents	2016 estimate
Function Group IV	16
Function Group III	28
Function Group II	
Function Group I	
<b>Total</b>	<b>44</b>

Seconded National Experts	2016 estimate
<b>Total</b>	<b>21</b>

## Annex 2 – Budget

REVENUE	EUR
Revenue from fees and charges	10,548,293
EU Contribution	10,203,000
Contribution from National Competent Authorities	16,180,250
Contribution for delegated tasks	2,461,199
<b>TOTAL REVENUE</b>	<b>39,392,742</b>

EXPENDITURE	EUR
Staff expenditure	20,481,000
Infrastructure and administrative expenditure	7,729,000
Operating expenditure	8,567,095
Delegated tasks	2,615,647
<b>TOTAL EXPENDITURE</b>	<b>39,392,742</b>

### Annex 3 – List of ESMA’s Key Performance Indicators

ESMA has defined a list of Key Performance Indicators that are reported to the Management Board. ESMA’s work programme in 2016 will be measured against these indicators.

Activity	Key Performance Indicator
Assessing risks to investors, markets and financial stability	Number of risk topics analysed
Completing a single rulebook for EU financial markets	Number of adopted Technical Standards and Technical Advice approved by ESMA’s Board of Supervisors
Promoting supervisory convergence	Compliance with guidelines and recommendations
	% of IT systems delivered compared to planned
	Number of peer reviews conducted
	Number of opinions issued
	Number of questions addressed in ESMA’s published Q&As
Direct supervision of specific financial entities	Number of thematic and number of individual investigations (opened in the year according to annual plan or individual strategies)
	Number of applications for registration not assessed within the timelimits
Organisational implications	Rate of implementation of Commitment Appropriations
	Rate of budget outturn
	Average vacancy rate
	Percentage of completion of the activities of the Annual Work Programme
	Rate of external and accepted internal audit recommendations

## Annex 4 – Procurement Plan linked to a 2016 Financing Decision

This procurement plan contributes to ESMA's financing decision by describing planned commitments for operational expenditure for Title 3 in 2016, in accordance with Articles 68 of the ESMA Financial Regulation and 58 of their Implementing Rules.

Operational expenditure	Planned method of expenditure	Estimated value for 2016	If new open procurement procedure is required			
			Tender name	Tender and contract type	Approx. global / multi-annual value (€)	Est. launch date
Training for a common supervisory culture	Usage of existing framework contracts for an estimated amount of €40,000 and procurement of new framework contracts and usage of National Competent Authorities for an estimated amount of €100,000	€140,000	Soft skills training	Open procedure (framework contract)	€500,000	Q3 2016
IT Projects	Usage of existing framework contracts, in line with the activities outlined in the IT work programme approved by the Management Board (ESMA/MB/2015/75)	€5,350,000	N/A			

Operational expenditure	Planned method of expenditure	Estimated value for 2016	If new open procurement procedure is required			
			Tender name	Tender and contract type	Approx. global / multi-annual value (€)	Est. launch date
Legal Advice	A new open procedure will be required for external legal advice and services (except for litigation services) to cover legal advice in on-going CRA supervision and HR/Finance and other general needs. In the absence of a framework contract, ad-hoc negotiated procedures will be required.	€200,000	Ext. legal advice	Open procedure (framework contract)	€900,000	Q2/Q3 2016
Access to data for economic research, databases and subscriptions	Individual direct contracts with specialised economic data suppliers in order to fulfil ESMA's operational needs.	€517,095	ESMA is monitoring the possibility to join new framework contracts from the European Commission for the acquisition of economic datasets.			
Mission expenses, travel and incidental expenses	Direct reimbursement of expenses to staff for an estimated amount of €470,000. For travel: usage of existing framework contract for an estimated amount of €270,000 and new framework contract jointly tendered with the European Banking Authority for €160,000 in 2016.	€900,000	Travel agency	Open procedure (framework contract led by EBA)	€2,670,094 (ESMA allocation under EBA contract)	Q2/Q3 2016

Operational expenditure	Planned method of expenditure	Estimated value for 2016	If new open procurement procedure is required			
			Tender name	Tender and contract type	Approx. global / multi-annual value (€)	Est. launch date
Communications, translations, publications and corporate events	Translation services provided by the Translation Centre for Bodies of the EU for an estimated amount of €450,000 and exceptionally through urgent negotiated procedures for an estimated amount of €20,000. In addition, an estimated amount of €120,000 for ESMA corporate publications and events, via the Publications Office of the EU and specific negotiated procedures.	€590,000	N/A			
Meeting expenses	Reimbursement of meeting participants according to ESMA rules for an estimated amount of €170,000. Other expenses and associated catering costs for an estimated amount of €330,000 to be covered by existing framework contracts and ad-hoc negotiated procedures.	€500,000	N/A			
Services on operational matters, impact assessments, benchmarks and CRA/TR support	Ad-hoc negotiated procedures according to specific operational needs	€370,000	N/A			

Operational expenditure	Planned method of expenditure	Estimated value for 2016	If new open procurement procedure is required			
			Tender name	Tender and contract type	Approx. global / multi-annual value (€)	Est. launch date
Global operational expenditure		€8,567,095				

## Annex 5 – List of tasks removed from ESMA's original proposal

	Action	Impact
<b>Business Activity</b>	Reduction of the translation budget	Possible delay legal applicability of some of ESMA's guidelines
	Reprofile IT work programme to deliver certain MiFIR, MAR and CSDR databases in 2018	Reduction of the budget for the Markets IT programme in 2016 by focusing IT expenditure on most important requirements
	Reduce external support for various aspects of ESMA's work	Cut studies, legal support and support to cost benefit analysis
	Do not recruit the additional post to work on Enforcement	Reduced capacity on enforcement related to direct supervision
<b>ESMA as an organisation</b>	Reduce mission budget	Implementation of cost savings on travel plus some reduction in staff travel for external meetings.
	Reduction of costs in administrative support and renewal of old material	Reduction of support to staff
	Do not recruit the additional planning and monitoring role requested for 2016	No improvement to ESMA's external accountability