European Securities and Markets Authority

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Statement by Steven Maijoor

Chair

European Securities and Markets Authority

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Ladies and gentlemen,

Today is my third annual appearance here as Chair of the European Securities and Markets Authority. I want to use this opportunity to provide you with a brief update on our progress in the 12 months since I last spoke to you, but will also highlight areas where I believe changes would allow ESMA to better fulfil its role.

ESMA's objectives include responsibility for:

- creating a Single Rulebook;
- supervisory convergence in EU securities law application;
- supervision of Credit Rating Agencies and Trade Repositories;
- investor protection; and
- financial stability in the EU

While achieving these objectives may seem a daunting task, I believe that ESMA has risen to the challenge and performed well in delivering high quality work to challenging deadlines and with limited resources.

One of ESMA's main tasks, unique amongst the ESAs, is the supervision of key market players, with our main focus being on credit rating agencies. ESMA has developed an effective supervisory regime, and conducted significant on-site supervisory work with CRAs, most recently on bank rating methodologies, and structured finance and sovereign debt ratings. ESMA now supervises 22 CRAs, with three new entities registered in the last 12 months, and we are confident that direct EU supervision has helped improve the functioning of CRAs.

Another major area of progress is in relation to EMIR, the EU's response to the risks posed by OTC derivatives. We have produced the technical standards necessary for EMIR's implementation, started to consult on the clearing obligations for the different types of derivatives, begun the recognition process for third-country CCPs and expect to announce the first registrations of trade repositories in early November. This will see ESMA take on further supervisory responsibility as well as starting the clock for the reporting of derivatives trades. In addition we have cooperated with our global counterparts in ensuring that the different regional regimes can operate as harmoniously as possible.

Alongside our work on the single rulebook, CRA supervision and EMIR, significant achievements have included our work, with the EBA, on principles to address shortcomings in critical benchmark setting processes in the EU. On the international side, I should also mention the negotiated cooperation agreements on alternative investment funds supervision between EU and third country regulators.

We continue to progress in the area of investor protection, through the development of guidelines on remuneration and UCITS/ETFs as well as direct warnings to investors and the collection and analysis of data on financial consumer trends. We believe that critical to enhancing our progress in this area will be the finalisation of PRIPs and MiFID II/MiFIR in the coming months.

On stability, I would mention the improved data and intelligence on risks in securities markets, and ESMA recently published its second *Trends, Risks, and Vulnerabilities* Report.

So far, I have been silent on supervisory convergence, a key ESMA objective. While we have progressed in this area, it has not been as significant as we would have hoped. While I think the governance of the ESAs works well for the single rulebook and direct supervision, there is more tension around convergence, as it requires the assessment of colleagues' supervisory practices. To improve the organisation and governance of our convergence work, ESMA will introduce changes aimed at strengthening our peer review tool with more on-site visits, targeting of topical supervisory matters and more independent assessment teams.

Finally, regarding funding, I welcome very much the provisions of the recently adopted Opinion by ECON on the EU's general budget. However, I would like to raise, once again, the need to put ESMA's financing on a stable footing.

The current 60/40 contribution weighting of ESMA's budget, between National Competent Authorities and the EU institutions, means that any increase in ESMA's budget automatically increases the financial contribution of national authorities, which may be problematic in the current circumstances. This results in tensions, as it implicitly undermines the regulatory reform agenda, which requires the strengthening of regulation and supervision both at EU and national level.

In terms of resolving these conflicts, I believe that a move to either 100% EU funding, a broader use of industry fees related to direct supervision or administrative acts by ESMA, such as the recognition of 3rd country CCPs, or a combination of both should be considered to ensure a sustainable funding model. Finally, and even more importantly, I think the ESAs should be funded through an independent budget line in the General Budget of the EU to reinforce their status as independent authorities.

Thank you for your time today.