European Securities and Markets Authority

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Statement by Steven Maijoor

Chair European Securities and Markets Authority

ECON Committee, European Parliament 23 September 2014

Dear Members of the European Parliament,
Ladies and gentlemen,

First of all, I would like to congratulate you on your election or re-election as a Member of the European Parliament and as a member of this important committee.

Call it a "Single Capital Market" or "Capital Market Union", the financial regulatory reform in the European Union (EU) in the last five years has made solid progress and is a decisive step towards the aim of completing the single market in financial services. This is not only a necessity to tackle failures exposed by the financial crisis, it is also a crucial part of realising the overriding objective of securing economic recovery in the EU. However, it will only reach its full potential if the single rule book is applied consistently and supervised adequately so that all stakeholders can benefit from it in daily practice.

ESMA plays a key role in achieving this objective, by enhancing investor protection and by promoting stable and orderly financial markets in the EU. Since its inception three and a half years ago, ESMA has contributed to the creation of an EU single rulebook by developing technical standards and guidelines, and by assisting the European Institutions, and the European Commission in particular, in providing technical advice on such areas as: over-the-counter (OTC) derivatives, hedge funds and private equity, short selling, high frequency trading, Exchange-Traded Funds (ETFs), investment advice and financial information.

In the last 12 months, ESMA finalised 22 technical standards and pieces of technical advice to the European Commission, as well as seven sets of guidelines, in order to complete the legal framework in areas such as Credit Rating Agencies, prospectuses, market infrastructures, European Social Entrepreneurship Funds and European Venture Capital Funds. We are currently translating the recently agreed MiFID II/MiFIR requirements into practically applicable rules. I will not run through all the work we have done on the single rulebook in that time as you can find an overview and some statistics in the Annex to my Statement which was distributed to you.

I would like to stress that throughout the entire policy process we engage as much as possible with all relevant stakeholders – through hearings, direct meetings and consultations. We have – and will continue – to interact with many stakeholder associations representing consumers, investors and market participants - and solicit the views of ESMA's Securities and Markets Stakeholders Group (SMSG). To mention two examples, right now we are assessing the almost 800 responses we have received to our MiFID II discussion and consultation papers and ESMA has received more than 1500 questions on the implementation of the European Market Infrastructure Regulation (EMIR).

ESMA has successfully developed a regime of direct supervision at EU level. We supervise 23 credit rating agencies by conducting thematic investigations, on-site visits, analysing the information CRAs provide to the public and by monitoring the implementation of remedial action plans. In June this year, ESMA concluded its first enforcement action and issued a public notice censuring Standard & Poor's Credit Market Services France SAS and Standard & Poor's Credit Market Services Europe Limited (S&P) for failing to meet certain organisational requirements.

EMIR brings more transparency to derivatives markets by introducing mandatory reporting to trade repositories (TRs). Since November 2013, six repositories have been registered and are now supervised by ESMA. Since reporting under EMIR went live, derivatives trade data has flowed into the repositories: as of 30 June 2014, more than 1 billion new trades have been reported to the TRs. Regulators now have access, or are in the process of establishing access, to derivatives data which should help in providing a clearer picture on the risks associated with those markets.

On identifying risks to investor protection and stability, ESMA has substantially improved its data and intelligence gathering capabilities. Risks in securities markets are, for example regularly, identified and reported on in ESMA's *Trend, Risk and Vulnerabilities Report*.

Concerning the convergence of supervisory practices we have employed a range of instruments, including Q&As, opinions and peer reviews. Regarding peer reviews, we have strengthened our methodology, including the more frequent use of on-site visits. More generally, with the reform of financial markets moving from legislation to implementation, supervisory convergence will become a higher priority in ESMA's activities and we will increase our resources allocated to this area.

That brings me to the last topic I would like to raise, which I also brought to this Committee's attention last year, the need for a stable budget. Today, our funding comes from a combination of the EU budget, levies on the financial market entities that we supervise directly, and the Member States' national competent authorities. We are concerned that an increasing budget contribution from national competent authorities might pose undue difficulties to their functioning. This would run counter to the reinforcement of securities markets regulation and supervision at both EU and national level as envisaged in the regulatory reform programme.

ESMA's funding should guarantee its independence and not create potential undue influence. Therefore, we believe that the co-legislators should consider increasing the funding ESMA receives from financial market entities which require ESMA's intervention and to increase the Union's share in ESMA's budget through an independent budget line directly adopted by the co-legislators.

Thank you for your attention.