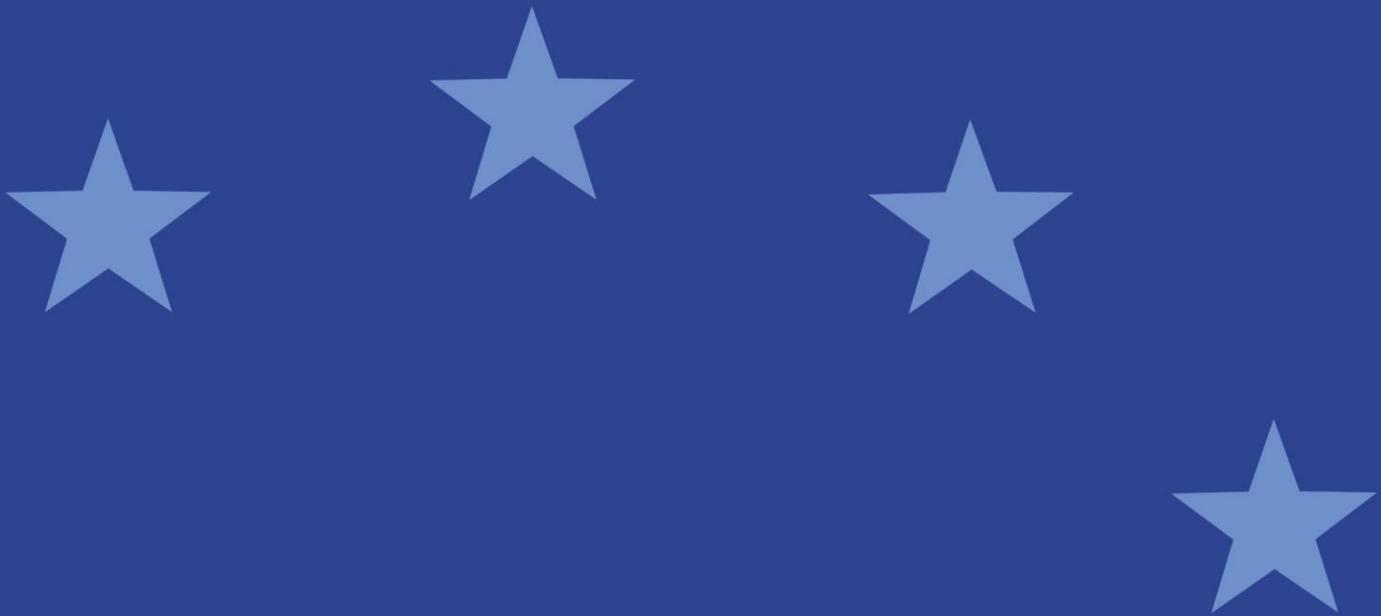




European Securities and
Markets Authority

2018 Work Programme



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1 Foreword and general context

ESMA was founded in 2011. In our initial set-up period up to 2015, we were focused on building a single rulebook for EU financial markets and on establishing ourselves as a credible direct supervisor. In accordance with ESMA's Strategic Orientation 2016-2020 we have now shifted our focus onto our other two activities: supervisory convergence and assessing risks. ESMA, along with the National Competent Authorities, have come a long way in setting up the necessary supervisory convergence processes and working methods for identifying areas for improved convergence and setting up a toolbox for taking action. For 2018, one of ESMA's focus areas for development will be on quality, usage and applicability of the data that it collects, both through the databases that EU legislation requires ESMA to build and from external data sources.

ESMA's Strategic Orientation 2016-2020 when published already looked forward into a period where the financial markets and the political environment could remain challenging. Financial markets could continue to be fragile, the low interest rate environment could be prolonged, the uncertainty and possibilities of new technologies and their implications for financial market actors could still be undefined – just to mention a few of the challenges confronting securities markets and their regulators.

At the same time the global situation has evolved since the Strategic Orientation was drafted:

- On 20 September 2017, the European Commission published a proposal entitled "Reinforcing integrated supervision to strengthen Capital Markets Union and financial integration in a changing environment". This proposal, in addition to the EMIR review package that was published in June 2017, indicates significant amendments to ESMA's mandate, tasks, and governance, as well as to its potential staffing and funding; and
- The United Kingdom's departure from the European Union will clearly have an impact on ESMA's work from the point of their departure. However staff resources, particularly in areas of supervisory convergence, direct supervision and risk assessment, will be involved in 2018 to plan for 'Brexit' and this may have an impact on ESMA's other planned work.

The potential new tasks resulting from the new proposals are not included in this work programme. However, ESMA will need to adopt an agile approach to its work programme in 2018, reprioritising tasks as needed while focussing on its priorities for 2018. These priorities can be summarised as:

- Promoting supervisory convergence: Continue to support sound, efficient and consistent implementation of new supervisory requirements, with particular emphasis on MiFID/R, ; complete IT systems either required by legislation or which increase ESMA's and/or NCAs' efficiency; and develop and apply convergence tools, including peer reviews and stress tests.

- Assessing risks to investors, markets and financial stability: Enhance analytical input into ESMA's operational work, including stress tests, impact assessments, product interventions and financial stability monitoring; and establish adequate data management and statistics capabilities.
- Completing the single rulebook for EU financial markets: Complete technical standards and technical advice related to key legislative developments, e.g. Securitisation, Prospectus, MMF, EMIR Review; and maintain the existing Single Rulebook.
- Directly supervising specific financial entities (CRAs and TRs): Intensify supervision to ensure compliance with the spirit of the regulation. Small increase in entities to supervise, particularly TRs, is expected in 2018.

2 Mission statement

ESMA's mission is to:

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



3 How ESMA plans and reports

3.1.1 The budget setting process

On 31 January 2017 ESMA provided a multi-annual 'Single Programming Document' to the EU institutions. This included a multi-annual work programme with financial and staffing outlook for 2019 and 2020, as well as a detailed annual work programme with a budget and staffing request for 2018. In accordance with its 2018 budget request, ESMA's 2018 work

programme is based on a budget of €42,051,386¹ and an establishment plan of 156 posts (232² full time equivalents).

The table below shows an overview of the planned allocation of resources across ESMA's activities³:

| Activity | Budget | | Staffing | |
|-------------------------|-------------------|-----|------------|-----|
| | EUR | % | | % |
| Supervisory Convergence | 13,805,195 | 33% | 81 | 35% |
| Risk Assessment | 10,217,442 | 24% | 47 | 20% |
| Single Rulebook | 6,156,825 | 15% | 39 | 17% |
| Direct Supervision | 11,707,508 | 28% | 65 | 28% |
| Total | 41,886,970 | | 232 | |

3.1.2 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.

¹ This total budget does not include an amount of €2,090,000 for projects delegated to ESMA from National Competent Authorities.

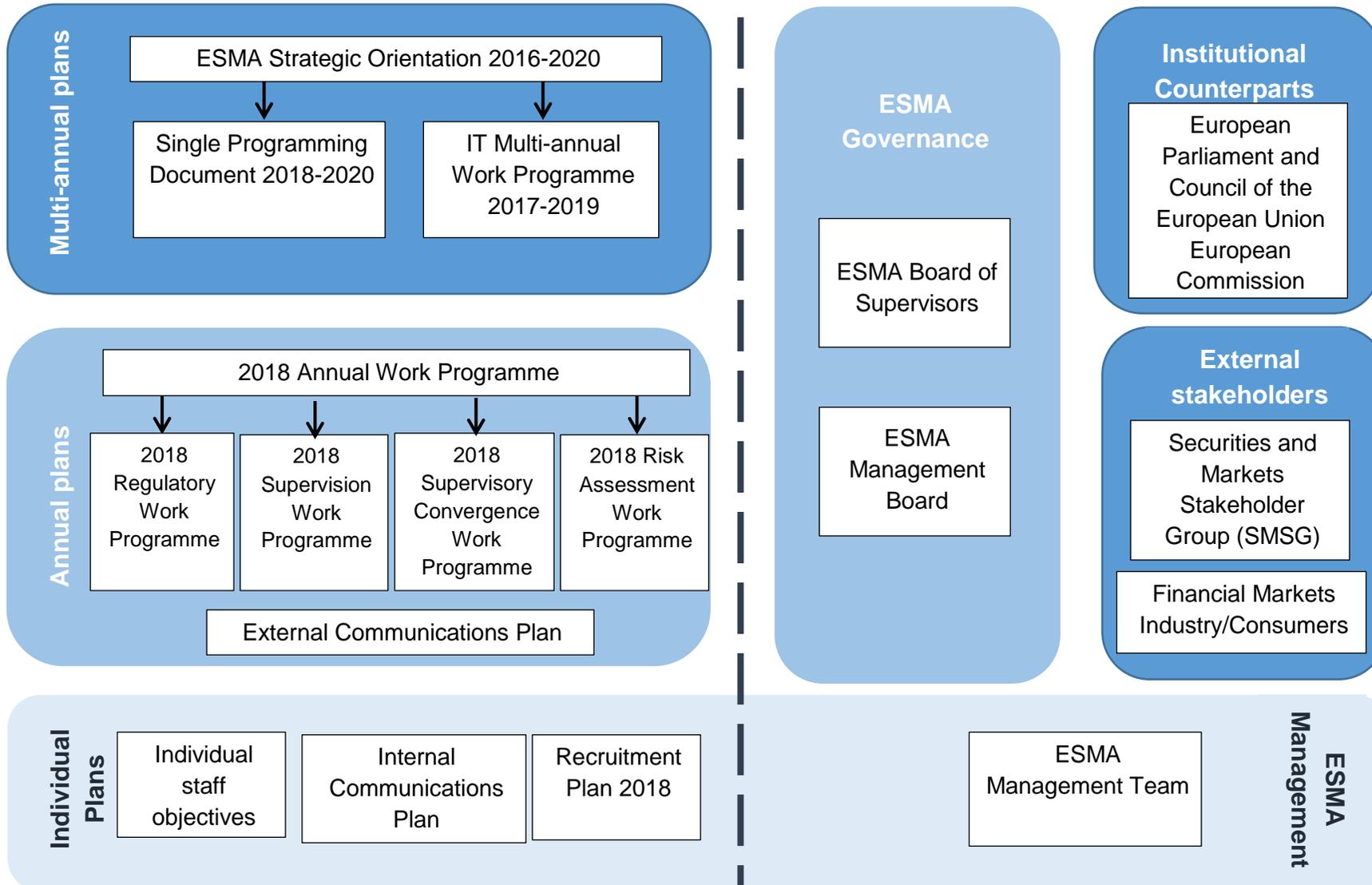
² In addition there are four Contract Agent and four Seconded National Expert positions specifically allocated to work on tasks delegated from the National Competent Authorities to ESMA.

³ These figures include transversal and support staff.

How ESMA plans its activities and remains accountable

Planning

Reporting



4 Work Programme 2018

4.1 Promoting supervisory convergence

Supervisory convergence contributes to ensuring that the EU Internal Market works effectively, by creating a level playing field and preventing regulatory arbitrage or a race to the bottom. ESMA's work is to promote consistent approaches between the EU national competent authorities (NCAs) and also, when appropriate, with third country regulators.

By the nature of the dynamic environment, exact work streams are defined closer to the year concerned in a specific Supervisory Convergence Work Programme taking into account the regulatory environment, the market environment and the national priorities.

ESMA works to continuously enhance mutual understanding and sharing of best practices between NCAs themselves and between ESMA and NCAs, providing guidance on compliance reporting by NCAs on ESMA Guidelines and publishing compliance tables, ensuring complaints are handled, and ensuring mediation or breach of union law (BuL) investigations are undertaken if necessary. An important area of convergence is peer learning among Competent Authorities. This can be achieved by e.g. workshops, training and case discussions within ESMA groups.

ESMA has a programme of peer reviews between national competent authorities and aims to conduct an average of two peer reviews per year, if staff resources allow. Other peer reviews are launched if required by the sectoral legislation, such as EMIR.

Finally, ESMA will continue to assist national competent authorities to prepare for the UK's departure from the European Union. In May 2017 ESMA published one general and three sector specific Brexit opinions (on investment firms, asset management, and trading venues). In 2018 ESMA will continue to foster the effective and consistent application of these opinions through information exchange, sharing of good practices and discussion of key issues arising from relocation of functions or activities into the EU27.

4.1.1 Corporate Finance

Key objective

Achieve measurable improvements in the level of convergence regarding the application by National Competent Authorities (NCAs) of the EU legislation on corporate finance matters with a particular focus on the development and application of practices in the prospectus and transparency areas and exchange of experience in the areas of corporate governance and takeover bids.

ESMA will continue its focus on increasing the level of supervisory convergence in the abovementioned areas. Particular focus will be given to exchanges of supervisory experience, changes in rules and guidance as well as areas where it has been identified that areas of non-convergence exist. Where areas of non-convergence are identified, particularly in the context

of prospectus or transparency, ESMA will take remedial action, including the identification of common supervisory priorities.

ESMA will begin the expansion of the current Prospectus Register with additional metadata, as well as publication by ESMA of all prospectuses. The project is due to be completed in 2019.

| | |
|---------------------|---|
| Main outputs | <ul style="list-style-type: none"> – Ongoing identification of common supervisory priorities – Exchange of supervisory experience – Expansion of the Prospectus Register (delivery 2019) |
|---------------------|---|

| | | | |
|----------------------------|------------|---------------------------|-------|
| Sub-activity budget | €1,303,905 | Sub-activity staff | 6 FTE |
|----------------------------|------------|---------------------------|-------|

4.1.2 Corporate Reporting

| | |
|----------------------|---|
| Key objective | Increase supervisory convergence in the area of enforcement of accounting standards and increase co-operation between accounting and auditing enforcers |
|----------------------|---|

ESMA will increase supervisory convergence in the area of financial reporting by ensuring the implementation of the ESMA Guidelines on enforcement of financial information and the Q&A on the Transparency Directive. ESMA will monitor the application and implementation of the final guidelines on Alternative Performance Measures.

In addition ESMA will do some preparation work in order to support the implementation of the new Regulatory Technical Standard on the European Single Electronic Format (ESEF).

| | |
|---------------------|--|
| Main outputs | <ul style="list-style-type: none"> – Statement on the yearly common enforcement priorities and monitoring of the implementation of the priorities for the year before. – Publication of selected enforcement decisions – Publication of a study on an accounting topic – Publication of the Annual Report on enforcement activities, including analysis of specific indicators of performance on enforcers |
|---------------------|--|

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|----------------------------|------------|---------------------------|-------|
| Sub-activity budget | €1,138,395 | Sub-activity staff | 7 FTE |
|----------------------------|------------|---------------------------|-------|

4.1.3 Investment Management

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| Key objective | Achieve measurable improvements in the level of convergence regarding the application by National Competent Authorities (NCAs) of |
|----------------------|---|

| | | | |
|----------------------------|--|---------------------------|-------|
| | the EU legislation on investment management through the development of guidance and application of supervisory convergence tools. | | |
| | <p>ESMA promotes supervisory convergence of NCAs' practices in the application of the following pieces of EU legislation: the UCITS Directive, the Alternative Investment Fund Managers Directive (AIFMD) and the Regulations on Packaged Retail and Insurance-based Investment Products (PRIIPs), Money Market Funds (MMF), European Long-term Investment Funds (ELTIF), European Venture Capital Funds (EuVECA) and European Social Entrepreneurship Funds (EuSEF). There will be a focus on the development and application different supervisory convergence tools, as well as exchanges of supervisory experience, in particular on performance fees.</p> <p>ESMA will work on convergence on entity-level stress testing and work on simulation-based stress tests in the fund industry, in co-operation with national competent authorities.</p> <p>In line with the Regulation on Money Market Funds (MMF) ESMA will create a central database for MMFs and will develop a system to keep a central public register identifying each MMF authorised under this Regulation.</p> | | |
| Main outputs | <ul style="list-style-type: none"> – Guidance on investment fund legislation – Peer review on Guidelines on ETFs and other UCITS issues – Ongoing identification of areas of non-convergence and mitigating them – Stress testing – MMF database (to be finalised in 2019) | | |
| Sub-activity budget | €1,603,725 | Sub-activity staff | 8 FTE |

4.1.4 Investor Protection and Intermediaries

| | | | |
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| Key objective | Promote consistent application of MiFID II and MiFIR and co-ordination between NCAs in the area of investor protection and intermediaries | | |
| | <p>ESMA will continue its focus on the consistent application of MiFID II/MiFIR by facilitating the sharing of practical supervisory experience. This will be achieved by developing Q&As on MiFID II/MiFIR and guidelines (including reviewing previous guidelines adopted under MiFID I) concerning authorisation of investment firms, conduct of business and organisational requirements. ESMA will also support practical sharing of supervisory practices in the investor protection area, specifically on home host issues, as well as organise workshops and training. We will contribute to the exercise of product intervention powers where relevant or necessary and contribute to the management of any issues arising from third country firms' activities.</p> | | |
| Main outputs | <ul style="list-style-type: none"> – Guidelines, Q&As, Opinions and Statements on MiFID II/MiFIR – Opinions on product intervention measures | | |

| | | | | |
|----------------------------|---|------------|---------------------------|--------|
| | <ul style="list-style-type: none"> – Participation in peer reviews and follow-up to previous Peer Reviews on MiFID topics related to investor protection and intermediaries – Review of previous guidelines adopted under MiFID I – Workshops and training sessions on MiFID II/MiFIR topics | | | |
| Sub-activity budget | <table border="1"> <tr> <td>€1,620,355</td> <td>Sub-activity staff</td> <td>10 FTE</td> </tr> </table> | €1,620,355 | Sub-activity staff | 10 FTE |
| €1,620,355 | Sub-activity staff | 10 FTE | | |

4.1.5 Market Integrity and Market Data

| | |
|-----------------------|---|
| Key objectives | <p>Improve the level of convergence in the application by National Competent Authorities of the EU legislation on Benchmarks, including operating the benchmark colleges.</p> <p>Consistent implementation of the reporting regimes under SFTR, EMIR and MiFIR.</p> |
| | <p>The Securities Financing Transaction Regulation (SFTR), the European Market Infrastructure Regulation (EMIR) and the Markets in Financial Instruments Regulation (MiFIR) each establish reporting regimes and ESMA will work on ensuring they are consistently implemented.</p> <p>The Benchmarks Regulation requires that ESMA participates in the colleges of critical benchmarks to promote and monitor the efficient, effective and consistent functioning of colleges across the EU. ESMA will also be charged with maintaining and updating a register of administrators and third country benchmarks.</p> <p>ESMA’s ongoing work under the Market Abuse Regulation includes facilitating the sharing of practical supervisory experience, producing an annual report and aggregated information on measures and sanctions, as well as delivering an annual report to the European Commission on the monitoring of Accepted Market Practices.</p> <p>Under the Short Selling Regulation (SSR), ESMA has the ongoing requirement to fulfil its coordination role with regards to bans on short selling, including the issuing of ESMA opinions when required.</p> |
| Main outputs | <ul style="list-style-type: none"> – Guidance on SFTR reporting – Operation of the Benchmark colleges – Provide guidance on the application of the Benchmarks Regulation (Opinions, Q&As, Guidelines) – Register of administrators and third country benchmarks under the Benchmarks Regulation – Q&As and review of reporting templates on EMIR/MiFIR reporting – Data quality methodologies for FIRDS and TREM |

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| | <ul style="list-style-type: none"> – Q&As, Opinions (e.g. Accepted Market Practices), and other convergence tools on MAR – Production of ESMA Opinions under SSR | | |
| Sub-activity budget | €2,059,815 | Sub-activity staff | 14 FTE |

4.1.6 Post-Trading

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| Key objectives | <p>Provide guidance to market participants and National Competent Authorities (NCAs) on the application of the European Market Infrastructure Regulation (EMIR), the Central Securities Depositories Regulation (CSDR) and the Securities Financing Transactions Regulation (SFTR).</p> <p>Contribute to financial stability through enhanced resilience of European CCPs. Enhance the consistent application of EMIR and the convergence of supervisory practices by active participation in CCP colleges and by initiating, co-ordinating and conducting EU-wide stress tests for CCPs as well as Peer Reviews.</p> |
| <p>ESMA undertakes work, through deliverables such as Q&As and guidelines, to provide guidance to market participants and National Competent Authorities on the consistent application of the European Market Infrastructure Regulation (EMIR), the Central Securities Depositories Regulation (CSDR) and the Securities Financing Transactions Regulation (SFTR).</p> <p>ESMA has the ongoing direct responsibility to participate in all colleges of EU Central Counterparties (CCPs). ESMA will continue to conduct an EU-wide CCP stress test, with an evolution of the methodology of the stress test framework. ESMA will also continue to conduct Peer Reviews to ensure a consistent application of the EMIR requirements for CCPs through supervisory practices. In addition, the recent proposal for a regulation on CCP Recovery and Resolution would require ESMA to develop guidelines, and take part in resolution colleges, make decisions in case of disagreement and exercise binding mediation.</p> <p>In light of the entry into force of the CSDR delegated regulations (although the one for settlement discipline is pending), ESMA will develop guidance related to CSDR requirements. ESMA will develop the necessary processes, including an IT solution, enabling NCAs to send ESMA internalised settlement data based on the reports NCAs receive from settlement internalisers (obligations which will become effective in Q2 2019). In addition, ESMA will continue to produce opinions related to EMIR where required; and will continue to assess and conduct CCP model change validations.</p> | |
| Main outputs | <ul style="list-style-type: none"> – Guidance on SFTR and EMIR application – CSDR Guidelines and Q&As – CSDR settlement fails reporting system |

| | | | |
|----------------------------|---|---------------------------|--------|
| | <ul style="list-style-type: none"> – Ongoing CCP college activity – Annual stress tests for CCPs – Revised methodology for CCP stress tests – CSDR internalised settlement reporting system – Delegated tasks on CCP supervision (where confirmed) – Model changes validation | | |
| Sub-activity budget | €3,691,725 | Sub-activity staff | 21 FTE |

4.1.7 Secondary Markets

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| Key objective | Provide guidance and promote the consistent application of MiFID II and MiFIR by market participants and National Competent Authorities (NCAs). |
| <p>Under the MiFID II/MiFIR regime ESMA has various ongoing tasks including delivering ESMA opinions on position limits, issuing opinions on waivers for equity and non-equity instruments, and monitoring and reviewing the operation of the Financial Instruments Reference Data System (FIRDS) database and the double volume cap. In addition, ESMA may, under clearly specified circumstances, exercise temporary position management powers.</p> <p>ESMA will continue giving guidance, via Q&As and guidelines, to market participants and NCAs on the consistent application of the MiFID II/MiFIR regime, including on third country aspects. The number of those Q&As and guidelines is expected to increase with MiFID II/MiFIR implementation January 2018. In addition, as Organised Trading Facilities (OTFs) emerge, ESMA will likely have to issue additional opinions on pre-trade transparency waivers. ESMA will also continue to publish opinions on position limits.</p> <p>ESMA is required to deliver a number of regular reports. For instance, the monthly or bi-monthly reports on the Double Volume Cap. Furthermore, and within the resources available, ESMA will be preparing various annual reports covering aspects such as the application of position limits, transparency waivers (equity and non-equity), and on the use of deferred publication arrangements (equity and non-equity).</p> <p>Furthermore, a number of monitoring tasks are to be performed by ESMA. Some of those tasks require a publication as described in the main outputs section.</p> <p>In addition, ESMA is charged with collecting information on the following issues: compliance with the rules of MTFs or OTFs and regulated markets, members of a management body, parameters for trading halts, communications concerning precautionary measures, information to carry out duties in compliance with MiFID II/MiFIR, and the temporary exemption of the non-discriminatory access provisions.</p> | |

Moreover, ESMA will be charged with maintaining and updating a number of registers (such as the registers of regulated markets, MTFs, OTFs, SME growth markets, SIs, DRSPs (APAs, CTPs, ARMs), temporary exemption from the access to CCPs and trading venues, trading obligation for derivatives, position limits and position management controls; weekly position reports; the list of C6 energy derivatives).

| | | | |
|----------------------------|---|---------------------------|--------|
| Main outputs | <ul style="list-style-type: none"> – Q&As on the application of MiFID II and guidelines on own initiative – Opinions: on waivers (including the revision of MiFID I waivers) position limits, on temporary suspensions of transparency provisions – Annual reports: on double volume cap, on position limits, on transparency waivers (equity and non-equity), on the use of deferred publication arrangements (equity and non-equity), on the international application of principles laid down by the trading obligation for derivatives, on the implementation of the trading obligation by third countries benefiting from an equivalence decision; – Monitoring obligations as described above | | |
| Sub-activity budget | €2,387,275 | Sub-activity staff | 15 FTE |

4.2 Assessing risks to investors, markets and financial stability

4.2.1 Data Management and Statistics

| | |
|---|---|
| Key objective | Ensure the quality, integration, usability and transparency of the data that ESMA collects. |
| <p>ESMA’s work requires a strong data and analysis capacity to support the risk assessment and economic research but also to underpin ESMA’s policy and supervisory activities. This ongoing task involves managing the datasets, including their cleaning, reconciliation and maintenance, as well as preparing basic and automatised reports, as well as sophisticated analytical tools and methods.</p> <p>By 2018 ESMA will have a large number of sources of data for its statistical and analytical work, stemming from the MiFID II/MiFIR (from databases built under delegation from the national competent authorities), AIFMD, EMIR (Trade Repository data), Credit Rating Agencies Regulation and Securities Financing Transactions Regulation. The costs associated with maintaining these databases are included in the budget for this sub-activity. These databases are supplemented by commercial data.</p> | |

ESMA has been running a multi-annual project to concentrate its data management and statistical activities in order to obtain synergies in horizontal data activities and to allow the combination of datasets to enrich the information content and the spread of data use within ESMA. This project will continue into 2018 with a particular focus on ensuring data transparency as established by the various regulations.

| | |
|---------------------|--|
| Main outputs | <ul style="list-style-type: none"> – Data processes to support policy, supervisory and supervisory convergence activity – Ongoing data quality analysis – Processing of internal and commercial data and statistical generation to support risk assessment, economic research |
|---------------------|--|

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|----------------------------|------------|---------------------------|--------|
| Sub-activity budget | €7,526,745 | Sub-activity staff | 30 FTE |
|----------------------------|------------|---------------------------|--------|

4.2.2 Market and Infrastructure Risk Analysis

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|----------------------|---|
| Key objective | Identify financial market risks and report on these risks to the relevant institutions and conduct impact assessments of regulations. |
|----------------------|---|

ESMA monitors market developments in its remit in the light of its objectives of promoting financial stability, orderly markets, and investor protection. On the basis of sectoral risk assessments for the EU, ESMA contributes together with national securities regulators to the systemic risk surveillance work undertaken by the ESRB, the Joint Committee, and to international risk reporting by IOSCO. In 2018 this will include continued monitoring of the risks associated with the UK leaving the EU. In order to complete this work ESMA undertakes financial market surveillance, including wide-ranging surveillance but also in-depth thematic analysis into targeted topics. The results of this work are published in two half-yearly reports on Trends, Risks, and Vulnerabilities and in the quarterly Risk Dashboards.

ESMA will also begin substantive work, notably data-gathering and analysis, to respond to the request from the European Commission to issue recurrent reports on the cost and past performance of the main categories of retail investment product.

In addition, ESMA undertakes impact assessment on upcoming or existing regulatory instruments.

| | |
|---------------------|--|
| Main outputs | <ul style="list-style-type: none"> – Market monitoring (Trends, Risks and Vulnerabilities Reports and Risk Dashboards) – In-depth research / thematic analysis (topics depend upon wider context at the time and within available resources) – Contributions to risk monitoring by EU and international bodies (ESRB, ESA JC, IOSCO). |
|---------------------|--|

| | | | |
|----------------------------|------------|---------------------------|--------|
| Sub-activity budget | €1,625,847 | Sub-activity staff | 11 FTE |
|----------------------------|------------|---------------------------|--------|

4.2.3 Financial Innovation and Product Risk Analysis

| | | | |
|---|--|---------------------------|-------|
| Key objectives | <p>Achieve a co-ordinated approach to the regulation and supervisory treatment of new or innovative financial activities and provide advice to present to the EU institutions, market participants or consumers.</p> <p>Maintain and further develop the framework for the use of the product intervention powers provided by MiFIR.</p> | | |
| <p>ESMA monitors financial activities, with a particular focus on financial innovation, such as 'Fintec', and helps to co-ordinate National Competent Authorities' initiatives on market monitoring and facilitating exchanges of best practices.</p> <p>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.</p> | | | |
| Outputs | <ul style="list-style-type: none"> – Product Intervention Framework – Ongoing monitoring of retail investor trends, financial activities and innovation, including Fintec – Ongoing market intelligence gathering | | |
| Sub-activity budget | €1,064,850 | Sub-activity staff | 6 FTE |

4.3 Completing a single rulebook for EU financial markets

4.3.1 Corporate Finance

| | | | |
|--|--|--|--|
| Key objectives | <p>Contribute to the development of Level 2 measures in relation to the revised Prospectus regime.</p> <p>ESMA will be preparing to deliver the relevant Level 2 work under the Securitisation Regulation that is currently being negotiated</p> | | |
| <p>In the area of Securitisation, ESMA will continue the work that started in 2017 on the preparation and delivery of technical papers and policy documents to provide the necessary Level 2 measures requested from ESMA. According to the timeline set-up in the Securitisation Regulation, all level 2 measures have to be finalised before 31 December 2018.</p> <p>The Capital Markets Union initiative includes a review of the Prospectus Directive (now the Prospectus Regulation). ESMA has been requested to provide technical advice to the</p> | | | |

Commission and develop Technical Standards (TSs). This will be finalised in the course of 2018.

ESMA also intends to begin the evaluation of the implementation of the amended Transparency Directive.

| | | | |
|----------------------------|---|---------------------------|-------|
| Main outputs | <ul style="list-style-type: none"> – Technical Standards on Securitisation Regulation – Technical Advice on Prospectus Regulation – Technical Standards on Prospectus Regulation | | |
| Sub-activity budget | €1,298,930 | Sub-activity staff | 9 FTE |

4.3.2 Corporate Reporting

| | | | |
|------------------|---|--|--|
| Objective | <p>Contribute to the set-up of high-quality accounting standards through providing enforcers' views on new pronouncements.</p> <p>Support the implementation of the requirements stemming from ESMA's draft RTS on the European Single Electronic Format.</p> | | |
|------------------|---|--|--|

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, including the International Financial Reporting Standards (IFRS) Advisory Council and in post-implementation reviews.

It also undertakes single rulebook work in the audit area by providing views on relevant International Standards on Auditing, by coordinating the work in relation to the recognition of equivalence and adequacy decision for third countries and by participating in the new European Committee of Audit Oversight Bodies, as required by the new Audit Regulation.

In 2018 ESMA will be finalising the details for the technical implementation of the European Single Electronic Format..

| | | | |
|----------------------------|---|---------------------------|-------|
| Main outputs | <ul style="list-style-type: none"> – Technical positions on new IFRS pronouncements and amendments – Technical positions on equivalence and adequacy decisions International Standards on Auditing proposed for endorsement in the EU | | |
| Sub-activity budget | €993,745 | Sub-activity staff | 6 FTE |

4.3.3 Investment Management

| | | | |
|---|---|---------------------------|-------|
| Key objective | Regulatory/implementing technical standards and technical advice delivered to the Commission within the deadline | | |
| <p>ESMA will deliver standards, advice and/or opinions on the following pieces of EU legislation: the UCITS Directive, the Alternative Investment Fund Managers Directive (AIFMD) and the Regulations on Packaged Retail and Insurance-based Investment Products (PRIIPs), Money Market Funds (MMF), European Long-term Investment Funds (ELTIF), European Venture Capital Funds (EuVECA) and European Social Entrepreneurship Funds (EuSEF). Priority will be given to any requests from the Commission for technical advice. ESMA will also consider the need for standards to harmonise transparency requirements under the Securities Financing Transactions Regulation.</p> <p>The area of investment funds comes under the umbrella of the Capital Markets Union and, as such, ESMA may be required to provide input to this work with advice or opinions; however, the timescales are not yet fixed.</p> | | | |
| Main outputs | <ul style="list-style-type: none"> – Technical standards under EuSEF, EuVECA, ELTIF and SFTR – Technical advice subject to requests from the Commission – Opinions | | |
| Sub-activity budget | €703,295 | Sub-activity staff | 4 FTE |

4.3.4 Investor Protection and Intermediaries

| | | | |
|---|--|--|--|
| Objective | Contribute to the development of a single rulebook in the area related to the provision of investment services and setting up a third country firm regime. | | |
| <p>ESMA will assist the European Commission in the preparatory work for reports required under MiFID II and will participate in any work concerning the Investor Compensation Scheme Directive (ICSD).</p> <p>ESMA will implement the MiFIR requirements to set up a third-country firm regime, including establishing co-operation arrangements with relevant third-country authorities. Ongoing tasks will include maintaining a register of third-country firms and (where possible) supporting the European Commission in the equivalence assessments of third-country regimes.</p> <p>ESMA will cooperate with the European Commission and the other European Supervisory Authorities (ESAs) in developing or amending sound L1 and L2 provisions on investor protection and intermediaries.</p> | | | |
| Main outputs | – Register of third-country firms | | |

| | | | |
|----------------------------|--|---------------------------|-------|
| | <ul style="list-style-type: none"> – Co-operation arrangements with relevant third-country authorities – Support on equivalence assessments of third-country regimes – Reports required under MiFID II (preparatory work) | | |
| Sub-activity budget | €653,320 | Sub-activity staff | 4 FTE |

4.3.5 Market Integrity and Market Data

| | | | |
|--|---|---------------------------|-------|
| Key objectives | <p>Contribute to consistent international standards on data reporting through working with international bodies.</p> <p>Provide advice and any necessary Level 2 work on short selling, market abuse and data reporting.</p> | | |
| <p>Further to the ESMA technical advice on the evaluation of the SSR to be delivered by December 2017, the European Commission will be reviewing the Short Selling Regime; ESMA therefore may have to develop technical standards or advice on short selling. In addition, there may be a need for adjustments to reporting standards, following legislative changes (i.e. the review of EMIR) or review of the Technical Standards and, dependent upon timing, ESMA may need to provide input to the review of the Market Abuse Regulation in 2018-2019.</p> <p>ESMA conducts ongoing work related to international standard setting on reporting standards through the Financial Stability Board (FSB), the Committee on Payments and Market Infrastructures (CPMI) of International Organization of Securities Commissions (IOSCO) and LEI. This international work is likely to lead to the need to further revise reporting standards in this period.</p> <p>In addition, ESMA may need to provide advice on third country equivalence under the Benchmarks Regulation.</p> | | | |
| Main outputs | <ul style="list-style-type: none"> – Technical standards on revised Short Selling Regulation – Revised reporting standards / review of technical standards on reporting standards – Report to European Commission on MAR review – Advice on third country equivalence under Benchmarks Regulation | | |
| Sub-activity budget | €773,140 | Sub-activity staff | 5 FTE |

4.3.6 Post-Trading

| | | | |
|--|--|---------------------------|-------|
| Key objective | Contribute to more orderly markets and financial stability through the maintenance of a single EU rulebook in the area of post trading. | | |
| <p>The European Commission is currently conducting a review of the European Market Infrastructure Regulation (EMIR), following that review ESMA may need to amend existing Regulatory Technical Standards or develop new ones.</p> <p>ESMA has an ongoing task to determine the classes of (over-the-counter) OTC derivatives to be subject to the clearing obligation and the appropriate timing for this obligation. The overarching objective of mandating certain OTC derivatives to be centrally cleared is the reduction of systemic risk and thus to contribute to the financial stability of the relevant financial markets. In the context of this task, ESMA can assess and take into account potential issues of access to central clearing.</p> <p>Depending on market developments, new clearing offers or changes to the perimeter of the EU, ESMA may need to make changes or updates to the Clearing Obligation RTS.</p> <p>In addition, ESMA may need to provide advice on third country equivalence related to derivatives matters and CSDR.</p> <p>Finally, the recent proposal for a regulation on CCP Recovery and Resolution would require ESMA to produce technical standards within 12 months of the entry into force of the Regulation.</p> | | | |
| Main outputs | <ul style="list-style-type: none"> – Technical standards related to reviewed EMIR (tbc) – Updated Regulatory Technical Standards on the Clearing Obligation (if required) – Advice on third country equivalence – Advice on CSDR – Advice or technical standards on CCP Recovery and Resolution (tbc) | | |
| Sub-activity budget | €824,505 | Sub-activity staff | 5 FTE |

4.3.7 Secondary Markets

| | |
|----------------------|--|
| Key objective | Contribute to more orderly markets and financial stability through the maintenance and further development of a single EU rulebook in the area of secondary markets. |
|----------------------|--|

ESMA's ongoing tasks involve the assessment of which derivatives are sufficiently liquid for being subject to the trading obligation and the subsequent development of draft regulatory technical standards.

In addition, ESMA will prepare a review of the Regulatory Technical Standards on transparency for non-equities. If experience deems necessary ESMA will also review and update further the Regulatory and Implementing Technical Standards related to MiFID II/ MiFIR.

ESMA will prepare, in cooperation with ACER, a report on the potential impact on energy prices and on the functioning of energy markets as well as the feasibility and the benefits in terms of reducing counterparty and systemic risk and the direct cost of C6 energy derivative contracts subject to the clearing obligation. ESMA will also have to commence working on the numerous reports on MiFID II functioning which will have to be delivered starting in 2019.

| | | | |
|----------------------------|---|---------------------------|-------|
| Main outputs | <ul style="list-style-type: none"> – Assessment of derivatives for the trading obligation – Mandatory review of non-equity transparency - review of (existing) technical standards – Reports on energy markets | | |
| Sub-activity budget | €909,890 | Sub-activity staff | 6 FTE |

4.3.8 Credit Rating Agency Policy⁴

| | |
|--|--|
| Key objective | Continue to contribute to the establishment of a robust regulatory framework for CRA in smooth co-operation with the supervisory activities of ESMA. |
| <p>ESMA will continue to develop the CRA single rulebook by delivering and revising regulatory technical standards, guidelines and Q&As providing more detailed views on the regulatory framework where required. To ensure the ongoing relevance of guidance in this area ESMA will conduct a stock-take of existing regulatory technical standards and guidelines.</p> | |
| Main outputs | <ul style="list-style-type: none"> – Conduct a stock-take of existing guidance (revision guidelines on periodic information, RTS fees) – Guidelines on approach to the supervision of fees charged by CRAs for credit ratings and ancillary services. – Guidelines on disclosures – Q&A updates as necessary |

⁴ CRA policy work is funded by fees charged to the supervised credit rating agencies, however these functions are performed independently within ESMA and so are presented separately in this work programme.

4.4 Directly supervising specific financial entities

4.4.1 Credit Rating Agencies

| | | | |
|--|---|---------------------------|--------|
| Key objective | Enhance effectiveness and lasting impact of supervisory activities at individual CRA level. | | |
| <p>ESMA’s supervision of Credit Rating Agencies involves day-to-day supervision through a risk-based approach with a particular focus on IT and internal controls, methodologies and analytical function, and governance, business strategy, competition and conflict of interests. In addition, to the day-to-day supervision, ESMA conducts specific investigations, including on-site inspections.</p> <p>ESMA assesses registration applications under the CRA Regulation, conducts perimeter monitoring activities, and prepares any necessary reports for the Independent Investigation Officer (IIO) where possible breaches of the regulation have been identified.</p> <p>ESMA co-ordinates supervisory cooperation with National Competent Authorities, the European Central Bank and the European Systemic Risk Board, as well as co-ordinating international supervisory co-operation with non-EU competent supervisors.</p> | | | |
| Main outputs | <ul style="list-style-type: none"> – Investigations, including on-site inspections – Monitoring – Assessment of registration applications – Reports for IIO – Supervisory co-operation | | |
| Sub-activity budget | €8,786,408 | Sub-activity staff | 47 FTE |

4.4.2 Trade Repositories

| | | | |
|--|--|--|--|
| Key objective | Enhance effectiveness and lasting impact of supervisory activities at individual Trade Repository level. | | |
| <p>ESMA’s supervision of Trade Repositories involves day-to-day supervision through a risk-based approach with a particular focus on data quality, IT and internal controls, and governance, business strategy, competition and conflict of interests. ESMA also conducts investigations, including on-site inspections.</p> | | | |

ESMA assesses registration applications under EMIR and SFTR and prepares any necessary reports for the Independent Investigation Officer (IIO).

ESMA also co-ordinates international supervisory cooperation.

| | | | |
|----------------------------|---|---------------------------|--------|
| Main outputs | <ul style="list-style-type: none"> – Investigations, including on-site inspections – Monitoring – Assessment of registration applications – Reports for IIO – Supervisory co-operation | | |
| Sub-activity budget | €2,548,050 | Sub-activity staff | 16 FTE |

4.4.3 Third-country CCP and CSD recognition

| | | | |
|--|---|---------------------------|-------|
| Key objective | Recognition of third-country CCPs providing clearing services in the Union and third-country CSDs. | | |
| <p>Under EMIR, ESMA has direct responsibilities regarding the recognition of third-country Central Counterparties (CCPs) providing clearing services within the Union. Ongoing work includes monitoring of the compliance with recognition conditions by third-country CCPs and granting of new recognition decisions.</p> <p>Under the Central Security Depositories Regulation, ESMA is required to operate the recognition regime for third-country Central Securities Depositories (CSDs).</p> | | | |
| Main outputs | <ul style="list-style-type: none"> – Recognition decisions for CCPs and CSDs – Ongoing monitoring of compliance with recognition conditions | | |
| Sub-activity budget | €373,050 | Sub-activity staff | 2 FTE |

4.5 ESMA as an organisation

It is to be noted that budget and staff levels are not indicated for the following sub-activities. As they are transversal activities, the associated budget and staffing are included as overheads in the core ESMA sub-activities.

4.5.1 Corporate Affairs

Key objective(s)

Provide support to ESMA in the areas of stakeholder relations and communications; governance, strategic planning and reporting; and assurance and accountability.

Key areas of focus for ESMA's corporate affairs activity in 2018 are likely to be:

- The entry into force of MiFID II and ensuring that ESMA responds to the associated stakeholder and public interest in this topic.
- The impact of Brexit on ESMA as an organisation. This will require internal coordination to adapt optimally to any changes in ESMA's environment, as well as communication with institutional and market stakeholders on any other relevant issues arising due to the expected Brexit negotiations and/or market developments.
- Following the finalisation of the review of the European System of Financial Supervision (ESFS), and depending on the timing of potential legislative proposals, there may be need for ESMA to contribute to the debate among policy-makers.
- ESMA will hold the Chairmanship of the Joint Committee of the European Supervisory Authorities (ESAs) in 2018, be responsible for coordinating work in the Joint Committee as well as representing the Joint Committee to external stakeholders.

In addition, provide active support to the whole of ESMA through the following ongoing tasks:

- Leading on external communications including preparation of key messages, media relations, advising and preparing for external speaking events and management of internal and external communications channels including intranet, website and social media.
- Coordinating, advising and ensuring cross-organisational coherence on inter-institutional relationships and ensuring liaison with the other ESAs, the ECB as well as relations with third-countries.
- Providing support to the Board of Supervisors, the Management Board and ESMA Securities and Markets Stakeholders Group, assisting internal governance bodies and providing support to senior management, including by producing work plans and reporting on their execution.
- Ensuring that ESMA's policies, procedures and applicable laws and regulations are complied with; that risks are appropriately and continuously identified and managed; that high quality control processes, policies and procedures are developed and maintained; and that there are controls around the protection of assets and information.

Main outputs

- 2017 Annual Report
- 2019-2020 Single Programming Document
- 2019 Annual Work Programme
- 2019 Annual risk assessment and work plan
- 2019 Communications Action Plan
- 2019 Internal Communications Action Plan
- 2019 Stakeholder Relations Prioritisation
- Multi-year strategy post-2020 (begin work)

4.5.2 Legal

Key objectives

Enhance the legal drafting and soundness of legal acts adopted by ESMA; minimise the risk of legal challenge for ESMA and proactively handle complaints/appeals/actions against ESMA.

Provide clarity on our legal toolbox and easy access to all applicable acts elaborated by ESMA (for our own track-record and as part of stakeholder management).

Develop expertise on key transversal legal functions of any EU agency (Intellectual property rights, Access to Documents, Staff Regulations & CEOS, procurement,...) to better assist ESMA's Board of Supervisors and Management Board, senior management and all Departments and prevent legal (and reputational) risks from arising.

In 2018 we will continue to perform a legal sign-off for Technical Standards (TS) and should aim at being able to provide a similar review for other regulatory instruments available at ESMA (Guidelines, Q&As, opinions), and notably for the (new) exercise of intervention powers under MiFD2/MiFIR.

We will provide legal support in the context of the Brexit negotiations and the review of the ESAs' founding regulations. As a maturing organisation, ESMA should be able to rely more and more on internal expertise for all transversal support functions, while leveraging as much as possible on the inter-agency legal network. This should reduce the budget for external legal advice.

We will continue to upgrade the user-friendliness of the applicable legal framework on ESMA's website, including through the development of a flexible tool listing TSs and GLs, as well as through the elaboration of an interactive Single Rule Book.

Main outputs

- Legal sign-off of Technical Standards
- Handle complaints/appeals/actions against ESMA
- Development of tool listing Technical Standards and Guidelines

4.5.3 Facility Management

| | |
|----------------------|--|
| Key objective | Provide proactive support to ESMA by ensuring the smooth running of the facilities of the Authority and the acquisition of goods and services, in accordance with the EU public procurement rules and procedures. Ensure the health and safety of ESMA staff and visitors. |
| | Particular areas of focus in 2018 will be to improve external meeting facilities (in particular the provision of Wi-Fi, videoconferencing and conference call facilities). In addition, ESMA's current lease contract will end in Q4 2019, ESMA will therefore need to continue in 2018 the multi-annual project started in 2017 related to the search of its future building facilities from 2020 onwards, to ensure ESMA will still have suitable, cost-effective and duly approved premises after 2019. |
| Main outputs | <ul style="list-style-type: none"> – Proposal on post-2019 premises – Training sessions on e-conferencing tools – Mission organisation – Meeting organisation – Facilities helpdesk |

4.5.4 Finance and Procurement

| | |
|----------------------|--|
| Key objective | Further aligning the financial and procurement function to the ESMA strategy by continuing enhancing the efficiency of financial and procurement processes. |
| | Finance and Procurement is to contribute to ESMA as an organisation by managing all financial, procurement and contract-related transactions. Overall, it is estimated that no less than 1,900 payments, 250 recovery orders and 700 contracts and procurement procedures will be processed in 2018 to ensure smooth functioning of the Authority. Specifically for 2018, ESMA is to achieve some important milestones: including centralising contract management at corporate level. |
| Main outputs | <ul style="list-style-type: none"> – Processing payments – Issuing recovery orders – Procuring goods and services |

4.5.5 Human Resources

| | |
|----------------------|---|
| Key objective | To deliver HR services, enabling ESMA to attract, deploy and retain the talents required to achieve its objectives, and ensuring efficient HR |
|----------------------|---|

| | |
|--|--|
| | administration while at the same time fulfilling the regulatory requirements of an EU authority. |
| <p>ESMA is still growing its staff and therefore a large part of its HR activity is related to the recruitment, induction and training of those staff. In relation to that aim, one achievement currently planned for 2018 is the mapping of staff competencies - within the framework of the multi-annual talent management strategy launched in 2017 with the establishment of the ESMA competency framework. The third phase, planned for 2019, includes the development of individual training and learning plans.</p> | |
| Main outputs | – Staff competency mapping |

4.5.6 Information and Communication Technologies

| | |
|---|--|
| Key objective | ESMA as an organisation: provide effective and proactive support to staff, manage resources in a flexible and efficient way. |
| <p>Maintenance and lifecycle upgrade of ICT office supplies (such as ESMA’s staff personal computer and mobile devices, printing devices and supplies, fixed and mobile telecommunication subscriptions).</p> | |
| Main outputs | – Helpdesk to organisation |

Annex I. Human Resources

The following tables replicate ESMA's budget request for 2018 to the EU Institutions:

| 2018 Establishment Plan | | | |
|-------------------------|-----|------------|----|
| AD 16 | 1 | | |
| AD 15 | 1 | AST 11 | |
| AD 14 | | AST 10 | |
| AD 13 | 2 | AST 9 | |
| AD 12 | 6 | AST 8 | 2 |
| AD 11 | 9 | AST 7 | 2 |
| AD 10 | 14 | AST 6 | 3 |
| AD 9 | 28 | AST 5 | 4 |
| AD 8 | 28 | AST 4 | 1 |
| AD 7 | 26 | AST 3 | |
| AD 6 | 14 | AST 2 | |
| AD 5 | 15 | AST 1 | |
| AD total | 144 | AST total | 12 |
| GRAND TOTAL | | 156 | |

| Contract Agents | 2018 estimate |
|--------------------|-----------------------|
| Function Group IV | 35 |
| Function Group III | 25 |
| Function Group II | |
| Function Group I | |
| Total | 60⁵ |

| Seconded National Experts | 2018 estimate |
|---------------------------|-----------------------|
| Total | 24⁶ |

⁵ Including four Contract Agents specifically allocated to work on tasks delegated from the National Competent Authorities to ESMA

⁶ Including four Seconded National Experts specifically allocated to work on tasks delegated from the National Competent Authorities to ESMA

Annex II. Draft Budget

| REVENUE | EUR |
|--|-------------------|
| Revenue from fees and charges | 11,334,458 |
| EU Contribution | 11,768,296 |
| Contribution from National Competent Authorities | 18,948,632 |
| Contribution for delegated tasks | 1,925,584 |
| TOTAL REVENUE | 43,976,970 |

| EXPENDITURE | EUR |
|--|-------------------|
| Staff expenditure | 26,013,890 |
| Infrastructure and administrative expenditure ⁷ | 6,730,000 |
| Operating expenditure | 9,143,080 |
| Delegated tasks | 2,090,000 |
| TOTAL EXPENDITURE | 43,976,970 |

⁷ The balance between infrastructure and administrative expenditure and operating expenditure is slightly different to that included in ESMA's 2017-2019 Single Programming Document in line with the annexed Procurement Plan.

Annex III. 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 2018 will be measured against these indicators.

| Activity | Key Performance Indicator |
|---|---|
| | Number of risk topics analysed |
| | Trends Risks and Vulnerabilities and Joint Committee (of the ESAs) risk reports delivered against work plan |
| | Data and Statistics: Coverage of ESMA databases under central data management |
| Completing a single rulebook for EU financial markets | Number of adopted Technical Standards and Technical Advice approved by ESMA's Board of Supervisors |
| | Non-compliance with guidelines and recommendations |
| | % of IT systems delivered compared to planned |
| | % budget execution of IT Work Programme |
| | Number of peer reviews conducted |
| | Number of opinions issued |
| | Number of Q&As issued |
| | 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 |
| | Rate of implementation of Commitment Appropriations |
| | Rate of cancellation of Payment Appropriations |
| | Rate of budget outturn |
| | Rate of payments executed within legal/contractual deadlines |

| Activity | Key Performance Indicator |
|----------|---|
| | Average vacancy rate |
| | Staff turnover rate |
| | Staff satisfaction survey |
| | Percentage of completion of the activities of the Annual Work Programme |
| | Rate of external and accepted internal audit recommendations |