Opening Statement

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Chair
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Economic and Monetary Affairs Committee
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Dear Chairwoman, honourable Members of the European Parliament,

I am grateful for this opportunity to present to you a brief outline of ESMA’s key activities over the past 12 months. It has been an extraordinary time, in which I am proud to say that ESMA has been fully able to meet its role regarding investor protection, financial stability and orderly markets, within its mandate from the European Union (EU) co-legislators.

The outbreak of the COVID-19 pandemic, and the resulting economic fallout, has subjected European and global financial markets to pressures not seen since the global financial crisis over a decade ago. In consequence, since March 2020, ESMA has embarked on a number of coordination and crisis management activities, in addition to continuing to execute the majority of its planned Annual Work Programme.

The overall resilience of the European capital market, and its regulatory and supervisory framework, which was severely tested during the March to April market turmoil, has been good. In particular, the key financial infrastructures performed well under very stressed conditions, with the majority of financial market participants adapting effectively to rapidly changing and
difficult conditions. In the fund sector the use of liquidity management tools, like suspending redemptions, increased significantly, with most investment funds being able to adequately manage liquidity and meet redemption requests.

The one area in which the regulatory framework was not capable of responding adequately to the pandemic stresses was in the Money Market Funds sector. Here the exceptional interventions of central banks were in fact decisive in ensuring that these funds would continue to meet regulatory requirements. Therefore, further reforms of the regulatory framework of these funds are needed.

ESMA’s role in coordinating EU national regulators’ crisis management efforts primarily included the areas of market integrity and short-selling, as well as areas where a common supervisory approach was necessary to facilitate an effective response to the challenging developments. I would like to mention ESMA’s statements on the implementation of IFRS 9 rules on loan provisioning, on firms’ business continuity, and on MiFID investor protection rules as good examples of ESMA’s supervisory convergence activities during the COVID-19 market turmoil. Moreover, ESMA has intensified its engagement and dialogue with its directly supervised entities, which was of importance in view of an increased number of downgrades in credit ratings over a very short period of time. In addition, ESMA has been involved in some close coordination efforts on a global level, notably through the FSB and IOSCO, including its new Financial Stability Engagement Group, where I also took on a leadership position in a group analysing the procyclicality of credit ratings in the context of the COVID-19 market turmoil.

Since the summer months we have seen financial markets calming down, while increasingly decoupling from the challenges that COVID-19 pandemic raises in the real economy. Hence, the market environment remains fragile and we continue to monitor closely any threats to financial stability, investor protection and market integrity.

Now, our attention should also shift towards how capital markets can support a sustainable recovery. In this context, I see a lot of potential that could and should be unlocked through the Capital Markets Union initiative. The legislative proposal on the so called Quick fix, which is now being discussed by the ECON Committee, is a good first step, but needless to say that the EU will need more of these positive regulatory changes, such as measures to encourage the participation of retail investors and households in capital markets, and measures to improve the access of SMEs to capital market funding. When working on these measures, the co-
legislators will be well advised not to jeopardise the achievements already put in place with the MiFID II framework in eliminating conflicts of interests in various processes, such as the research unbundling requirement.

Beyond the COVID19-related work, the last 12 months have been important for ESMA for several other reasons. Firstly, ESMA has made significant efforts to facilitate the implementation of the ESAs review package in time for its entry-into-force on 1 January 2020. A total of 13 internal projects led by ESMA staff and under the guidance of ESMA’s Management Board and Board of Supervisors allowed us to operate under the revised Regulation from the beginning of the year, except for the direct supervisory powers over benchmarks administrators and data reporting service providers which will start only in 2022. The modification of the ESMA Regulation has led ESMA to develop its 2020-2022 Strategic Orientation\(^1\). In addition, the new sustainability objective embedded in our founding regulation has resulted in the creation of a dedicated Sustainable Finance Strategy\(^2\).

Thanks to the strong support of the European Parliament for the reinforcement of the convergence tools in this legislative package, I am also pleased to report that ESMA is just about to finalise its first peer review under the revised framework. This concerns the fast-track peer review of the application of the Guidelines on the Enforcement of Financial Information to the Wirecard case, which is led by an ESMA senior staff member. Moreover, I am happy to report that the new provisions around conflict of interests for Board members have been effectively applied since January. This has led to a strengthening of the independence of ESMA’s decision making processes with potentially conflicted board members excusing themselves from voting in relevant agenda items.

Secondly, ESMA has worked hard on implementing the revised EMIR in relation to CCP supervision. With the delivery of our technical advice on tiering criteria, fees and comparable compliance in Autumn last year, and the establishment of the CCP Supervisory Committee, we took steps to operationalise the new framework as early as possible. The recent finalisation of the delegated acts and the appointments of the Chair and Independent Members of the CCP Supervisory Committee complete the framework in view of the upcoming challenges, foremost of which is Brexit. I would like to thank the Chairwoman and the Members of the ECON Committee for their excellent cooperation during the appointment process for these three key

positions of the CCP Supervisory Committee.

Thirdly, ESMA has continued its efforts in the context of the UK’s Withdrawal from the EU, in particular through assisting firms and regulators in ensuring their preparedness, notably through public communications and measures aimed at providing clarity on the requirements and implications for market participants. In addition, to address any potential stability concerns related to central clearing, ESMA has taken decisions to recognise three UK CCPs on 1 January 2021.

Honourable Members of the European Parliament,

Today marks my last Annual Hearing in the ECON Committee as the Chair of ESMA. Over the past nine-and-a-half years I have valued the interactions with Members of this Committee during numerous hearings, scrutiny slots and in-camera exchanges as well as through other means in the context of my accountability to the Parliament as ESMA Chair. I would also like to thank the Members of this Committee – in the current and the two previous legislative terms – for their ongoing support to ESMA as well as their cooperative approach in helping ESMA to achieve its objectives regarding financial stability, orderly markets and investor protection.

Thank you for your attention and I will be pleased to answer any questions you may have.