



**Annex to the Statement**  
**by Steven Maijor, Chair of ESMA**  
**to the ECON hearing, 8 October 2018**

**Facts and figures**  
**from 1 October 2017 to 30 September 2018**

ESMA enhances investor protection and promotes stable and orderly financial markets through

- (1) developing a single rulebook for EU financial markets
- (2) supervising certain financial entities
- (3) promoting supervisory convergence; and
- (4) assessing risks to investors and financial stability.

**1. Developing a single rulebook for EU financial markets**

In relation to ESMA's statutory objective of building a single rulebook for the EU and ensuring its effective implementation, the Authority has undertaken the following work since 1 October 2017:

- **17 draft Technical Standards (TS)** including draft Regulatory Technical Standards (RTS) and draft Implementing Technical Standards (ITS):
  - 6 RTS under the Prospectus Regulation on (i) key financial information for the summary, (ii) data and machine readability, (iii) advertisements, (iv) supplements, (v) publication, and (vi) notification portal;
  - 5 RTS and 2 ITS under MiFID II and MiFIR on (i) indirect clearing arrangements, (ii) trading obligations under MiFIR, (iii) financial instrument data, (iv) package orders, (v) information and requirements for investment firms, (vi) notifications, and (vii) standard forms for transmission of information;
  - 3 RTS and 1 ITS under Securitisation Regulation on (i) STS notification, (ii) disclosure requirements, (iii) authorisation of a third party, and (iv) templates for STS notification;

- 1 RTS under Transparency Directive on European single electronic format;
  - 1 ITS under MMF Regulation on templates to report competent authorities;
  - 1 ITS under MAR on information exchange.
- **3 Amendments of Technical Standards:**
    - 1 Amendment to Delegated Regulation with regard to the RTS on the transparency requirements for equity instruments, and in particular the quoting obligations for systematic internalisers;
    - 1 Amendment to Delegated Regulation with regard to the RTS specifying the date to be published and made available by trade repositories and operational standards for aggregating, comparing and accessing the data;
    - 1 Amendment to Delegated Regulations on the clearing obligation by extending the deferred date of application for intragroup transactions concluded with a third country group entity.
  - **4 Technical Advices (TA):**
    - 1 TA under the Prospectus Regulation;
    - 1 TA on the evaluation of certain elements of the Short Selling Regulation;
    - 1 TA under the MMF Regulation;
    - 1 TA on CRA Regulatory Equivalence under the CRA 3 Regulation.

ESMA also contributed to the work of the ESAs Joint Committee on joint RTS on the Amendments to the bilateral margin requirements with regards to physically settled FX forwards and two joint amending ITS on the mapping of External Credit Assessment Institutions (ECAIs) under the CRR and Solvency II.

## **2. Direct supervision of financial entities by ESMA**

ESMA is responsible for the supervision of both Trade Repositories (TRs) and Credit Rating Agencies (CRAs).

- **Supervision of TRs**

- Under EMIR, ESMA has direct responsibilities regarding the registration, supervision and recognition of TRs, which constitute one of the key elements of the post-crisis regulatory reform with the aim to create a more stable and transparent OTC derivatives markets. ESMA aims to ensure that TRs comply on an ongoing basis with all EMIR requirements, thereby enabling various regulators to access data and details of derivative contracts in order for them to fulfil their respective mandates.
- At the end of 2017 ESMA registered one new TR, bringing the total number of TRs registered by ESMA to 8. ESMA is currently assessing two additional applications for registration.
- There are more than 50 EU regulatory authorities that have access to at least one TR as of June 2018. They include NCAs, national central banks, ESRB, ECB, EIOPA, ACER and ESMA.
- As of September 2018, the TRACE infrastructure (launched in Aug 2016) facilitates data access for 30 NCAs through a single platform while 2 more authorities are in the process to get access to TR data through this platform.
- As of early September 2018, a total of more than 23 billion new trades have been reported to the TRs (since the beginning of reporting in February 2014). The number of overall submissions including trades and lifecycle events exceeds 78 billion.
- For the last 4 months, there has been on average more than 320 million trade reports submitted on a weekly basis to TRs.
- ESMA has continued work on its main priorities of TR data quality and access, governance and internal controls, financial and technology risk through day-to-day supervision, thematic reviews and individual investigations.
- On data quality in particular, in accordance with its Data Quality Action Plan, ESMA is continuing to put considerable effort into the overall improvement of the data quality at the TRs, and is cooperating closely with NCAs, the supervisors of the counterparties submitting data to the TRs.
- ESMA has finalised an investigation into:
  - The process to on-board regulators and provide access to data, and the internal control mechanisms over this process.

- **Supervision of CRAs**

- Since October 2017, ESMA registered three new credit rating agencies. An additional CRA was registered by the EFTA surveillance authority on the basis of an assessment prepared by ESMA, in the framework of the cooperation agreement between the two authorities.

- ESMA now supervises 28 CRAs and four certified CRAs. Amongst the 28 registered CRAs, two operate under a group structure, totalling 15 legal entities in the EU, which means that the total number of CRA entities registered in the EU is now 41.
- ESMA is currently assessing four additional applications for registration.
- ESMA has continued to work on its main priorities as identified in the 2018 Work programme:
  - quality of the credit rating process, including CRAs' validation practices;
  - IT and internal controls with a particular focus on information and cyber security; and
  - strategy and governance, focusing on management quality and material changes to CRAs' governance structures.
- In line with its work programme, since September 2017, ESMA's has worked, among others, on:
  - thoroughness of the rating process and the validation practices applied by CRAs;
  - compliance by CRAs with disclosure practices;
  - prevention of conflicts of interest regarding shareholders of CRAs;
  - clarification of the requirements regarding rotation of analysts;
  - monitoring and assessing technology and information security risks and communicating observed risks regarding cloud computing to CRAs;
  - the use of new technologies in the production of ratings;
  - complaints received from market participants regarding the conduct of CRAs; and
  - developing a framework for internal controls for both TRs and CRAs.
- In addition to its work in these areas, ESMA continued to improve its internal risk assessment tools and external systems. In addition, ESMA integrated the European Rating Platform (ERP) and Central Repository of credit rating data (CEREP), with a view to continue providing greater transparency of ratings' performance for investors.
- ESMA is also engaging on an ongoing basis with various functions in different CRAs on topics related to internal control, compliance, governance, analytical work, methodologies, organisational set-up, staffing, conflicts of interest etc.
- In terms of investigations, ESMA has finalised its investigations into:
  - The implementation of changes in the analytical approach to rate a specific type of corporate bond. The investigation focused on the rigorousness of the

methodologies, the thoroughness and accuracy of the rating analysis, the adherence to published methodologies and their change process, the potential conflicts of interest presented by the interaction with issuers, and the efficiency and adequacy of internal controls (large size CRA).

- The conflicts of interest presented by shareholders and the internal controls over the prohibitions and disclosure requirements established in the CRA Regulation to prevent and address such conflicts of interest (large size CRA).
- The process to assign credit ratings on structured finance, financial institutions and sovereigns. The investigation focused on the independence of the rating process from business development's influence, compliance with the prohibitions to make proposals or recommendations regarding the design of a structured finance instruments, the internal control mechanisms, and the rigorousness and systematic application of sovereign methodologies (medium size CRA).

- **Common areas of supervision across CRAs and TRs**

- In its 2018 work programme, ESMA has also identified a few areas of focus across CRAs and TRs, including Brexit, fees charged by CRAs and TRs, internal control frameworks, cloud computing and guidelines for periodic information.
- Regarding the work on fees charged by CRAs and TRs, ESMA published a thematic report in January 2018, in which areas of concern were identified regarding transparency and disclosure of fees, the fee-setting process, including cost monitoring and related controls and the interaction of CRAs and TRs with related entities.
- Brexit has also been a key area of focus for ESMA during 2017 and 2018. Since October 2017, ESMA has closely monitored the contingency plans implemented by CRAs and TRs in preparation of Brexit. In both industries ESMA has noted significant steps forward in terms of preparedness for a no deal Brexit scenario.
- Throughout the year, ESMA has assessed the information it has received through complaints and the dedicated "Whistleblower corner" of its webpage.

- **Sanctions**

Under the CRA Regulation, issuing credit ratings requires authorisation by ESMA to ensure that such ratings are independent, objective and of adequate quality and that CRAs are subject to the same rules and oversight across all EU countries. A firm, in order to be registered as a CRA in the EU, needs to provide proof that it fulfils the necessary organisational requirements and provides adequate safeguards, in particular regarding governance, conflicts of interests, internal controls, rating process and methodologies, business activities and disclosures. A failure by a firm to apply for registration prior to issuing ratings is an infringement of the CRA Regulation.

In July 2018 ESMA fined Danske Bank, Nordea Bank, SEB, Svenska Handelsbanken and Swedbank €495,000 each and issued five public notices for negligently breaching

the CRA Regulation. ESMA found that the five banks infringed the CRA Regulation by issuing credit ratings without being authorised by ESMA to do so.

Between June 2011 and August 2016, the five banks issued credit research to their clients – and SEB continued to do so until May 2018. This credit research included the issuance of what the banks described as *shadow ratings*. These reports related to different entities and underlying financial instruments and these reports included opinions, which ESMA found met the definition of a credit rating provided for in the CRA Regulation. However, no bank had acquired the necessary ESMA authorisation to issue ratings and such conduct infringes the CRA Regulation which requires prior authorisation.

The individual fine amounts took into account the aggravating factor that the banks had committed the infringement for more than six months but also considered the mitigating factor that each bank has voluntarily taken measures to ensure that similar infringements could not be committed in the future.

- **Preparation for the supervision of Securities Financing Transactions and Securitisation Repositories**

ESMA is preparing for applications under:

- the Securities Financing Transactions (SFT) Regulation: the registered entities will collect from counterparties reports with the details of SFTs and provide access to this data for the respective regulatory authorities; and
- the Securitisation Regulation: the Securitisation repositories will collect securitisation data (via standardised templates) and documentation from originators, sponsors and Securitisation Special Purpose Entities (SSPEs), and provide direct and immediate access free of charge to investor, potential investors, and a specific set of public authorities.

- **Recognition of third-country Central Counterparties (CCPs)**

Concerning CCPs, since September 2013, ESMA has been managing the application of 47 third-country CCPs (TC-CCPs) applying for recognition under EMIR.

Following the equivalence decisions for 14 third countries made so far by the European Commission, ESMA has completed this process for a total of 32 CCPs established in the jurisdictions corresponding to the countries covered by the scope of these equivalence decisions (all of these TC-CCPs had been recognised prior to the time period covered by this report, no new equivalence decision was issued in the period covered by this report).

### **3. Promoting supervisory convergence**

As part of the ESMA Strategic Orientation 2016-2020, ESMA has significantly increased its activities in the area of supervisory convergence. The annual supervisory convergence work programme, counterpart of the regulatory and supervisory work programme, gives a comprehensive overview of supervisory convergence activities and priorities across ESMA.

The following priorities have been identified for 2018:

- Ensuring that MiFID II/MiFIR are applied in a sound, efficient and consistent manner across the EU (continuous);
- Improving data quality to ensure efficient reporting under various requirements set by EU legislation (continuous);
- Ensuring supervisory convergence in the context of the UK's decision to withdraw from the EU (new);
- Safeguarding the free movement of services in the EU through adequate investor protection in the context of cross-border provision of services (continuous); and
- Monitoring developments in financial innovation, in particular through the analysis of emerging and existing instruments, platforms and technology (new).

ESMA has supported supervisory convergence, among others, by issuing Guidelines, Opinions, Questions and Answers (Q&As), fostering discussion of concrete supervisory cases, conducting peer reviews and organising training sessions:

- **8 sets of Guidelines:**
  - 1 set of Guidelines on the application of the endorsement regime under the CRA Regulation – supplementary guidance on how to assess if a requirement is “as stringent as” the requirements set out in the CRA Regulation;
  - 1 set of Guidelines on certain aspects of the MiFID II suitability requirements;
  - 1 set of Guidelines on EMIR Anti-Procyclicality Margin Measures for Central Counterparties;
  - 1 set of Guidelines for position calculation by Trade Repositories under EMIR;
  - 1 set of Guidelines on Internalised Settlement Reporting under CSDR;
  - 1 set of Guidelines on stress tests scenarios under the MMF Regulation;
  - 1 set of Guidelines on CCP conflict of interest management;

- 1 set of Guidelines on the management body of market operators and data reporting services providers;

Pursuant to Article 16(4) of the ESMA Regulation, ESMA has to inform the European Parliament, the Council and the Commission of the Guidelines and Recommendations that have been issued, stating which competent authority has not complied with them, and outlining how the Authority intends to ensure that the competent authority concerned follows its recommendations and Guidelines in the future. To meet this objective, ESMA has continued publishing on its website compliance tables for each set of Guidelines showing all of the notifications of compliance, non-compliance, or intention to comply.

For all Guidelines issued by ESMA since its inception, there are currently 17 instances in which an NCA has declared non-compliance with a set of Guidelines. The number of instances of non-compliance has decreased slightly by one over the last twelve months. At the same time, in several cases, NCAs have declared a change of their status of compliance from the “intention to comply” to “comply”.

- **424 (to be confirmed, see below) Opinions, Advice and Decisions:**

- 243 Opinions on equity pre-trade Waiver;
- 145 Opinions on non-equity pre-trade Waivers;
- 15 Opinions on MiFID II position limits on commodity contracts;
- 1 Opinion on package orders' trading obligation under MiFID II;
- 1 Opinion on ancillary activity under MiFID II – market size calculation;
- 1 Opinion on Determining third-country trading venues for the purpose of transparency under MiFID II / MiFIR;
- 1 Opinion on third-country trading venues for the purpose of position limits under MiFID II;
- 12 assessments of third-country venues for the purpose of position limits and transparency under MiFID II / MiFIR;
- 1 Opinion on AMF Accepted Market Practice on liquidity contracts under MAR;
- 1 Opinion on the classification of STIBOR as critical benchmark;
- 1 Opinion on CCP Liquidity Risk Assessment;
- 2 (to be confirmed) Decisions on validations of CCP risk model changes.

- **259 Questions and Answers (Q&As):**
  - 12 Q&A on the application of the CRA Regulation;
  - 7 Q&As on the application MAR;
  - 2 Q&As on MiFID II post-trading issues;
  - 14 Q&As on MiFIR data reporting;
  - 41 Q&As on MiFID II and MiFIR investor protection topics;
  - 40 Q&As on MiFID II and MiFIR transparency issues;
  - 21 Q&As on MiFID II and MiFIR market structures issues;
  - 23 Q&As on MiFID II and MiFIR commodity derivatives topics;
  - 2 Q&As on the Regulation on short selling and certain aspects of credit default swaps;
  - 23 Q&As on CSDR;
  - 11 Q&As on product intervention measures on CFDs and binary options;
  - 24 Q&As on EMIR implementation;
  - 12 Q&As on the Benchmarks Regulation;
  - 1 Q&A on Prospectus-related topics;
  - 5 Q&As on the application of the UCITS Directive;
  - 4 Q&As on the application of the AIFMD;
  - 17 Q&As on ESMA Guidelines on Alternative Performance Measures.

ESMA also contributed to the work of the ESAs Joint Committee on joint Q&As on PRIIPs and a joint Opinion on the use of innovative solutions by credit and financial institutions in the customer due diligence process.

- **Peer reviews:**
  - ESMA published the outcome of three peer reviews on:
    - Supervisory activities on CCPs' Default Management Procedures. This peer review assesses the overall functioning of CCP colleges and provides an in-

depth analysis of supervisory activities of National Competent Authorities (NCAs) on CCPs with respect to requirements set out in EMIR related to Default Management Procedures (DMP);

- Guidelines on ETFs and other UCITS issues: This peer review looked into the compliance of NCAs with the Guidelines dealing with Efficient Portfolio Management Techniques (EPM) for UCITS. ESMA assessed in total four categories, these being (i) Disclosure to end-investors; (ii) Internal Risk Management and Compliance with the Investment Mandate; (iii) Operational Aspects; and (iv) Collateral Management. ESMA found deficiencies in the national supervision of UCITS engaging in EPM, in particular regarding operational aspects of costs, fees and revenues for EPM, and collateral management issues. Of the six assessed NCAs, BaFin (DE) and the FCA (UK) were found to be insufficiently compliant in at least one of the four assessed categories, and EFSA (EE), CSSF (LU) and FCA (UK) were found to be only partially compliant in at least one of the four assessed categories. In addition to the assessment of compliance of the NCAs with the Guidelines, the Review identifies good practices of supervisory tools and measures that may be of interest to other NCAs, as well as it highlights areas where follow-up policy work may be considered by ESMA;
- Certain aspects of the compliance function under MiFID I. This peer review concluded that there is high-level of compliance with the Guidelines among NCAs. Most of them were positively assessed regarding the supervision of the way the compliance function performs risk assessments, monitors compliance obligations and provides reports to senior management and a large number of them regarding the supervision of the advisory role of the compliance function. However, significant weaknesses were identified in the approaches of certain supervisory authorities mainly for CySEC (CY), FSA Iceland and the AFM (NL). ESMA will follow up regarding the points of insufficient compliance and partial compliance with the relevant NCAs. Additionally, the Review identified a number of good practices by a number of NCAs in their supervision. To mention a few important ones: the pre-screening by the national authorities of compliance officers, the authorities' communication of clear expectations to the compliance function at the authorisation stage, as well as authorities undertaking an on-site visit shortly after the firm's authorisation.
- ESMA has also carried out one follow-up review to an earlier peer review focusing on the areas where shortcomings were noted previously in the peer review on MiFID Suitability Requirements. The report, published in July 2018, assesses the actions ten NCAs have undertaken since the earlier peer review on the subject conducted in 2016. The report identified enhancements in supervising the requirements and greater deployment of enforcement action by some NCAs.

Specifically, the follow-up report identifies improvements in the supervision of the requirements by NCAs through thematic reviews and on-site inspections, improvements to IT systems to identify firms operating on a branch or freedom of service basis. The Report also highlights greater use by three NCAs of enforcement tools to address breaches of the requirements. These improvements should lead to an increased level of EU-wide supervisory convergence of the MiFID suitability requirements.

- ESMA has updated its peer review methodology, setting out the methods and tools to conduct peer reviews, to ensure that it reflects the currently applied practices.
- **Product intervention measures:**
  - **CFDs and Binary Options product intervention measures under MiFIR**

The product intervention powers have been assigned to ESMA on 3 January 2018, with the entry into application of MiFIR.

In May 2018 ESMA has formally adopted new product intervention measures under Article 40 of MiFIR on marketing, distribution or sale of Contracts for Differences (CFDs) and Binary Options to retail investors.

The measures started to apply as follows for a period of three months:

- *Binary Options* (from 2 July 2018) - a prohibition on the marketing, distribution or sale of binary options to retail investors; and
- *Contracts for Differences* (from 1 August 2018) - a restriction on the marketing, distribution or sale of CFDs to retail investors. This restriction consists of: leverage limits on opening positions; a margin close out rule on a per account basis; a negative balance protection on a per account basis; preventing the use of incentives by a CFD provider; and a firm specific risk warning delivered in a standardized way.

In August 2018 ESMA has also agreed to renew, with some changes, the prohibition of marketing, distribution or sale of binary options to retail clients, in effect since 2 July, from 2 October 2018 for a further three-month period. ESMA will continue carefully considering the need to extend the intervention measures currently in effect.

#### **Other key supervisory convergence actions:**

- **UK's withdrawal from the European Union**
  - Following one general and three sectoral opinions issued in 2017 in light of the United Kingdom withdrawing from the European Union, ESMA together with EU

NCA's continued to monitor the level of markets participants' contingency planning for the possibility of a no-deal Brexit in March 2019.

- ESMA issued a Public Statement in order to raise the awareness of all market participants on the importance to prepare for the possibility of no agreement in the context of the UK withdrawing from the EU (July 2018). In particular, ESMA emphasised the importance of the timeline to submit requests for authorisation to the NCA's for regulated entities wishing to relocate (and to ESMA in case of CRAs and TRs).
- ESMA's Supervisory Coordination Network, set up in June 2017, continued its work. To recall, the Network is made up of senior representatives of NCA's and has the objective to enhance mutual understanding through information exchange, sharing of good practices and discussions of key issues arising from relocation of firms, notably investment firms, asset managers and trading venues, in the scope of the UK's withdrawal from the EU. The network meets on a monthly basis and discussions of concrete real life cases between members promotes supervisory convergence among NCA's. The network invites EBA and the SSM on an ad hoc basis to share views on supervisory questions of common interest, thereby promoting supervisory convergence across the sectors.
- In addition, ESMA worked on identifying the information exchange and cooperation needs with the UK authorities that would arise once the UK becomes a third-country.

- **Cooperation among NCA's in relation to Cyprus-based investment firms operating in other jurisdictions under Article 31 of MiFID**

Set up in 2015 and composed of the home and a number of host NCA's to analyse and solve issues emerging from Cypriot investment firms who have been undertaking activities relating to CFDs and binary options and passport these activities to other EU countries, the cooperation group has been disbanded in July 2018 taking into account ESMA's temporary product intervention measures introduced, as described above.

- **Interactive Single Rulebook**

ESMA has launched in February 2018 its Interactive Single Rulebook (ISRB), starting with the publication on the ESMA's website of the interactive version of the level 1 text and related Level 2 and 3 work under the UCITS Directive, followed by a publication of an ISRB on the Credit Rating Agencies Regulation (published in early August 2018). It is designed as an online tool to contain a comprehensive compendium of the regulatory framework in the financial services area falling under ESMA's remit. The objective is to increase

transparency and enhance knowledge of applicable legislation and rules throughout the EU by developing an interactive version for each key level 1 text under ESMA's remit over time.

- **Mediation, breach of Union law (BUL) and complaints handling**

- ESMA has not been involved in formal procedures on binding mediation under Article 19 of the ESMA Regulation in the last year.
- On 6 December 2017, ESMA's Chair decided to initiate an ex officio breach of Union law investigation concerning the policy of the CSSF to allow UCITS to invest in certain undertakings for collective investment (UCIs) that did not comply with the eligibility requirements set out by the UCITS Directive<sup>1</sup>. As a result of the investigation, in January 2018 the CSSF voluntarily decided to change its policy to align it with the relevant UCITS requirements. The changes introduced by the CSSF, which took effect immediately, fully addressed ESMA's concerns and, therefore, the investigation was closed without the need for ESMA's Board of Supervisors to adopt a formal recommendation. UCITS which had invested in the relevant UCIs under the old CSSF's policy were required by the CSSF to disinvest from these UCIs.
- ESMA monitors and assesses complaints received within the breach of Union law framework (Article 17 of ESMA Regulation). ESMA received 210 new complaints between 1 January 2018 and 31 August 2018. During this period, ESMA closed 199 complaints (including 155 which were considered as inadmissible). The assessment by ESMA is on-going in 11 cases. Regarding the admissible complaints, ESMA sent, in 2018, 3 requests for information to national competent authorities under Article 35 of the ESMA Regulation. On the basis of the information received, ESMA's Chair decided that in none of the cases a formal breach of Union law investigation should be opened.

- **Other actions**

- ESMA has set up a working group, together with the European Central Bank (ECB), the European Commission and the Belgian Financial Services and Markets Authority (FSMA), which is tasked with, among other things, identifying and recommending alternative risk-free rates. The working group is composed of some forty representatives of the financial industry while ECB and ESMA provide the

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<sup>1</sup> Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities.

secretariat for the main working group and related sub-groups. The first deliverable of this working group has been announced on Thursday 13 September 2018, when the “*euro short-term rate*” (ESTER)<sup>2</sup> was selected as the alternative overnight risk-free rate for the eurozone.

- ESMA published the register of administrators of benchmarks and 3<sup>rd</sup> country benchmarks. The register includes all the administrators who have been classified as BMR-compliant by the relevant EU National Competent Authority.
- ESMA published a Public Statement on European common enforcement priorities for 2017 IFRS financial statements
- ESMA organised between October 2017 and September 2018: 8 training sessions, gathering 646 participants on topics such as MiFID II/MiFIR, UCITS, AIFMD, Market Abuse. ESMA has also offered about 400 e-learning courses for about 200 users.

#### **4. Assessing risks to investors and financial stability**

Over the last 12 months, ESMA has:

- issued 2 reports on Trends, Risks and Vulnerabilities in the EU, including in-depth topical analyses of EU sovereign bond market liquidity, complaints data as a means to monitor retail markets, haircuts in EU securities financing markets, the impact of charges on mutual fund returns, EU derivatives markets and key implementation challenges of DLT;
- issued the first Annual Statistical Report on EU Derivatives Markets;
- published 4 Risk Dashboards, featuring a clear and intuitive categorisation of risk levels for (retail) investors and other stakeholders to better understand risks they might be exposed to, based on sophisticated, state-of-the-art risk metrics;
- issued two Statements on Initial Coin Offerings (ICOs), one on risks of ICOs for investors and one on the rules applicable to firms involved in ICOs;
- issued a Statement in cooperation with the EBA on the treatment of retail holdings of debt financial instruments subject to the Bank Recovery and Resolution Directive;
- issued a joint ESAs pan-EU warning to consumers regarding the risks of buying Virtual Currencies;

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<sup>2</sup> More information about ESTER are available here:  
[https://www.ecb.europa.eu/paym/initiatives/interest\\_rate\\_benchmarks/euro\\_short-term\\_rate/html/index.en.html](https://www.ecb.europa.eu/paym/initiatives/interest_rate_benchmarks/euro_short-term_rate/html/index.en.html)

- developed, within the ESAs Joint Committee, two reports on risks and vulnerabilities in the EU financial system;
- developed, within the ESAs Joint Committee, two reports: (i) on the use of Big Data in financial services and (ii) on the automation in financial advice;
- held, jointly with EBA and EIOPA, the Joint Consumer Protection Day;
- commenced work related to the European Commission's CMU project on the cost and past performance of the main categories of retail investment, insurance and pension products;
- conducted its second EU-wide stress test exercise regarding CCPs established in the EU and published the results in a report. The CCP stress test assesses the resilience and safety of the EU CCP industry and helps to identify possible vulnerabilities. ESMA tested the resilience of 16 European CCPs with approximately 900 Clearing Members EU-wide. The aggregate amount of collateral held by CCPs on the test date in the form of margin requirements and default fund contributions was approximately €270bn.

## **5. ESMA's role in the field of international cooperation**

ESMA, as part of its remit, has worked extensively with IOSCO in its position as an observer to the IOSCO Board. Other IOSCO work includes an active participation in Committee 6 on CRAs, in the European Regional Committee, and in the Risks Committee as well as in the Committee on Payment and Settlement Systems (CPSS-IOSCO). ESMA also participates in some of the work of the Financial Stability Board, for instance in the study on the incentives to clear OTC derivatives.

ESMA has further contributed to the international work for the development and maintenance of global data standards. In particular, ESMA is involved in the Legal Entity Identifier Regulatory Oversight Committee (LEI ROC) and in the CPMI-IOSCO work on Harmonisation of OTC derivatives data for the purpose of global aggregation of data reported to Trade Repositories (Harmonisation WG). ESMA has also significantly contributed to the work on the establishment of the Unique Product Identifier (UPI) and Unique Trade Identifier (UTI).

ESMA's own international work has seen it focus on equivalence assessments and developing and concluding cooperation agreements. As an organisation responsible for the development of regulations affecting the EU's financial markets and for the supervision of key market participants (CRA and TR), ESMA is closely involved in day to day cooperation with its regulatory and supervisory counterparts in third country jurisdictions. ESMA is also committed to contribute to development of the regulatory framework on the global level and thus coordinate the European position in the relevant organisations as appropriate.

In addition, in view of the application of the General Data Protection Regulation (GDPR), and the corresponding European Data Protection Regulation which should be finalized by end 2018 and which will be applicable to EU institutions, bodies and agencies, ESMA has continued to play a key coordination role regarding implementation of the new rules applying to international transfers of personal data between EEA and non-EEA securities regulators. In particular, ESMA, as a direct supervisor, as well as on behalf of EU NCAs, has been negotiating with non-EU regulators associated within IOSCO and the European Data Protection Board an Administrative Arrangement for the international transfers of personal data, which should ensure continued data transfers for enforcement and supervisory purposes. This process is expected to be finalised by year-end 2018.

## **6. ESMA as an organisation:**

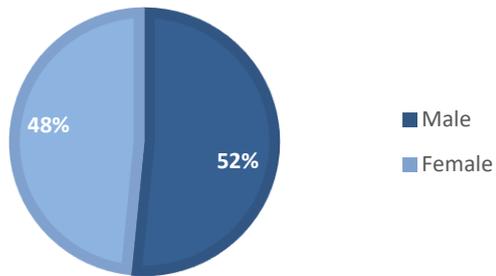
<b>Years</b>	<b>Number of staff</b>
<b>2011</b>	56
<b>2012</b>	83
<b>2015</b>	139
<b>2014</b>	153
<b>2015</b>	186
<b>2016</b>	204
<b>2017</b>	224
<b>2018*</b>	223

(\*number of Staff as of 31/08/2018)

## **Staff per type (status on 31/08/2017):**

	<b>Total staff</b>
TA	145
CA	63
SNE	15
<b>Total</b>	<b>223</b>

### GENDER BALANCE AS OF 31/08/2018



### Staff by nationality (status on 31/08/2018):

Country	Number of staff
AT	2
BE	3
BG	5
CZ	3
DE	16
DK	3
ES	14
FI	1
FR	57
GB	13
GR	17
HU	4
IE	10
IT	38
LT	2
LV	1
MT	1
NL	4
NO	1
PL	6
PT	2
RO	13
SE	5
SK	2
<b>Total</b>	<b>223</b>