



Summary of Conclusions

Securities and Markets Stakeholder Group

Dates:	8 and 9 November 2018
Time:	13.30 - 17:00 / 9.00 – 12.30
Location:	ESMA, 103 rue de Grenelle, 75007 Paris
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1. Opening statements from the Chairs

The session was opened by the Vice-Chairs Christiane Hölz and Jarkko Syyrilä, who explained that the Chair Ruediger Veil unfortunately could not attend the meeting due to unfortunate personal circumstances. The Vice-Chairs noted that the meeting would be the last one for many members of the group as their mandates will expire at the end of the year.

2. Report from the Steering Committee

The Vice-Chairs referred to an agreement with ESMA to hold a monthly bi-lateral discussion in order to see which CWG meetings are being held at ESMA.

3. MMF Stress testing scenarios

ESMA staff gave a presentation on the work it is undertaking on MMF stress testing scenarios and explained that a Consultation Paper is expected to be published in December 2018, and that revised guidelines are expected to be published in the first half of 2019.

The discussion led to numerous comments as regards the design of the parameters, and remarks regarding scenarios of hypothetical and historical relevance.

ESMA noted among its reactions that the risks will be analysed individually and that correlation risk is a problem in itself. The analytical work should be separated from the

communication work. Comments also related to the influence that this can have on markets based on examples from the US.

ESMA Executive Director Verena Ross remarked that ESMA has performed CCP stress tests which have been quite time-consuming, but has not done stress tests for MMFs before. ESMA does not yet have a long experience in stress testing.

4. Q&A

ESMA Executive Director Verena Ross introduced the topic saying that ESMA wishes to make the Q&A tool more transparent which has been discussed in the ESMA Board of Supervisors. ESMA will also take the opportunity to see what comes out of the ESA review in this respect before fundamentally altering its current way of working. ESMA staff explained the way the Q&A tool has been improved at the ESMA website, and added that the ambition is to have more ex-ante transparency without moving to a full consultation process, as this would take away much of the speediness of the tool and Q&As should not be treated as Guidelines.

SMSG members noted that the Q&A was in fact seen as a binding tool in some jurisdictions, and stated that there could be other ways of taking into account stakeholder views such as a possibility for appeal or challenge once a Q&A is in place. It was remarked that also the archive needs to clearly distinguish between various versions. The retail consumer angle to Q&As was also mentioned.

ESMA Executive Director Verena Ross concluded that most questions are on technical aspects and it would be very challenging to make them easily usable by retail consumers. ESMA will look at ways to take into account the work of the CWGs on aspects of Q&As. Revised Q&As were now clearly marked up to show the change introduced. She noted that ESMA continuously looks to make the website more user friendly.

5. ESMA Stakeholder Survey

ESMA staff gave a presentation on the survey it undertook in 2018 in order to collect feedback on the stakeholders' perception of the ESMA's activities and on ESMA's responsiveness to financial market participants. The presentation showed various data on stakeholder interaction and highlighted a generally positive level of satisfaction among stakeholders regarding the work conducted by ESMA.

SMSG members had comments as regards e.g. CWGs, newsletters and various aspects of the survey.

ESMA Executive Director Verena Ross welcomed the suggestions and highlighted that ESMA has decided to use a newsletter. She noted that ESMA will look into ways to



increase the effectiveness of CWGs. She also mentioned that conducting a stakeholder survey will be made into a recurring ESMA activity.

6. Benchmarks

ESMA staff explained that the SMSG advice that had been given earlier had been taken into account in the finalisation of the report and that the advice, unfortunately with some delay, had been posted on the ESMA web-site.

ESMA presented its draft Final Report on Guidelines on non-significant benchmarks and explained that account had been taken of the SMSG advice given, notably as regards the transparency of the methodology and the governance and control requirements of supervised contributors. On the composition of the oversight function and in particular for administrators of regulated-data benchmarks, the inclusion of external representatives as members of the oversight function is optional. Regarding the input data used to determine the benchmark, the SMSG comments will be included in the text in the final report; however, as these are related to changes of the Level 1 text, they cannot be addressed in the guidelines.

ESMA explained that the Final Report on Guidelines on non-significant benchmarks would be finalised before the end of the year.

7. UCITS and PRIIPs Developments

Vice-Chairs Christiane Hölz and Jarkko Syyrilä highlighted the importance of the latest developments as regards UCITS and PRIIPs, particularly concerning the Consultation Paper issued by the Joint Committee on 8 November 2018, and emphasised the great importance for both industry and retail investors to eliminate the shortcomings of the PRIIPs KID.

ESMA staff explained that the purpose of the Consultation Paper was to provide stakeholders with an opportunity to comment on proposed amendments to the PRIIPs Delegated Regulation, which relate to the empowerment in Article 8(5) of the PRIIPs Regulation concerning the presentation and content of the KID, including methodologies for the calculation and presentation of risks, rewards and costs within the document.

The SMSG discussed this topic and decided to set up a working group to be led by Jarkko Syyrilä with a view to respond to the Consultation Paper.

8. ESG Factors



ESMA updated the Group on its work as regards the incorporation of ESG factors. The presentation focused on the work streams related to suitability, CRA methodologies, disclosures, short-termism, taxonomy, standards and labels, and benchmarks, and forthcoming outputs (e.g. Consultation Papers).

The Group discussed various topics related to sustainable finance, and in particular made comments regarding:

- ESMA's need for participation in the network of the Central Banks,
- Need for supervision of the ESG ratings by ESMA given its role in the CRA supervision.
- Short-termism – Comments were made that assessing short-termism is a task to be conducted with caution as many reasons may underline the decisions taken by portfolio holders.
- Benchmarks – The assessment of benchmarks should also be conducted with caution, since the methodology used to create such standards is unclear.
- Taxonomy – importance of advancing not only on environmental but also social related taxonomy, even though that is outside ESMA powers.
- Corporate disclosure – the need to have an audit of the information.

Roxana de Carvalho, ESMA staff, commented on some aspects saying that ESMA's work cannot cover issues outside credit ratings, as that falls outside ESMA's scope. Corporate disclosures on ESG factors is still incipient, with the first year of application in 2018 but on the basis of a framework (Directive and non-binding Guidelines) which are very high level. In the meanwhile, ESMA is conducting its monitoring function and signalling to the market that it expects high quality information.

On short-termism ESMA is collecting information, and input from the SMSG would be appreciated. As regards benchmarks she agreed with the constraints pointed out that credible metrics are crucial for ensuring enforceable and useful benchmarks.

ESMA Chair Steven Maijoor thanked the Group for the remarks and noted that reliable standards are indeed fundamental for the success of sustainability benchmarks, but stressed that such standards are still being developed and under discussion. Finally, the Chair updated the Group on some developments regarding sustainability discussion with Asian-Pacific regulators who are advancing well on sustainability.

9. End of Term Report



The SMSG Vice-Chair Christiane Hölz presented the End of term report drafted by the SMSG Steering Committee.

The Group commented on the Report and agreed that the remarks discussed during the meeting would be added to the final version of the document. The Group decided to conclude the work of the report in written procedure in December.

10. Pension Report of Better Finance

SMSG member Jean Berthon delivered a presentation on the 2018 edition of Better Finance's report on long term and pension savings. The presentation highlighted its findings on real return, the composition of EU household's savings, and European equity and bond markets performance.

SMSG members discussed i.a. fees levels for investments funds, real estate market related savings products, links to sustainability.

Christian Winkler, ESMA staff, pointed out that ESMA as part of the cost and past performance mandate will look at the distribution costs of retail investment products, and that data availability and quality remains a challenge in that context.

ESMA Chair Steven Maijor thanked Jean for the good report and commented that there continue to be concerns regarding the high costs of distribution in the securities markets in the EU. He pointed out that the CMU is also about the savings of the households and trying to increase their participation in the capital markets. He noted that ESMA has used the possibilities as given in the legal text of MIFID 2 to a maximum as regards e.g. restrictions on inducements.

11. AOB

There was no other business.

12. SMSG Chair closing remarks

ESMA Chair Ruediger Veil participated by conference call for this agenda item to close the session. He warmly thanked all SMSG Group members as well as the ESMA Chair and Executive Director for a very good and fruitful working relationship during his period as member and Chair of the Group.



PARTICIPANT LIST

Christos Alexakis	Associate Professor in Finance, ESC - Rennes Business School	Excused
Georg Baur	Member of Management Board, VOEB, Association of German Public Banks	Excused
Harald Benink	Professor of Banking and Finance, Tilburg University	Present
Jean Berthon	Vice-Chair, Better Finance	Present
Geoffrey Bezzina	Executive Chairman, Office of the Arbiter for Financial Services,	Excused
Lubomir Christoff	Advisor, Bulgarian National Association Active Consumers	Present
Blanaid Clarke	Professor of Corporate Law, Trinity College	Present
Veerle Colaert	Professor of Financial Law, University of Leuven	Present
Elizabeth Corley	CEO, Allianz Global Investors	Excused
Bartosz Dziemaszkiewicz	Vice-President, Polish Individual Investors Association	Present
Javier Echarri	CEO, LDS Partners and Advisor on SME related matters	Excused
Andreas Gustafsson	Nasdaq, SVP & General Counsel Europe	Present
Kerstin Hermansson	Managing Director, Swedish Securities Dealers Association	Present
Christiane Hölz	Lawyer, DSW	Present
René Karsenti	President, ICMA	Present
Paul Koster	Chair, European Investors Association	Present
Eric Litvack	Managing Director, Societe Generale	Present
Rainer Lenz	Chairman of the Board of Directors, Finance Watch	Present
Jennifer Payne	Professor of Corporate Finance Law, University of Oxford	Present
Giovanni Petrella	Professor of Banking, Universita Cattolica, Milano	Present



Rainer Riess	Director General, FESE	Present
Anna Maria Romano	Accounting expert, FISAC CGIL	Present
Ignacio Santillan	CEO, FOGAIN, Spanish Investor Compensation Scheme	Present
Jean-Marc Servat	Chair, EACT	Present
Jarkko Syyrilä	Head of Compliance, Nordea Asset Management	Present
Greg Van Elsen	Financial Services Officer, BEUC	Present
Chris Vervliet	Senior Risk Advisor, KBC Asset Management	Present
Rüdiger Veil	Professor of Law, LMU Munich	Excused
Juan Manuel Viver	Financial Consumer representative	Present
Tim Ward	CEO, Quoted Companies Alliance	Present