

SUMMARY OF CONCLUSIONS

Joint meeting of the Board of Supervisors and the Securities and Markets Stakeholder Group

Date: 17 December 2020
Time: 10.00 – 12.30
Location: Phone conference system
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1. Opening remarks

The ESMA Chair welcomed everyone to the meeting. The Board of Supervisors had held its meeting the previous day and the Chair noted some of the topics that they had discussed. The SMSG Chair also welcomed everyone and noted that the new group, which has been in place since July 2020 has already delivered a remarkable output, despite the fact that there are many new members and that the group has not yet met in person.

2. Discussion on CMU action plan

ESMA Board Alternates Benoit de Juvigny and Marcus Hein provided an overview of the Capital Markets Union (CMU) action plan including the priority items from ESMA's point of view. They focussed in particular on the European Single Access Point (ESAP) and ESMA's role in it, the possible simplification of rules for SMEs, and activities related to financial education and financial literacy.

SMSG Member Sari Lounasmeri presented evidence from Finnish research and surveys on the holding times of listed shares, on financial literacy, the rights of shareholders, and the role of tax and incentives in promoting a CMU.



SMSG Member Stjepan Mandic presented the need for a CMU from the perspective of SMEs who are currently particularly dependent on local markets and bank financing. He made several recommendations to assist SMEs' access to the capital markets including reviewing fiscal incentives and disincentives, encouraging innovative financial products, and developing employee share ownership plans.

The Board of Supervisors and SMSG Members shared their views on various points raised in the presentations, especially on how to increase retail participation.

The ESMA Chair concluded by noting that there were differing points of view on how to improve retail participation, whether through financial education, easy to understand products, or through employee ownership; as well as strong interest from some for an ESAP.

3. ESMA's work on the ESRB recommendation on liquidity risk in investment funds

ESMA Board Members Carmine di Noia and Gabriela Figueiredo Dias introduced ESMA's report on liquidity risks in investment funds. The report was in response to an ESRB recommendation that ESMA coordinate with NCAs a focused supervisory engagement to assess investment funds' preparedness to potential future redemption and valuation shock. The analysis led to the identification of five priority policy areas.

SMSG Members Adina Gurau Audibert and Alexander Schindler presented several observations on the topic including on the practical elements of data gathering for the exercise and on the importance of the availability of liquidity management tools.

Members of the Board of Supervisors and the SMSG discussed the two presentations, in particular commenting on liquidity management tools, the importance of liquidity for investor trust and therefore the link with the CMU, and the impact of the COVID-19 crisis on liquidity.

The ESMA Chair concluded by noting the consensual discussion between industry and regulators with overall support for the identified policy areas. He also noted the agreement in principle that the process for data requests should be as smooth as possible ideally by reporting once to all regulators. Finally he drew attention to the good use the report had made of the data collected over the previous years.

4. Sustainable Finance

SMSG Chair Veerle Colaert presented the group's advice on the ESAs' survey on templates for Environmental and/or Social financial products under the Sustainable Finance Disclosure Regulation. She highlighted certain aspects of the advice including on the length of the templates, on the need for a summary dashboard, on the need to use well-considered colours, and on the recommendation that they should be part of pre-existing documents. She also noted that the SMSG supports the use of well-chosen graphs and icons and recommends that labels should be part of the template.

SMSG Member and rapporteur of the working group Florence Bindelle presented the group's advice on article 8 of the Taxonomy Regulation (TR). She pointed to several of the recommendations, in particular those related to methodology and data reporting, to the KPIs on turnover, CapEx and OpEx, and to the accompanying information and methodology.

ESMA Board Member Erik Thedéen commented on the advice including on the importance of striking a balance with the amount of information for investors. He highlighted the need for harmonised disclosure and described the work currently being undertaken by IOSCO in that area. He also noted that the EU is a global leader in this field.

In relation to the TR, one SMSG member wished to emphasise the need for a definition of activity as the cornerstone of all data stemming from the TR.

The ESMA Chair reflected on the discussions picking up the point about the measurement and control of data, not just its disclosure and that a big future task will be getting the detail needed for non-financial reporting just as for financial.

5. Concluding remarks

The SMSG and ESMA Chair thanked the presenters and all attendees for participating in a lively debate.