

## TERMS OF REFERENCE

### Senior Supervisors' Forum (SSF)

#### Background

1. ESMA achieves its mission to enhance investor protection and promoting stable and orderly financial markets through four activities: (i) assessing risks to investors, markets and financial stability, (ii) completing a single rulebook for EU financial markets, (iii) promoting supervisory convergence and (iv) supervising specific financial entities.
2. The Strategic Orientation 2020-2022 sets out ESMA's current focus reflecting its expanded responsibilities and powers further to the revised ESMA Regulation. It states that ESMA will continue to strengthen its capabilities to identify risks to investors and financial stability in the European Union, building further on high quality information and data.
3. The enhanced risk / problem identification exercise by ESMA, that will lead to the elaboration of a Heatmap, will ensure a risk-based approach to supervisory convergence and the prioritisation of ESMA's convergence activities to the areas where the risks and problems lie. It will also foster an EU common risk-based and outcome-focused supervisory and enforcement culture. The SSF will be at the heart of these activities and will play an important role in achieving these objectives.
4. The SSF is a forum of heads of supervision from all EEA National Competent Authorities. The SSF, in a structured and systematic approach through open dialogue, debate and constructive challenge, will identify the most important supervisory risks and problems that could require an EU response. It may also provide views on appropriate supervisory convergence tools to address these risks and problems<sup>1</sup>.
5. The SSF currently has three different compositions reflecting the diverse range and scope of security markets in the EU. They are: (i) investment services (ii) asset management, (ii) market related matters<sup>2</sup>. The SSF reports to the Board of Supervisors<sup>3</sup>.

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<sup>1</sup> Standing Committees important role is recognised in the implementation and choice of convergence tools in their respective areas.

<sup>2</sup> The risk/problem identification exercise will capture all sectors covered by ESMA under its convergence mandate. For two sectors, namely IFRS related corporate reporting and CCPs, ESMA will gather discourse from the relevant Groups with a supervisory focus already in place and hence the risk/problem identification exercise will be conducted through those [CCP SC in relation to CCPs and EECS for IFRS related corporate reporting]. The SSF on market related matters will therefore be informed of the risks/problems identified by the CCP SC in relation to CCPs, thereby ensuring a comprehensive and fulsome overview of risks and problems in the market area. Additionally, for corporate disclosure, risk/problem identification will be conducted on a written basis integrating the risks/problems identified through the EECS process.

<sup>3</sup> This ToR notes the delineation between supervisory and policy related matters, therefore any questions arising within the SSF of a policy related matter will be referred to the relevant Standing Committee, thereby ensuring a constructive, cooperative, and joined up approach to supervisory convergence



## Objectives

6. The SSF advances the objective of building a common supervisory culture and a supervisory community in the EU. The SSF plays an integral role in ensuring a risk-based approach to supervisory convergence by identifying those supervisory risks and problems that have a high potential impact on investor protection, orderly functioning of markets or financial stability and those relating to differences in the application of EU rules or in supervisory practices across Member States and hence need to be addressed from a European perspective through concerted supervision or enhanced supervisory capabilities. The SSF also has an important role in providing its input, direction and steer on cross-cutting and cross-border supervisory risks and problems that may arise and may provide its views on convergence tools to use when addressing risks and problems that require an EU wide response.

## Main functions

7. The SSF is tasked with the following functions:
  - Providing its input, direction and advice on identified risks and problems in the context of the “Risk/problem identification exercise”, that will lead to the elaboration of a Heatmap by the SSF, with the possibility to provide views to the Management Board and the Board of Supervisors on the appropriate supervisory course of action to take;
  - Based on the risk and problem identification exercise, recommending to the Board of Supervisors Union Strategic Supervisory Priorities that NCAs shall take into account when drawing up their work programmes;
  - Considering the mitigation of risks and problems identified in the Heatmap, namely the effectiveness of measures taken from an outcome-focused supervisory perspective. In particular, providing in the year subsequent to implementation, its input, direction and advice on possible follow-up action needed in respect of the identified Union Strategic Supervisory Priorities;
  - Providing direction, strategy and advice on supervisory initiatives that would require concerted supervision amongst NCAs;
  - Identify, provide advice and input in managing cross-cutting or cross-border supervisory risks and problems that may arise.
  - Overall, promote continuous discussions and development of an effective EU common supervisory culture, including innovative supervisory tools and methods, as part of a risk-based and outcome focused approach to supervision.



## **Structure**

8. The SSF is comprised of heads of supervision with significant knowledge and experience of supervising the financial services industry in their Member State. Participants hold the position of Head of Supervision or higher within the NCA. The participant is responsible for the directorate conducting day-to-day supervision of regulated entities, activities that fall within the subject matter of each SSF composition. As a general principle, the Board Member shall ensure that the nominee has the appropriate supervisory seniority, expertise and experience and may wish to nominate a different participant for the three different SSF compositions.
9. The SSF has a Chair and a Rapporteur. The Chair of the SSF fulfils also the role of the Chair of the Supervisory Convergence Standing Committee. The SSF reports to the Board of Supervisors. The responsibilities of the Chair, Rapporteur and participants of the SSF are as set out in the Procedures for ESMA groups.
10. The SSF will liaise and coordinate with other relevant groups reporting to the Board of Supervisors where its activities touch on the responsibilities of other groups.
11. Each composition of the SSF will meet at least twice a year.
12. The Chair may decide to hold meetings on other matters related to effective risk-based and outcome focused supervision, supervision in extraordinary and extenuating circumstances.
13. The SSF will provide its direction, steer and input on the Common Supervisory Handbook as needed and promote its use<sup>4</sup>.

## **Review**

14. The Terms of Reference will be reviewed every two years by the Board of Supervisors.

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<sup>4</sup> The SSF input is expected on the elaboration of the high-level principles of supervision, in line with the BoS decision of January 2020 [ESMA42-110-1938].