

## TERMS OF REFERENCE

### Committee for Economic and Markets Analysis (CEMA)

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. According to Regulation 1095/2010 of the European Parliament and Council, ESMA shall act within the powers conferred by its establishing Regulation. As stipulated in Article 32 of Regulation 1095/2010 of the European Parliament and Council, ESMA shall, in order to promote the achievement of the Authority's objective, undertake economic analysis of the markets in the area of its competence, including monitoring and assessing market developments, assessing and measuring systemic risk and other impediments to financial stability, and informing the relevant EU institutions about relevant micro-prudential trends, potential risks and vulnerabilities.
3. In order to fulfil its mission the Board of Supervisors has established the Committee for Economic and Markets Analysis. The Terms of Reference cover the responsibilities and tasks of this group and the Procedures for ESMA groups (ESMA/2011/BS/236rev 2) set out the rules concerning its structure, governance and working methods.

### Responsibilities

4. In line with the ESMA 2016-2020 Strategic Orientation (ESMA/2015/935), the Committee for Economic and Markets Analysis contributes to ESMA's mission by monitoring developments in financial markets, assessing systemic risks and providing economic background analysis for the general tasks of ESMA. In particular by:
  - *Assessing Risks to Investors, Markets and Financial Stability:*
    - o CEMA contributes to the identification, the monitoring, and the assessment of trends, potential risks and vulnerabilities in financial markets from a micro-prudential perspective and to the identification and monitoring of issues, risks and data needs related to investor protection. In performing these tasks, it pays special attention to cross-sectoral and cross-border risks, market developments at wholesale and retail levels as well as to trends in financial innovation;
    - o CEMA contributes to the regular reporting on risks and vulnerabilities to the relevant EU institutions pursuant to Art. 32 of the ESMA Regulation;
    - o CEMA contributes to the exploration and exploitation of ESMA proprietary data, by supporting ESMA work on enhancing the completeness and the quality of these data,



and by contributing to the development and generation of market indicators and risk metrics for the analytical and monitoring tasks of ESMA;

- CEMA provides its members with a systematic platform to highlight, discuss and carry out new research and analysis plans to support and enhance the functions of ESMA. It also helps to disseminate these and other relevant studies and analyses among the Committee's members and market participants.
- *Promoting Supervisory Convergence:*
- CEMA contributes to ESMA's objective of supervisory convergence by participating in the development of a harmonized framework for the assessment of systemic risks and financial stability issues in cooperation with the ESRB and other ESAs and by providing economic and risk analysis on supervisory convergence issues.
- *Completing a Single Rulebook for EU financial markets:*
- CEMA may contribute to better regulation by actively supporting ESMA's commitment to Impact Assessments of existing, planned or proposed regulation and supervisory practice, through analysing the impact of effects, including unintended side-effects.
5. In line with ESMA's product monitoring obligation under Article 39 MiFIR and its product intervention powers under Article 4 and 43 MiFIR, the Committee for Economic and Markets Analysis will put in place means to identify potential investor protection concerns, threats to the orderly functioning and integrity of financial/commodity markets and to the stability of the financial system and, where appropriate, assess them in accordance with the agreed methodology and procedures or refer them to another committee for such assessment.
6. The Committee for Economic and Markets Analysis shall liaise and coordinate with other relevant groups reporting to the Board of Supervisors where its activities relate or are complementary to those of other groups. To this purpose, the Committee for Economic and Markets Analysis may, as appropriate, also support other Standing Committees by providing economic analysis on their specific requests.
7. The Committee for Economic and Markets Analysis can make suggestions and recommendations as to how these trends, risks, and vulnerabilities should be taken into account by ESMA concerning regulation and supervision, as well as the organization of its activities.

### **Structure and governance**

8. The responsibilities of the Chair, rapporteur and members of the Committee for Economic and Markets Analysis are as set out in the Procedures for ESMA groups.
9. Permanent or temporary groups reporting to the Standing Committee may be set-up when required in line with the Procedures for ESMA groups.
10. The Committee for Economic and Markets Analysis has established a Consultative Working Group, the Group of Economic Advisers. Alternatively, it may rely on assistance of CWGs established by other Standing Committees where it is appropriate and suitable.



11. The Committee for Economic and Markets Analysis has established no permanent working groups.
12. The Committee for Economic and Markets Analysis will meet on a regular basis as required in order to deliver ESMA's (multi-) annual work programme. Meetings of substructures will be organised as necessary to enable the Committee to fulfil its tasks.

**Review**

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