

ESMA's New Strategic Orientation

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Natasha Cazenave
Executive Director

Good morning, everyone, and many thanks for inviting me to speak at this important annual conference. It is a great pleasure to be with you today in person. I am particularly excited because this is the first time, I can present ESMA's new 2023-2028 strategy which was published last Monday. I will walk you through our three strategic priorities and two transformational drivers which will be guiding our work in the medium term.

But while the new strategy sets the course for ESMA over the next five years, it is impossible to ignore the turbulent economic and political environment in which it has been developed.

As we were just beginning to see a recovery from the Covid-19 pandemic, the Russian invasion of Ukraine has introduced severe risks into the European economy.

We are seeing very high and volatile prices in the energy markets, which is adding fuel to already existing inflation pressures. As these developments are being met by strong monetary policy responses, we are witnessing the end of several decades of very low interest rates and heightened volatility in financial markets.

Considering the high levels of public and private debt in Europe, this change of monetary policy is making a mobilisation of market-based equity financing essential to support economic growth.

Building more efficient, robust and resilient EU markets, capable of providing sufficient private funding, is necessary to support the sustainable development of the EU economy. Hence our first strategic priority : to foster effective European financial markets and financial stability.

Achieving effective markets and financial stability also requires strong and consistent supervision. That is why our second strategic objective is to strengthen EU supervision by promoting commonly shared principles of risk-based, data driven and outcome-focused supervision at EU and national level.

Finally, our third strategic priority focuses on the outcomes of supervision and regulation for investors and especially retail investors. Our goal is to enable retail investors to safely participate in financial markets and rely on high quality regulatory information.

In addition to these three priorities – markets, supervision, and retail – our work will continue to be shaped by two drivers which are transforming the financial markets : on the one hand the transition to a more sustainable economy, and on the other data and technological innovation.

Sustainability is already embedded in all of our activities. We are strongly committed to do our part to contribute to the sustainable finance agenda and have already published a detailed roadmap. By promoting transparency, tackling the risk of greenwashing, building supervisory

capacity and actively monitoring risks, we will continue to support the transition to a more sustainable economic and financial system.

Meanwhile, technology is impacting the way financial market participants operate and creating new challenges and opportunities both for the supervisory and regulatory side of ESMA's work. Harnessing the power of new tools and technologies will be key for ESMA to be able to deliver on its mandates. Last but not least ESMA intends to further strengthen its role as a data hub and to contribute to extending the effective use of data across financial market supervision.

Given that the agenda of this conference I will focus today on the priorities most relevant for the wholesale markets, but that is certainly not to say that retail investor protection is less important. Ensuring we keep the focus on the end investor, on his/her needs will be very much at the core of our activities.

1 Effective markets and financial stability

That **effective markets and financial stability** remains a strategic priority for ESMA, should come as no surprise. In this environment, it is more important than ever that the single market is resilient to economic shocks while stimulating sound and sustainable growth for the future. Improving access to a diverse range of funding and investment possibilities remains a priority for ESMA.

To contribute to the development of a deep, efficient, liquid and accessible EU single market in financial services and its enhanced attractiveness, we will continue to develop and streamline the Single Rulebook while aiming to ensure its consistent application and effective supervision across the Union.

ESMA will be driving forward key elements of the **capital markets union** (CMU) including the European Single Access Point: “ESAP”. ESAP, which is to become a public one-stop-shop for financial and sustainability-related information on companies and investment products. The Commission has proposed that ESMA play a central role in the development and maintenance of the ESAP which will help investors have access to information they need to make informed investment decisions and give companies better visibility.

Another important element, in the context of the MiFIR Review, will be the consolidated tape which will provide access to centralised information on transactions taking place on trading platforms across the EU. While some details relating to scope and phasing still need to be hammered out, we look forward to delivering on this important project.

Both of these new responsibilities will be challenging, but we welcome the central roles that have been envisaged for ESMA to a) build and operate the ESAP and b) select, authorise and supervise the consolidated tape providers.

Looking further ahead, we are looking forward to the Commission proposal on the Listings Act which should help improve access to capital for issuers.

Recent events also highlight the importance of **ESMA's financial stability mandate**, which is the other leg of this objective which has been further reinforced with the additional responsibilities granted to ESMA in relation to CCPs by EMIR. In this high risk environment we will continue to actively monitor markets, identify emerging risks, engage with other EU and international institutions and counterparts and coordinate responses where appropriate with the national competent authorities.

2 Strengthening and integrating supervision of EU financial markets

This leads me to ESMA's second strategic priority which is about **strengthening supervision of EU financial markets**.

As the single rulebook has expanded significantly in the past decade and continues to expand into new areas such sustainable finance or crypto assets, it is essential to ensure consistent interpretation and supervision of the single rulebook across the single market. That's why, it is a key ambition for ESMA, over the next five years, to build a common EU supervisory culture based on shared principles of being risk based, data driven and outcome-focused.

We aim to do so regardless of where the supervisory responsibility lies. In most cases, the supervisory responsibility will be in the hands of national supervisors. In a limited number of cases, it will be at the EU level and in some other cases, ESMA and National authorities have shared responsibilities.

Where supervisory mandates are shared between ESMA and national supervisors, close cooperation is of course critical. In the case of market data for example, national authorities supervise the reporting entities, whereas ESMA supervises the infrastructure receiving, validating and redistributing the data. In these areas, achieving the desired data integrity, consistency, completeness, timeliness and availability requires close cooperation with national supervisors.

As for ESMA, going from just supervising CRAs, a decade ago, to now also supervising, trade- and securitisation repositories, Data reporting service providers, Tier2 third-country CCPs and critical benchmark administrators, has changed the organisation. So, the ambition of creating a common culture and approach very much starts within ESMA itself.

In practice, this for example means coordinating supervisory priorities for the different entities which fall under our supervisory umbrella. This is reflected in our annual workplan for 2023, in which we have identified IT outsourcing arrangements and cyber resilience as a supervisory area of focus across our mandates.

3 Effective use of data and technological innovation

This brings me to the last topic I want to cover today: **effective use of data and technological innovation.**

It is hard to overstate the importance of data within ESMA. In September alone, ESMA processed approximately 2,1 TeraBytes of market data through our systems.

Data and reporting are key components of financial legislation. Overall, the existing framework provides a robust base for the use of data in the financial sector, including by ESMA and national supervisors to deliver on their mandates. However, ensuring continued agility and adaptability of the EU framework is key to making a data-heavy environment an advantage rather than a challenge for both the public and private sectors.

Data feeds into all of our business processes in a wide range of ways and thus interacts with each of our strategic priorities. Data is a prerequisite for the design of evidence-based policies. We use, for example, transactions data reported under EMIR to determine which classes of derivatives should fall under the central clearing obligation. It also helps evaluating policies after implementation. For example, we used EMIR and MiFIR data as a basis for ESMA recommendations to the Commission on the EU carbon markets.

Data also helps detect risks and allocate supervisory resources effectively. In some instances data may help reduce compliance costs if the same data can feed into multiple reporting and transparency obligations, while also facilitating the improvement of data quality.

ESMA's data activities encompass the entire lifecycle including data governance, standardisation, data quality and analysis, sharing and publishing statistical data as well as supervising data reporting infrastructures. By prioritising work on data, we also aim to facilitate the use of data and alleviate information asymmetries that could, otherwise, hinder the ability of market participants to take informed decisions.

Beyond data, there will be significant amount of work to ensure we fully grasp the impact of technological innovation on financial markets and whether the regulatory and supervisory framework remains fit for purpose.

In the interest of time I will not develop further here but I cannot talk about our 5 year priorities without mentioning two key pieces of legislation from the Digital Finance package which will have a significant impact on our work going forward: MICA and DORA.

A key risk which has been brought back into centre-stage by the war in Ukraine is cyber-security. With a political agreement on DORA, we are now ready to start the work on operational resilience together with the other European Supervisory Authorities.

Similarly we welcome the progress made towards the adoption of MICA. We have seen the high risks crypto-assets represent particularly for retail investors both in terms of potential losses but also aggressive marketing. In this context, having a legal framework on crypto-assets in place is an important first step. A lot of work remains to be done and we are prepared to deliver in close cooperation with our colleagues from the EBA.

4 Conclusion

I started out by listing some of the big challenges we are facing right now. There is no denying that we are living in challenging and exceptional times. We can no longer take cheap energy and low inflation for granted. Nor can we treat climate change as a slow-moving and distant phenomenon or ignore the increasing pace of digitalisation and innovation.

While these may seem daunting, we should not forget the challenges we



have already overcome, including the sovereign debt crisis, Brexit and just recently COVID.

At ESMA we now have a clear compass for what we hope to achieve in the next five years but as always we will remain vigilant to be able to respond to emerging risks and support enhanced investor protection and stable and orderly markets.

Thank you for your attention