



# SPOTLIGHT ON MARKETS

SEPTEMBER 2021 N°27

**ESMA unveiled its  
workstreams for 2022.  
What made the cut?**

## **ESMA IN SEPTEMBER**

2022 Annual Work Programme,  
ESMA fines trade repository, and  
Cloud outsourcing and financial  
stability risks - TRV

## **PUBLICATIONS**

Your one-stop-shop  
information source in the  
world of EU financial markets  
brings together the latest  
reports, proposals and  
statements.

## **THE MONTH AHEAD**

The speaking appearances of  
ESMA staff in October cover  
topics like Sustainable  
Finance, ESMA Regulation,  
CCP and Fund Management.

# IN THIS ISSUE

In the context of important changes for ESMA with its brand new powers and senior management as well as significant growth in staff numbers, the question everyone had was “What is ESMA going to focus on next year?”

The key areas for 2022 were set out in the [Work Programme](#) and include: the exercise of new, and existing, supervisory powers for benchmarks and data service providers as well as central counterparties; its contribution to the European Union (EU) priorities on the development of the Capital Markets Union, sustainable finance and innovation; and the convergence of supervisory and regulatory practices across the EU.

Your one-stop-shop in the world of EU financial markets also focuses on the [enforcement case](#) against trade repository UnaVista Limited, and on one of the articles included in the latest [Trends, Risks and Vulnerabilities Report](#) – “Cloud outsourcing and financial stability risks”.

Other publications: the [letter to the European Commission to delay buy-in rules](#); the [consultation on proposals for improvements to the MiFID II framework on best execution reports](#); the [consultation on the review of the Short Selling Regulation](#); the [opinion on how access to and use of credit ratings](#); and new [Q&As](#).

A full overview of all publications can be found in the newsletter, together with information on next month’s closing consultations and vacancies. For updates, follow us on [Twitter](#) and [LinkedIn](#).

## ESMA IN SEPTEMBER

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2022 ANNUAL WORK PROGRAMME

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# 2022 Annual Work Programme

## ESMA to focus on Supervision, Sustainability, Digitalisation and the Capital Markets Union in 2022

On 28 September, ESMA published its 2022 Annual Work Programme (AWP), setting out its priority work areas for the next 12 months to deliver on its mission to enhance investor protection and promote stable and orderly financial markets.

The 2022 AWP has been developed at a time of significant change for ESMA with its new powers and responsibilities, growth in staff numbers and senior management changes. The key areas of focus for 2022 include: the exercise of new, and existing, supervisory powers for benchmarks and data service providers (DRSPs) as well as central counterparties (CCPs); its contribution to the European Union (EU) priorities on the development of the Capital Markets Union (CMU), sustainable finance and innovation; and the convergence of supervisory and regulatory practices across the EU. In addition, it will continue to monitor the impact of the United Kingdom's withdrawal from the EU on the evolution of EU and global capital markets.

Natasha Cazenave, Executive Director, said:

“ESMA faces another year of change and challenge in 2022, with new supervisory powers for benchmarks and data service providers, significant contributions expected to support the EU's priorities through single rulebook and supervisory convergence work and further enhancements to our role as an EU capital markets data hub.

This is an ambitious work schedule that aims to respond to the challenges faced by the EU, its capital markets, and its citizens. This includes developing the retail investor base to support the Capital Markets Union, promoting sustainable finance and long-term oriented markets, and dealing with the opportunities and risks posed by digitalisation and innovation in the financial sector.



Cross-Cutting  
Themes



Supervisory  
Convergence



Risk  
Assessment



Single  
Rulebook



Direct  
Supervision



Capital Markets Union



Sustainable Finance



Innovation and  
digitalisation

# ESMA 2022 WORK PROGRAMME – WORKSTREAMS

## Cross-Cutting Themes



### Capital Markets Union



work on the European single access point and EC initiatives to facilitate SMEs access to public markets



### Sustainable Finance



develop rules on ESG disclosures and risk identification methodology for ESG factors



### Innovation and digitalisation



contribute to the implementation of DORA and MiCA and the regulation on a pilot regime for market infrastructures based on DLT



work with NCAs and market participants to counter cyberthreats



### Supervisory Convergence



contribute to a risk-based, consistent and coordinated approach to supervision in the EU → Union Strategic Supervisory Priorities



### Risk Assessment



strengthen its risk identification work and co-operation with NCAs, EU and international public authorities through its proprietary financial market data



ESMA's new co-ordination role on mystery shopping to provide insights on misconduct across the EU



### Single Rulebook



contribute to the reviews of the Prospectus and Transparency Directives, MiFID II/MiFIR, PRIIPS, SSR, and CSDR



maintain transparency



contribute to the EU retail investment strategy



### Direct Supervision



focus on the new entities coming under ESMA's direct supervision: critical benchmarks, DRSPs, and Tier 2 CCPs

# ESMA fines UnaVista Trade Repository €238,500 for EMIR data failures

On 23 September, ESMA fined trade repository UnaVista Limited €238,500 for eight breaches of the European Market Infrastructure Regulation (EMIR). The breaches relate to failures in ensuring the integrity of data and providing direct and immediate access to regulators. The breaches, committed between 2016 and 2018, were found to have resulted from negligence on the part of UnaVista.

Anneli Tuominen, Interim Chair, said:

“Today’s action against UnaVista emphasises the importance ESMA places on trade repositories complying with their obligations on data integrity and regulatory access.

The provision of timely and accurate data to CCP and derivatives markets supervisors is an essential requirement in facilitating the monitoring and identification of systemic risk in EU derivatives markets.

## Data Integrity

UnaVista failed to ensure the integrity of the data reported to it due to various data processing incidents, including:

- incorrect field ordering logic;
- incorrect mapping rules; and
- crossed date boundaries.

## Direct and immediate access



The trade repository also failed to provide direct and immediate access to regulators by:

- generating incorrect or unreliable reports for regulators, due to incorrect field ordering logic, incorrect mapping rules and crossed date boundaries; and
- not providing regulators with direct and immediate access to trade state reports and historic trade state reports, due to missed data exports and to non-existent functionality respectively.

In calculating the fine, ESMA considered both aggravating and mitigating factors provided for in EMIR and the common root causes for some of the infringements were taken into account.

## Next steps

UnaVista may appeal against this decision to the Joint Board of Appeal of the European Supervisory Authorities. However, such an appeal does not have suspensive effect, although it is possible for the Board of Appeal to suspend the application of the decision in accordance with Article 60(3) ESMA Regulation.

# Cloud outsourcing and financial stability risks



**On 1 September, ESMA published its second Trends, Risks and Vulnerabilities (TRV) Report of 2021. One of its in-depth articles analyses the growing use of cloud service providers (CSPs) by financial institutions and how the concentration of those providers can create financial stability risks in case of outage.**

The analysis suggests that CSPs need to be significantly more resilient than firms to improve the safety of the financial system. In financial settings where only longer outages cause systemic costs, the results suggest that CSPs can best address systemic risks by strongly reducing the time it takes to resolve incidents, rather than by reducing their frequency. The analysis also shows that using a back-up CSP

successfully mitigates the systemic risk caused by CSPs.

## Increasing trend in the use of CSPs

While cloud computing is still a topic of research, it has become key to the digital economy. Cloud computing is an innovation that allows for the use of an online network (the cloud) of hosting processors to increase the scale and flexibility of computing capacity. The use of cloud services by financial institutions has risen in recent years, as firms are increasingly outsourcing parts of their IT infrastructure. The increasing trend has been further accelerated by the COVID-19 pandemic, as firms have had to set up remote working facilities.

There are many benefits associated with using cloud computing in the financial system. For example, cloud computing can lead to reductions in the cost of IT development and maintenance, increased flexibility and operational efficiency, enhanced information security. In turn, this can increase the resilience of financial institutions, as they invest heavily in security and spread their infrastructures across geographical areas.



### High degree of concentration with CSPs

Although migrating to the cloud provides a range of benefits to firms, it can also raise challenges at both firm level and at the level of the wider financial system. Given that only a limited amount of CSPs can meet the high standards of resiliency requirements that financial institutions demand, there is a high concentration in the provision of cloud services within the financial sector. In this context, it is plausible that a sufficiently large number of financial institutions become dependent on a small number of CSPs, meaning that operational incidents may become more correlated. Concentration risk in this context is thus a form of systemic risk.

Put differently, the high degree of concentration with CSPs might create financial stability risks if CSPs were to suffer an outage that affected their clients, as the likelihood of simultaneous outages might increase.

### Options to mitigate the systemic risk

ESMA has looked at options that may play a role in mitigating this risk. First, if CSPs are substantially more resilient than individual firms, systemic risk could decline as the additional resilience gained by using CSPs more than compensates for concentration risk. Secondly, multi-cloud solutions, where firms use one CSP and then another as backup may significantly reduce systemic risk. This will only happen, however, if the different CSPs or groups of resources have limited shared vulnerabilities. It is also important to bear in mind that mitigation options are likely to involve costs, and so the optimal solution may be to tolerate a certain level of risk.



Given the ubiquity of CSPs and continuing migration to use of their services it is crucial for policymakers and market participants to assess the benefits and risks of outsourcing to CSPs. An important example in the EU is the proposed Digital Operational Resilience Act, which envisages a mandate for the European Supervisory Authorities, working with other authorities, to oversee third party providers of critical financial services to address related systemic risks.

**[Click here to read the full article.](#)**

# PUBLICATIONS



Click to read the news items

**30**  
Sept ESMA is seeking economic advisors in renewal of stakeholder group

**24**  
Sept ESMA recommends to European Commission to delay buy-in-rules

**30**  
Sept New Q&As available

**24**  
Sept ESMA consults on the review of the Short Selling Regulation

**30**  
Sept ESMA calls for legislative changes to improve access to and use of credit ratings

**24**  
Sept ESMA consults on proposals for a review of the MiFID II best execution reporting regime

**29**  
Sept MiFID II Review Report on algorithmic trading

**23**  
Sept ESMA fines UnaVista trade repository €238,500 for EMIR data failures

**28**  
Sept ESMA to focus on supervision, sustainability, digitalisation and the Capital Markets Union in 2022

**8**  
Sept ESAS highlight risks in phasing out of crisis measures and call on financial institutions to adapt to increasing cyber risks

3  
Sept ESMA announces hearing  
on EMIR Reporting  
Guidelines

1  
Sept ESMA sees risk of market  
corrections in uneven  
recovery

1  
Sept ESMA announces hearing  
on CCP recovery regime  
consultations

24  
Aug ESMA consults on  
suitability assessments of  
DRSP management body  
members

6  
Aug Report on the use of  
FinTech by Central  
Securities Depositories

 Missed any ESMA publications? Check out [the full list](#) of news items on our website.



# SPEAKING APPEARANCES

by ESMA staff in October

	EVENT	ORGANISER	SPEAKER
6 Oct	BPP Oversight Committee (OC) Annual Open Forum	BBPG Oversight Committee	Valerio Novembre
6 Oct	7th Luxembourg FinTech conference	University of Luxembourg	Claudia Guagliano
7 Oct	ETF & Indexing Forum (11th Annual Edition)	L'AGEFI	Chantal Sourlas
8 Oct	AFME's 5th Annual European Compliance and Legal Virtual Conference	The Association for Financial Markets in Europe (AFME)	Natasha Cazenave, Executive Director
11 Oct	IIF Annual Membership Meeting	The Institute of International Finance (IIF)	Steffen Kern
12 Oct	ICI Global Webinar: Ongoing Charges for UCITS in the EU	Investment Company Institute (ICI)	Steffen Kern
18 Oct	AFME's 14th Annual European Post Trade Virtual Conference	The Association for Financial Markets in Europe (AFME)	Klaus Löber, Chair, CCP Directorate

	EVENT	ORGANISER	SPEAKER
19 Oct	Banque de France Green Finance Webinar	Banque de France	Stephen Hynes
20 Oct	Annual FMA supervisory conference: A sustainable way out of the crisis	Financial Market Supervision in Austria (FMA)	Natasha Cazenave, Executive Director
20 Oct	AIFMD Webinar	The Malta Financial Services Authority (MFSA)	Carlos Aparicio
21 Oct	2nd EACH CCP Risk Management Summit	The European Association of CCP Clearing Houses (EACH)	Klaus Löber, Chair, CCP Directorate
21 Oct	ISDA EU Regional Conference	International Swaps and Derivatives Association (ISDA)	Johanna Lednicka

# CONSULTATIONS



Closing

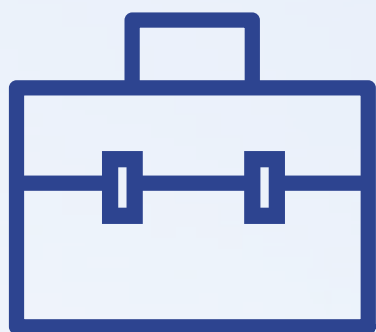


19/10/21

Guidelines on certain aspects of the  
MiFID II remuneration requirements

The full list of consultations and reply forms  
can be found on the [ESMA consultations page](#)





# OPEN VACANCIES

## POSITION

## DEADLINE

Traineeship notice – Legal  
profile (F/M)

**Open call**  
(without a specific deadline)

Traineeship notice –  
Transversal profile (F/M)

**Open call**  
(without a specific deadline)

Traineeship notice -  
Financial Markets Profile  
(F/M)

**Open call**  
(without a specific deadline)

All open vacancies can be found on [ESMA's recruitment portal](#)



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