

## **Statement by Steven Maijoor**

### **Chair, European Securities and Markets Authority (ESMA)**

#### **Economic & Monetary Affairs Committee**

#### **European Parliament**

Mr. Chairman, honourable members of ECON,

In presenting ESMA's work and achievements over the last year, and looking forward to where we go next, I think it is important to tie these to our founding objectives. They are the reasons why the European Parliament, along with the Council and Commission, created ESMA in the first place: to enhance investor protection, and to ensure the stability and orderly functioning of financial markets.

We achieve these objectives in two main ways: by writing the single rulebook for financial markets and then ensuring this rulebook is applied consistently throughout the EU, either by fostering supervisory convergence or through direct supervision of credit rating agencies (CRAs) and trade repositories (TRs).

Let me turn first to our single rulebook activity. Over the last year, on the basis of mandates in primary legislation, we have issued more than 100 draft technical standards and pieces of advice. All of these contribute to promoting greater transparency in financial markets and improving the conduct of market participants which is the key theme running through all the Level 2 work we have delivered under, for example, MiFID II/MIFIR, MAR, EMIR, CRA and CSDR.

In drafting rules which shine light on financial markets, ESMA addresses the asymmetries of information to help both retail and sophisticated investors to make better, fairer choices and to enable regulators to supervise more effectively. Before issuing new rules, we need to carefully balance the costs and benefits and get the facts right as they will have an important impact on financial markets. For example, in the case of pre and post-trade transparency requirements under MiFID II/MIFIR, we have undertaken a large data collection and analysis exercise in cooperation with national regulators. I would like to thank the ECON committee for sharing its views on the pre and post trade transparency standard, as well as on

important other MIFID II/MIFIR topics like position limits, ancillary activities, and access to CCPs. I will ensure that the final deliberations of the Board of Supervisors later this month will take these views into account.

Consultation and communication is vitally important to ESMA's rule making. We have consulted extensively with our many stakeholders, providing ongoing opportunities, through different channels, for stakeholders to give their views: through the Securities and Markets Stakeholder Group, open hearings, public consultations, and meetings with associations from across the spectrum.

In addition to technical implementation measures, ESMA's single rule book activities have also contributed to broader issues like improving the various funding channels of EU capital markets. We have given advice to the European Commission on crowd funding, securitisation, and European Venture Capital Funds – which aim at ensuring that the asset management industry can play an even bigger role in the financing of companies. We have also contributed to the wider debate on the Capital Markets Union (CMU) and our response contains specific proposals on where improvements could be made in relation to investor access to credit information for SME's and increasing cross-border retail participation in investment funds such as UCITS.

Our role in developing the single rulebook provides a vantage point from which to identify early on where consistent application, and common approaches and systems are most needed. For MiFIR we identified the need for a central IT system which will collect data on financial instruments from around 300 trading venues across the EU, calculate transparency and liquidity thresholds, and publish all of this information in one place. We are also building a single platform which will provide regulators with one access point to the millions of derivative transaction reports filed with different trade repositories.

These projects represent a clear EU cooperative solution to support the single market. They are expected to produce important harmonisation benefits and real cost savings, compared to the alternative of each Member State building its own system, which will mean a lower burden for regulators, market participants and, ultimately, EU taxpayers. The projects will also make an important contribution to supervisory convergence by improving data quality for markets and regulators. This leads me to the next arm of ESMA's activities.

As I said, a truly integrated EU capital market requires both a single rule book as well as harmonised supervisory practices. Therefore ESMA deploys a range of tools to promote supervisory convergence. We have published the results of, and are working on, a range of peer reviews covering such topics as High Frequency Trading, the prospectus approval process, and fair, clear and not misleading information. We have increased the use of on-site visits to regulators to obtain a better insight into national supervisory practices. The results, in general, show that a single rule book does not automatically imply consistent national practices and that further convergence work is vital. In addition to peer reviews, we have also used less resource intensive convergence tools like Q&As and opinions. We have issued opinions on such topics as short selling measures and pre-trade transparency waivers.

I will now turn to our supervisory role which is crucial in reducing risks to investors and financial stability. Our direct supervision of CRAs has contributed to increasing the transparency around their functioning and ensuring that their methodologies meet the regulatory requirements. We continue to identify areas for improvement, for example in June this year ESMA imposed its first fine on a CRA, in this case for internal control failings. In addition, we have worked on removing the hardwiring of credit ratings in contracts and legislation to reduce the risk of over-reliance on ratings.

This year, we have moved closer to, what you could call, a “Derivatives Union”, with a high level of consistency and coordination across the EU, both regarding regulation and supervision of the derivatives market. Transparency is the cornerstone of a safe derivatives market and six trade repositories (TRs) are supervised at EU level by ESMA. The volume of data they receive is impressive, around 300 million trade reports are now submitted to the TRs on a weekly basis, and as part of our supervisory role we will continue to promote better quality data and improved access for regulators.

ESMA participates in all colleges of supervisors of the 16 EU CCPs, which play a key role in achieving consistent supervisory practices. As mandated under EMIR, we have also taken the first three decisions to approve changes to the models that CCPs’ use to calculate margins. This approval at EU level is essential in achieving a level playing field for EU CCPs.

ESMA celebrates its 5<sup>th</sup> birthday in 2016 and by then the bulk of work in building the single rulebook, resulting from the post-crisis regulatory reform, will have been completed. In line with our Strategic Orientation 2016-2020, ESMA’s focus is shifting to implementation: we will allocate more resources to supervisory convergence activities and reduce them for single

rulebook activities. We know there is substantial room for greater convergence, and the goal, which will underpin our future work in this area is to increase support for convergent practices upfront, at the time when rules are being implemented and to rely less on ex post reviews which often imply remedial work. In short, this means a shift to a more proactive approach to applying the new single rule book consistently.

Finally, let me return to the topic of CMU. Ensuring stability and investor protection were the two main drivers of the regulatory response to the financial crisis. However, regulatory reform, as well as building a single rule book, also provides opportunities for integrating EU capital markets. So the consistent implementation of the regulatory reform should be an important building block of the CMU.

Thank you for your attention.