

Statement

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Chair

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Economic & Monetary Affairs Committee

European Parliament

Dear Chairman, honourable Members of the European Parliament,

I am grateful for the opportunity to present again ESMA's work over the past 12 months and share with you my thoughts on the key issues ESMA expects to face in the future. Before I do so, I would like to thank you for your ongoing support and constructive cooperation over the last five years. Your backing has been important in enabling ESMA to become a strong organisation focused on its mission of enhancing investor protection, and ensuring the stability and orderly functioning of financial markets.

The last 12 months have been one of the most intense periods for ESMA to date, which I will illustrate for ESMA's four core activities: completing the single rulebook, promoting supervisory convergence, risk assessment and supervision.

Single Rulebook

I will start with our single rulebook activity. Over the last year we have finalised and published more than 80 draft technical standards, pieces of technical advice and opinions. I sincerely believe these rules have significantly contributed, along with the long-standing efforts of EU co-legislators and the regulatory community in Europe, towards making financial markets safer, more transparent and, equally important, deeper and more competitive. In developing these level 2 measures, I believe ESMA has shown both the commitment and technical expertise the co-legislators sought when they gave ESMA its legal mandates.

In this context I would like to underline that in the last 12 months ESMA has also demonstrated a readiness to reconsider certain initial draft standards in light of the underlying policy directions set in the level 1 text. Notably, we issued three Opinions on draft rules under MiFID II, one Opinion on a draft MAR standard, one Opinion on a draft CRR standard and one on a draft EMIR standard.

To successfully achieve the single rulebook, it is important that we keep pace with the finalisation of the technical standards. I think we can all agree that well-drafted and timely endorsed technical standards, taking into account the deadlines set out in our founding Regulation, will help all involved to prepare for their implementation.

Supervisory Convergence

ESMA published earlier this year its first Supervisory Convergence Work Programme, which is one of the results of ESMA's Strategic Orientation 2016-2020. This was an important step for ESMA in two respects: it facilitated the swift implementation of regulatory measures by national supervisors and market participants and it provided structure for various ESMA activities related to monitoring national supervision where a uniform approach suits the CMU objectives. Some excellent examples from the last year include: peer reviews on prospectuses and suitability requirements under MiFID, and a substantial number of guidelines and questions and answers, clarifying the application of legislation for national authorities and market participants.

In addition, ESMA has contributed significantly towards making the EU financial market open to institutions from non-EU jurisdictions. The extensive advice we gave to the Commission on the 3rd country passport under the AIFMD, the successful recognition process of 3rd country CCPs, to name but two, have proven ESMA's technical expertise and capabilities in the area of non-EU market access.

In relation to implementing measures supported through our supervisory convergence activities, I would like to draw your attention in particular to the central IT system that ESMA is building with national competent authorities, essentially for MiFIR purposes. Through this project and some other similar IT initiatives I believe ESMA is significantly contributing to achieving cost-efficiency at EU-level while at the same time enhancing the quality of reported data. We have dedicated significant resources to developing expertise on data reporting, are increasingly active on

international standardisation projects, and have launched several initiatives to rationalise reporting. We firmly believe that improving data quality and caring about reporting costs are objectives that can be aligned.

Risk assessment

Let me now turn to our risk assessment activities. A few months ago ESMA successfully launched its first CCP stress-tests, which in my opinion constitutes yet another example of our expertise in analysing systemic risks from a macro-prudential perspective. Furthermore, ESMA has progressed in investigating new developments related to fintech, which is among the key topics your Committee has been looking at. While recognising the potential benefits of such developments, ESMA also remains alert to ensuring consumers are protected when obtaining financial services in all its forms, including the most innovative ones. In the area of investor protection, I also would draw your attention to warnings and other publications made by ESMA in recent months, namely the reminder on the distribution of instruments subject to the bail-in regime as well as the warning to retail investors about binary options, contracts for difference and other speculative products. The latter was a result of enhanced cooperation between ESMA and national supervisory authorities, as the reported misselling of such products have been of a cross-border nature.

Supervision

Finally, I would highlight ESMA's direct supervisory tasks. I believe we have established not only effective supervisory processes but also successfully implemented a robust enforcement process. Our most recent

enforcement case against Fitch Ratings Ltd resulted in a €1.4 million fine, following another case earlier in 2016 where ESMA took its first enforcement action against a TR by fining DTCC Derivatives Repository Ltd €64 thousand for data access failures. I see our ability to impose sanctions to be an important deterrent tool in combatting misbehaviour by regulated firms.

However, in my view, the fines which ESMA can currently impose on CRAs and TRs are too low to fully serve this purpose. ESMA believes that the right way forward would be to calculate fines as a minimum percentage of the turnover of the CRA or the TR. I would very much appreciate the Parliament's support on this matter.

The future

Looking to the future, there is one key issue I would like to invite you to reflect upon: the CMU. The CMU is essential for the continued success of the European economy and for this reason it should be progressed without pause. As the CMU has been designed as an EU-wide project, my view is that it should make no difference to its importance whether 27 or 28 EU Member States will participate in it. Therefore, ESMA, as a well-established EU regulator, will remain committed to supporting the objectives of the CMU within its mandate and powers, paying particular attention to consumer protection, financial stability and orderly markets.

Thank you for your attention.