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**Ref: ESMA's response to the Targeted Consultation on the European Single Access Point (ESAP)**

Dear Mr Berrigan,

On 20 January 2021, the European Commission (EC) published a targeted consultation on the establishment of a European Single Access Point (ESAP) for financial and non-financial information publicly disclosed by companies. The European Securities and Markets Authority (ESMA) would like to thank you for the opportunity to contribute to this consultation.

In ESMA's view, a single access point for companies' information is one of the key missing components of the EU Capital Markets Union (CMU), as also acknowledged by the EC CMU New Action Plan<sup>1</sup>. ESMA is fully supportive of the ambition to set up the ESAP and stands ready to support the Commission in this project.

Whilst we have provided detailed input to the consultation questions that are relevant to ESMA, we wish to convey some overarching remarks, with the objective of ensuring that the ESAP will be an impactful and successful project which fulfils the ambitions of the CMU.

*Phased approach*

ESMA fully supports the ambition of the EC to provide better access to company information at European level in order to actively promote integration of European capital markets. However, ESMA encourages the Commission to carefully weight the scope of the ESAP versus

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<sup>1</sup> COM/2020/590 final, COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS A Capital Markets Union for people and businesses-new action plan, 24 September 2020

feasibility / operability considerations and to give due consideration to who the targeted users of the ESAP are.

ESMA thinks that there is a clear and pressing business case for increased transparency and ease of access to company financial and non-financial information, which would help attracting cross-border investments and improve the visibility of information of less known entities, including smaller or medium-sized entities. With this in mind, ESMA thinks that users of the ESAP should be primarily expected to be investors on capital markets.

Therefore, ESMA recommends that the Commission adopts a phased approach, starting with a targeted scope for which there is a clear and pressing business case, whilst ensuring future scalability to allow the scope to be further enlarged in the future. ESMA highlights that a phased approach was also recommended by the High Level Forum on the CMU<sup>2</sup> and would allow satisfying and securing first the most urgent needs.

#### *Scope and usability of the ESAP*

ESMA deems that three considerations should drive the prioritisation of the documents to be included in each phase of the development of the ESAP.

First, as discussed, the first phase of the ESAP should give priority to financial and non-financial documents prepared by companies with access to capital markets. In ESMA's view, as of today, this is one of the key sets of data that is missing among the data that is collected and published at European level. This would be consistent with the ambition of the CMU project, which aims "to further facilitate the use of market funding and to help companies make use of all available funding sources", and with the views expressed by the High Level Forum.

Secondly, the full benefit of a single depository can be reaped only if information included therein is comparable in terms of content (i.e. prepared on the basis of the same or similar standards or requirements) and rendered in a structured / machine readable format. In ESMA's view, these are the necessary conditions for information to be easily consumable by cross-border investors, who need to be able to access information in several languages, and automatically extract large amounts of data in a seamless way, based on precise definitions of terms and concepts.

Thirdly, the inclusion of a set of documents in the ESAP should be accompanied by the development of data quality checks and the establishment of a clear data governance (i.e. clarity about who owns the data and who enforces data quality). In ESMA's view this is fundamental in order to ensure usability of the data and the protection of investors. ESMA also wishes to highlight, however, that developing data quality checks implies the need for large-scale IT systems to run such checks and therefore creates operational complexities which should not be underestimated. This is the case especially if data quality checks are performed

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<sup>2</sup> Final Report of the High Level Forum on the Capital Markets Union - A new Vision for Europe's capital markets, 10 June 2020

at the time of submission of information by the preparer – which in ESMA’s view is the sole way for enforcers to ensure proper data quality. ESMA highlights that overstressing operational capacities at the beginning risks jeopardising the success of the whole initiative.

In light of these considerations, ESMA thinks that it is most urgent that the ESAP provides central access to information related to the Transparency Directive, the Accounting and Non-Financial Reporting Directive (in so far as these directives require public disclosures from companies with securities admitted to trading on regulated markets), the Shareholders Rights Directive, the Market Abuse Regulation, the Takeover Bids Directive and the Prospectus Regulation. ESMA highlights that the High Level Forum on the CMU came to similar conclusions with regards to the “first stage” of the ESAP.

ESMA highlights that some of the documents related to such legal acts are already required to be comparable in terms of content and rendered in a structured / machine readable format (i.e. ESEF annual financial reports) or accompanied by standardised metadata (i.e. prospectuses) and are therefore already suited for the ESAP. ESMA deems that, following a cost benefit analysis, the scope of documents to be structured could be extended in a phased approach by developing further technical standards and taxonomies. The effort necessary to develop and implement machine-readability requirements, however, should not be underestimated.

In ESMA’s view, documents relating to other legal acts should be considered in later phases of the development of the ESAP and once the first phase is fully operational.

#### *Machine-readability of information*

ESMA fully supports the ambition of the EC to improve the digital use and searchability of the information and therefore the use of structured data formats such as ESEF, XML or other formats allowing machine readability. In ESMA’s view, information in a structured or machine-readable format has very significant benefits to users.

However, ESMA deems that a necessary condition in order to render information in a machine-readable format is that such information is prepared on the basis of the same or similar standards or sets of requirements. Absent such a condition, ESMA thinks that rendering information which is prepared on the basis of different standards or of different requirements into a machine-readable format would be hardly practicable and possibly misleading for users.

ESMA is aware that preparing information in a machine-readable format implies certain costs for preparers. Nevertheless, ESMA stresses that the added value of including in a large database information which is not comparable and not structured is very limited both for preparers and for end users. Therefore, ESMA thinks that information included in the ESAP should be machine-readable. This position was also supported by the High Level Forum on the CMU, which concluded that “*technical standards to develop data fields and formats [...] shall be used by companies when submitting the public information foreseen in the first stage*”.



## *Governance*

ESMA agrees with the view expressed by the Commission that the body in charge of ESAP should be non-for-profit and should be responsible for coordinating IT systems, maintenance and budgetary aspects.

ESMA reminds that Commission of its long-lasting experience with setting-up and running, both from a technical and governance perspective, large scale EU-wide public IT systems, including establishing data quality checks on complex sets of data. In this context, ESMA is uniquely placed to set up and manage the ESAP, provided that the initial scope is limited to information relating to companies with access to capital markets and that adequate ad hoc funds are made available to ESMA to carry out the project. This position is supported by the views of the High Level Forum and by the European Parliament Resolution on the CMU<sup>3</sup>.

ESMA cautions against setting up a complex multilateral governance structure in combination with the set-up of a (or a series of) complex IT project(s). As already mentioned, ESMA thinks that the ESAP should start with a targeted scope whilst at the same time ensuring scalability for later phases of the project and the same should apply to the governance structure, which should be as simple as possible in the early phases (when the scope of information is targeted) and encompass more authorities as the scope is broadened.

Should you wish to further discuss these or other issues relating to our response to the Targeted Consultation, please do not hesitate to contact me.

Yours sincerely,

[signed]

Steven Maijor

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<sup>3</sup> European Parliament, REPORT on further development of the Capital Markets Union (CMU): improving access to capital market finance, in particular by SMEs, and further enabling retail investor participation 16 September 2020, paragraph 35



cc.: Irene Tinagli MEP, Chair of the Committee on Economic and Monetary Affairs,  
European Parliament

João Leão, President of the ECOFIN Council, Council of the European Union

Tuomas Saarenheimo, Chair of Economic and Finance Committee, Council of the  
European Union

Jeppe Tranholm-Mikkelsen, Secretary-General of the Council of the European Union