



Capital Markets Union

A European supervisory culture

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As we draw to the end of an intense period of standard-setting aimed at remedying the effects of the financial crisis, the establishment of a common supervisory culture is crucial to building the European Union single market and ensuring a level playing field within that market. Europe's lawmakers have entrusted the European Securities and Markets Authority (ESMA) with a central role. It needs to play that role by making full use of its powers to ensure effective and convergent application of the single rulebook and by playing a pivotal role in data transmission and management channels in Europe.

The central role attributed to ESMA in terms of convergence must be consolidated

For this purpose, ESMA needs to step up the use of its legal powers to promote a shared interpretation of the rules. In particular, it must develop more targeted, pragmatic peer reviews that quickly result in concrete convergence proposals. ESMA must deploy all the tools at its disposal to foster the development of a shared supervisory culture, resolve differences in authorities' interpretations or practices through its mediation powers, and promote cooperation in the supervision of cross-border transactions within the Union. Where necessary, it must use its powers in relation to breach of Union law, as well as make full use of the powers assigned to it under sectorial legislation. This could include banning or restricting certain financial activities that threaten the orderly functioning and integrity of financial markets or the overall or partial stability of the Union's financial system.

ESMA also needs to contribute effectively to the work of the Joint Committee of the European Supervisory Authorities and help improve the cross-sector consistency of rules to protect investors and consumers of financial products in the banking, insurance and securities market sectors.

ESMA must also be given a pivotal role in data transmission and management channels in Europe

Reforms to the European financial regulatory framework – in particular the Markets in Financial Instruments Directive and Regulation (MiFID 2), the Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (EMIR), the Regulation on Credit Rating Agencies (CRA) and the Directive on Alternative Investment Fund Managers (AIFM) – have added numerous reporting obligations on regulated entities and increased data flows between national authorities and between the latter and ESMA. Implementation of these reforms depends not only on ESMA and the national authorities, but also on market participants, and requires huge financial and human investment.

It is now vital to improve the quality of data gathered and to ensure that it can be used as effectively as possible for market surveillance purposes. The establishment of common tools for ESMA and its members is a key aspect in building more effective surveillance at European level. Conducting shared projects within ESMA, where possible, is more efficient for supervisors and market participants alike, to support proper market surveillance and investor protection. Accordingly, it must be encouraged. For this, ESMA needs to be given the necessary powers to establish shared solutions so that it can help rationalise the IT systems used to process and share data, both by itself and by national authorities.

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