
Press release

AFME responds to European Supervisory Authorities review consultation

16 May 2017

AFME has today responded to the European Commission's Public Consultation on the operations of the European Supervisory Authorities (ESAs).

Simon Lewis, Chief Executive of AFME, said: "The European Supervisory Authorities play an important role in the European regulatory landscape and have broadly been successful in fulfilling challenging mandates since their establishment in 2011. While the institutional framework has been largely fit-for-purpose, we believe that a number of reforms should now be implemented to ensure that the ESAs will continue to function well in a changing political and market environment. This consultation is therefore very timely and AFME welcomes the opportunity to respond to it."

Overall AFME believes that the ESAs should take a more strategic role and be given greater autonomy by defining and pursuing a common EU approach. Enhancing regulatory coherence and consistency to avoid market fragmentation should be a top priority. In order to be able to deliver on an ambitious agenda, the resources of the ESAs should also be increased appropriately. The governance of the ESAs should be strengthened. Without reforming the current governance arrangements, increasing the powers of the ESAs would be less effective.

In its consultation response, AFME identifies the following eight key priorities for the ESAs:

1. **supervisory convergence** should remain a key priority as it reduces the fragmentation of the Single Market and enables firms to operate cross-border more easily.
2. **improve the involvement of stakeholders** by creating more opportunities for contributions from market participants in the Level 2 and Level 3 processes, improving the transparency of how the ESAs deal with input from stakeholders and strengthening the role of the stakeholder groups.
3. **work with realistic implementation deadlines** ensuring that sufficient time is given between the finalisation of Level 2 texts and their implementation.
4. **reform the governance** of the ESAs enabling them to pursue a more common European approach by giving the Chairs and Executive Directors voting rights and introducing independent members on the Boards of Supervisors.
5. **increase the ESAs' powers** in certain areas of cross-border activity. Provide ESMA with "Emergency Relief" type of powers to temporarily suspend the application of regulatory requirements.
6. **give the ESAs a more prominent role in the equivalence assessment process** following an outcome-based approach supporting open capital markets.
7. **increase the resources of the ESAs** appropriately given the current workload and the proposed additional tasks. We would expect the ESAs to optimise their efficiency in a way to minimise the need for additional funding.
8. **accept a funding system which would be partly funded by the industry but subject to certain conditions and further detailed consultation with the industry.**

Although it is appropriate to consult on the functioning of the ESAs at this time, we believe it will be important to further reflect on the conclusions of this review at the time when the details of the future EU-UK relationship are known. Any arrangements for supervisory and regulatory cooperation between the EU and the UK, which should involve the ESAs, can then be decided upon.

AFME's full consultation response can be found on the website:

<https://www.afme.eu/en/reports/consultation-responses/>

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About AFME:

1. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu.
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