



European Securities and
Markets Authority

Frequently Asked Questions

A Guide to Understanding ESMA



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I. Executive Summary

This document is intended as an explanatory guide providing an overview of the main elements of ESMA's functioning. The questions and answers included here may be supplemented with further information as and when further information or queries arise and will be updated on ESMA's website www.esma.europa.eu.

This guide is not of a legal nature and it is recommended that any queries which require legal certainty should refer to the Regulation¹ establishing ESMA itself or the relevant sector legislation. The internal rules and procedures for ESMA will be adopted by the Board of Supervisors and Management Board in the course of January 2011 and will be added to the website when final.

II The Role of ESMA

1. What is ESMA's role?

ESMA is an independent EU Authority that contributes to safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as enhancing investor protection.

In particular, ESMA fosters supervisory convergence both amongst securities regulators, and across financial sectors by working closely with the other European Supervisory Authorities competent in the field of banking (EBA), and insurance and occupational pensions (EIOPA).

ESMA's work on securities legislation contributes to the development of a single rule book in Europe. This serves two purposes; firstly, it ensures the consistent treatment of investors across the Union, enabling an adequate level of protection of investors through effective regulation and supervision. Secondly, it promotes equal conditions of competition for financial service providers.

As part of its role in standard setting and reducing the scope of regulatory arbitrage, ESMA strengthens international supervisory co-operation. Where requested in European law, ESMA undertakes the supervision of certain entities with pan-European reach.

Finally, ESMA also contributes to the financial stability of the European Union, in the short, medium and long-term, through its contribution to the work of the European Systemic Risk Board, which identifies potential risks to the financial system and provides advice to diminish possible threats to the financial stability of the Union. ESMA is also responsible for coordinating actions of securities supervisors or adopting emergency measures when a crisis situation arises.

2. Why was ESMA created? Why have a pan-European body?

Following the onset of the financial crisis, Commission President Barroso summoned a high level group of experts in financial services in 2008 to advise on the future of European Financial regulation and supervision.

¹ To view the Regulation establishing ESMA please visit:
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:331:0084:0119:EN:PDF>



This group of experts was chaired by Jacques de Larosière, former President of the European Bank of Reconstruction and Development, the group identified some serious shortcomings in the existing system of financial supervision in Europe.

In particular, their concern was that despite the fact that financial institutions operate across borders using the single market, supervision had remained mostly at national level, uneven and often uncoordinated. They concluded that a stronger financial sector in the EU would require in the future for there to be even greater convergence between Member States on technical rules, and the establishment of a mechanism for ensuring agreement and co-ordination between supervisors of the same cross-border institution or in colleges of supervisors. A rapid and effective mechanism was needed to ensure consistent application of rules, which could avoid the necessity to begin the lengthy process of going to the European Court of Justice. Furthermore, it was necessary to ensure that coordinated decision-making could take place in emergency situations. They concluded that the current financial services advisory committees did not have the necessary powers to carry out these functions and that it would necessitate them to become formal EU Authorities in order for these powers to be vested in them.

Based on this report, the European Commission brought forward proposals in September 2009. On 22 September 2010, the European Parliament, following agreement by all Member States in the Council, voted through a new supervisory framework for financial regulation in Europe that will come into force in January 2011.

3. What are the new competences and powers of ESMA?

Although ESMA will continue the work of the Committee of European Securities Regulators (CESR), ESMA will have new competencies and powers, which include:

- the ability to draft technical standards that are legally binding in EU Member States;
- the ability to launch a fast track procedure to ensure consistent application of EU law;
- new powers in resolving disagreements between national authorities;
- additional responsibilities for consumer protection (including the ability to prohibit financial products that threaten financial stability or the orderly functioning of financial markets for a period of three months);
- emergency powers;
- participating in Colleges of Supervisors and on-site inspections;
- monitoring systemic risk of cross border financial institutions;
- a new supervisory role (in particular for credit rating agencies);
- the ability to enter into administrative arrangements with supervisory authorities, international organisations and the administrations of third countries.

These are described more fully below in paragraphs 4 - 12:

4. Drafting technical standards that are legally binding:

Whilst CESR prepared draft technical advice for the European Commission in the past and developed standards and guidelines which were addressed to its Members, under ESMA, a new dimension has been added to this role. ESMA will now be preparing draft laws rather than just technical advice. The role of the Commission in this case, will be to check that these draft laws are in the Union interest and

are compatible with EU law and then to adopt these draft technical standards with minimal amendment, if at all possible.

As such, the substance of the creation of these technical standards has been delegated by the legislator to the supervisory community and is now passed to the Commission for formal adoption. The reason why these technical standards must be adopted by the Commission is that the EU Treaty indicates that legislation can only be adopted by the European Parliament or Council, and while they can delegate certain legislative powers to the Commission, they cannot be delegated to other bodies such as ESMA. The areas where ESMA can develop technical standards which will be mandatory across the EU, are set out in the Omnibus I Directive² for existing legislation (including MiFID, the Prospectus Directive, Transparency Directive and Market Abuse Directive), and will be added to as new legislative proposals are issued.

ESMA will also continue to issue guidelines and standards which are not legally binding, however, the key difference here will be that national competent authorities will now need to indicate publicly if they comply within two months, and if they do not comply they will need to explain the reasons for this, and it will also be possible to require financial market participants to report publically whether or not they comply.

5. ESMA can launch fast track procedure to ensure consistent application of EU law:

At present, if a Member State fails to apply properly a national provision in EU legislation, either due to a difference in interpretation, or because it is lacking technical capacity nationally or simply because it does not want to implement legislation, the sole remedy has been for the Commission to take the Member State to the European Court of Justice³. This procedure can take a number of years, and in fields such as financial services where things progress quickly, this could be extremely damaging and can lead to a competitive edge being given to a market player at the expense of others or, potentially to consumer detriment. As such, the Regulation creates a fast track procedure to address these issues. This procedure is intended to place the national competent authority under considerable pressure more quickly.

How can ESMA ensure compliance? What is the role of the Commission?

Under the Regulation, at the request of a national competent authority, the European Parliament, Council, Commission or the Stakeholder Group, ESMA can be requested to launch an enquiry and can issue a recommendation addressed to the national authority, within two months of launching its investigation. The ESAs will also be able to launch investigations on their own initiative.

Where a recommendation is issued, the national authority must respond within ten working days, informing ESMA of the steps it has taken or intends to take to ensure compliance with Union law, including technical standards. Where the competent authority has not complied with Union law within one month from receipt of the ESMA's recommendation, the Commission may issue a formal opinion requiring the competent authority to take the action necessary to comply with Union law, and must do so within three months (with the possibility of a one month extension).

² To view the Omnibus Directive see:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:331:0120:0161:EN:PDF>

³ http://europa.eu/institutions/inst/justice/index_en.htm

The Commission's formal opinion shall take into account the Authority's recommendation. At this stage again, within ten working days, the competent authority will need to respond to the Commission's formal opinion indicating the steps taken or steps that it intends to take to comply. Should the competent authority still fail to comply, ESMA will be able to issue decisions directly to financial market participants where Union law applies to them directly (for example where technical standards are in place). The Commission will also be able to follow its usual procedures for referring a case against the Member State to the Court of Justice.

6. New powers in resolving disagreements between national authorities:

Whilst CESR had a mediation mechanism, the ESMA Regulation provides for ESMA to **settle sectoral disputes** by enabling it to issue binding legal decisions requiring the competent authorities to take specific action or to refrain from an action in order to settle the matter.

Should the competent authority or authorities not comply with the decision of the Authority, and as a result fail to ensure that the financial market participant complies with requirement, ESMA may adopt an individual decision addressed to the relevant financial market participant(s) requiring the necessary action to comply with its obligations, under Union law, including the cessation of any practice.

ESMA will include in its annual report an explanation of the nature and type of disagreements between competent authorities and will explain the agreements reached and the decisions taken to settle the disagreements.

ESMA can also help to **settle cross-sector disputes** through the Joint Committee. The Joint Committee brings together the three Authorities (i.e. ESMA and European Insurance and Occupational Authority (EIOPA) and the European Banking Authority (EBA)). Where it settles a dispute the three ESAs will be able to issue parallel decisions following the same process as for sector disputes set out above.

7. Additional responsibilities for consumer protection:

How will consumer protection change from CESR to ESMA? What are the means at ESMA's disposal?

In addition to contributing to the development of common disclosure rules, as is currently done by CESR, the European Parliament was keen to ensure ESMA would play a leading role in promoting transparency, simplicity and fairness of products and services across the single market which are offered to consumers. For this reason, ESMA is required by the Regulation to establish a committee on financial innovation which gathers all relevant competent national supervisory authorities to look at the risks and potential impact of innovative financial activities and to provide advice for the Authority to present to the European Parliament, the Council and the Commission. ESMA will also collect, analyse and report on consumer trends and co-ordinate financial literacy and education initiatives by the competent authorities. ESMA has also been asked to develop training standards for the industry.

Can ESMA also ban products, or prohibit activities?

Yes, ESMA has also been given the power to temporarily prohibit or restrict certain financial activities that threaten the orderly functioning of the markets or the stability of the whole or part of the financial system in Europe. To exercise this power it must be defined in the sector legislations. For example,



this type of provision is included in the proposal on short-selling currently under negotiation and in the recently-agreed AIFM Directive. The banning of a product or service can be made for a period of three months.

What about investor compensation?

ESMA is also intended to contribute to strengthening the European system of national Investor Compensation Schemes with the aim of ensuring they are adequately funded from the concerned market participants, including by financial market participants headquartered in third-countries.

8. Emergency powers:

What kind of powers will ESMA have in this respect?

In relation to emergencies, the first objective of ESMA will be to facilitate and co-ordinate actions by national supervisors, without binding decisions. In order to perform this facilitating and coordinating role, ESMA will be fully informed of any relevant developments and shall also be invited to participate as an observer in any relevant gathering by the relevant national competent supervisory authorities. When necessary there is a procedure for ESMA to adopt decisions requiring supervisors to jointly take action.

Who will define if there is an emergency situation which requires joint action?

This procedure is initiated when the European Systemic Risk Board (ESRB), ESMA or its fellow authorities, EIOPA or EBA, consider there is an emergency situation. At this moment, the ESA will issue a confidential recommendation addressed to the Council providing an assessment of the situation. The Council will then assess the convenience of convening a meeting and will keep this recommendation in complete confidence.

What if the Council agrees?

If the Council determines the existence of an emergency situation, it will inform the European Parliament and the Commission without delay. Should the Council consider that it is indeed a crisis and exceptional circumstances which require co-ordinated action by national authorities to respond to adverse developments that could seriously jeopardize the orderly functioning and integrity of financial markets or, the stability of the whole or part of the financial system in the European Union, the ESA in question will be given the power by the Council, to adopt individual decisions requiring competent authorities to take the necessary action in accordance with the Union acts referred to in Article 1 of the ESMA Regulation (i.e. all the securities legislation).

What is the role of national regulators?

Should a competent authority not implement this decision within the timeframe set out, ESMA may adopt an individual decision addressed to financial market participants requiring the necessary action to comply, including the cessation of any practice.

ESMA will also contribute to, and participate actively in the development and co-ordination of effective and consistent recovery and resolution plans, as well as developing procedures in emergency situ-



ations and preventive measures to minimise the systemic impact of any failure in the area of its competence.

9. Participating in Colleges of Supervisors and on site visits:

Whilst supervision of individual entities remains with the national supervisors, ESMA has an important role in promoting and monitoring the consistent functioning of the colleges of supervisors established for cross border groups. As such ESMA, unlike CESR, can participate in the activities of the colleges of supervisors, including on-site visits carried out jointly by two or more competent authorities. Whilst ESMA will not chair the college of supervisors, it can request further deliberation of a college in cases where it considers that the decision would result in an incorrect application of Union law or would not contribute to the objective of convergence of supervisory practices. ESMA can also require the scheduling of a meeting of the college or adding a point to the agenda of a meeting.

Under CESR, a number of centralised databases were developed to enable supervisors to share critical information that will facilitate day-to-day supervision. ESMA will continue to develop these further and establish further centralised systems.

10. Monitoring systemic risk of cross-border financial institutions and contributing to the work of the ESRB:

ESMA (in co-ordination with the ESRB) will initiate and co-ordinate Union-wide stress tests to assess the resilience of key financial market participants to adverse market developments and to assess the systemic risk posed by key financial market participants. In this context, ESMA will also play a key role in ensuring that there is a consistent methodology applied at the national level to such tests, and where appropriate address a recommendation to the competent authority to correct issues identified in the stress test.

What if systemic risk has been identified?

The responsibility for identifying systemic risk rests with the ESRB but ESMA and national authorities will contribute to this by providing data and reports to the ESRB. The ESRB may issue warnings or recommendations addressed to ESMA and on their receipt, ESMA will convene a meeting of the Board of Supervisors to assess the implications of such a warning or recommendation to fulfill certain tasks. Should ESMA decide not to take further action, it will explain its reasons for not doing so. Should the warning or recommendation be addressed to a competent national supervisory authority, ESMA will, where relevant, use the powers it has been given to ensure a timely follow-up. If the national competent authority does not intend to follow the recommendation of the ESRB, it will inform and discuss with ESMA's Board of Supervisors its reasons for not acting and will take into account the Board of Supervisors reasons when informing the Council and the ESRB of its decision.

11. A new supervisory role:

Will ESMA have direct supervisory powers?

Whilst day-to-day supervision will remain with national supervisors, in a limited number of cases, ESMA may be asked to supervise through sectoral legislation, pan-European entities. An example of this is Credit Rating Agencies Regulation. Following agreement in December 2010, ESMA will now exclusively supervise rating agencies as rating services are not linked to a particular territory and the rating issued by a CRA can be used by financial institutions all around Europe. On the basis of this sec-



toral regulation, ESMA will be given powers to request information, to launch investigations and to perform on-site inspections.

Is ESMA likely to be given a supervisory role in other areas?

The Regulation establishing ESMA allows the Authority to fulfil any other specific tasks, including supervisory tasks, conferred on it by EU legislative acts. This means that the Council and the Parliament may in future grant further supervisory powers to ESMA where appropriate, on the basis of a Commission proposal. This is likely to occur in very limited circumstances where the entity is pan-European and where there is a clear added value to EU-level supervision. On this basis, the Commission recently proposed that ESMA may also act as supervisor in the area of trade repositories and this proposal is under discussion but is currently expected to apply from the end of 2012.

12. In what cases can ESMA overrule national authorities? When and how can ESMA give instructions directly to individual financial institutions?

ESMA will be able to address recommendations or decisions directly to national authorities in three areas.

- Firstly, in cases where a national authority is incorrectly applying EU law;
- Secondly, in cases where they are arbitrating between national authorities both involved in cross-border or (working through the Joint Committee) cross-sectoral situations in cases specifically identified in sectoral legislation;
- Thirdly, in emergency situations declared by the Council.

ESMA will be able to take decisions directly applicable to financial institutions as a last resort in the three cases referred to above where the Authority has addressed a recommendation or decision to the national supervisor but the national supervisor has not complied with it. This can be done only in cases where EU law applies directly to a financial institution i.e. a regulation rather than a directive, including technical standards.

Is there any safeguard?

Yes, it should be noted, that ESMA cannot take a decision which could have significant or material fiscal consequences for a Member State. Where a Member State considers that its fiscal responsibilities have been impinged upon, there is a clear and robust procedure for deciding whether this is genuinely the case, with Member States taking the final decision through the Council.

III The governance of ESMA

13. Who will lead ESMA and how will they be recruited?

ESMA will have a full-time Chair based at ESMA's premises in Paris. This is a significant change as under CESR, the Chair was one of its Members and therefore based in his/her respective home country as they were in charge of one of the national supervisors. It is envisaged that the Chair will be a high-profile individual with an established reputation in their field. She/he will not be a representative of any Member State or an appointee of the European Commission. The other top management role is of the Executive Director of ESMA. The Chair and the Executive Director of ESMA are expected to be in place by early spring 2011. They will both serve a five year term which may be extended once.

What about the transition?

Until the appointment of the Chair, the Vice-Chair, which will be elected from the Members of the Board of Supervisors in its first meeting in January 2011, will act as ESMA's interim Chair. CESR's current Secretary General, will be acting Secretary General until the appointment of the new Executive Director.

The Commission has publicly advertised on DG Markt's website and in the Official Journal for candidates for the posts of Chair and Executive Director and the interview process is well underway.

How is the selection procedure going to work?

The Commission will develop a short-list that will be presented to the Board of Supervisors of ESMA. Following discussion, the Board of Supervisors (which brings together the 27 heads of the EU national supervisors) will determine their preferred candidate for Chair and Executive Director. The candidate for Chair will then be invited to a public hearing in the European Parliament within one month, following which, the European Parliament can decide to reject the candidate or to confirm the candidate. In the case of the Executive Director, the Board of Supervisors will inform the European Parliament and they can decide to reject the candidate or confirm him or her. It is not anticipated that the Executive Director will be required to appear before the Parliament in a public hearing.

14. What, generally, is the role of the Chair and the Executive Director of ESMA?

The Chair is responsible for preparing the work of the Board of Supervisors and chairs both the meeting of the Board of Supervisors and the Managing Board. She/he does not vote in the Board of Supervisors. Whilst the Chair is independent of all Member States and EU bodies, the individual is responsible for the accountability of ESMA to the European Parliament, the Council and to the European Commission.

The Executive Director is responsible for preparing the work of the Management Board. He or she will also be responsible for implementing the annual work programme of the Authority, under the guidance of the Board of Supervisors and under the control of the Management Board. The Executive Director is also responsible for developing the preliminary draft budget of the Authority and will manage staff matters.

15. ESMA's governance structure:

There are principally two bodies in ESMA's governance structure. This is the Board of Supervisors which brings together the head of the national competent authorities and the Management Board whose composition is described below.

The **Board of Supervisors** is composed of the heads of 27 national authorities (where there is more than one national authority in a Member State those authorities will agree which of their heads will represent them), with one observer from the European Commission, a representative of EBA and EIOPA and one representative of the ESRB. Once a formal agreement has been reached by the European Commission and the EFTA countries (Norway, Iceland and Liechtenstein), the heads of their competent authorities will also be invited to attend as permanent observers. Pending those agreements it is expected that Norway and Iceland will be invited to attend as observers in line with CESR's former practice.

What does the Board of Supervisors do?

The main role of the Board of Supervisors is to take all policy decisions of ESMA, such as decision on the compliance by national competent authorities with community legislation, interpretation of community legislation, decisions in crisis situations, the approval of draft technical standards, guidelines, peer reviews and any reports which are developed. The Board of Supervisors will also take the final decision on ESMA's budget. The Board of Supervisors will meet at least twice a year, although in reality it is anticipated they will meet far more regularly.

How will the Board take decision?

Voting by the Board of Supervisors will be undertaken on a simple majority basis (i.e. one vote per member) for all matters except guidelines and technical standards. In the case of guidelines and standards, voting will be done by qualified majority as set out under the Treaty.

The day-to-day work will continue to be carried out by the Standing Committees established under CESR (see Annex 1). These are chaired by senior national representatives, usually a Member of the Board of Supervisors and bring together the national experts with support from the staff of the Authority, who act as rapporteurs for the Committees.

What is the role of the Management Board?

The **Management Board** is composed of six members (and an alternate for each) selected from the Board of Supervisors by the members of the Board of Supervisors themselves. There is also one representative from the Commission and the Executive Director attending as non-voting participants (except that the Commission will have a vote on budget matters). The Management Board is chaired by ESMA's full-time Chair.

What is the role of the Management Board?

The main role of the Management Board is to focus on the management aspects of the Authority, such as the development of a multi-annual work programme, the budget and staff resources.

16. To whom is ESMA accountable?

The independence of ESMA and its Members is critical. Competent authorities should make decisions on a European basis rather than considering national interests. Equally, when carrying out the tasks conferred upon it by the Regulation, the Chair of ESMA and the voting members of the Board of Supervisors shall act independently and objectively in the sole interest of the European Union as a whole and shall neither seek nor take instruction from Union institutions or bodies, from any Government of a Member State or from any other public or private body.

Whilst ESMA is independent, there is full accountability towards the European Parliament where it will appear at the request of the Parliament for formal hearings. Full accountability towards the Council and Commission also exists. The Authority will therefore report on its activities regularly at meetings but also through an Annual Report.

17. Is there a possibility to appeal decisions by ESMA?

Yes, the ESAs will also establish a Board of Appeal which will be composed of six members and six alternates who are individuals of high repute and proven record of relevant knowledge and professional experience at a senior level in fields of banking, insurance, occupational pensions, securities markets or other financial services. The Board will hear appeals from certain decisions taken by ESMA (in particular, decisions taken under ESMA's powers relating to breaches of EU law, emergency situations and binding mediation). To form the Board of Appeal, a public call for expressions of interest will be published in the Official Journal of the European Union. The Commission will develop a shortlist and after consultation of the Board of Supervisors of each Authority, the Members will be appointed for a term of five years which can be extendable once. The members of the Board of Appeal will elect a President from amongst them and the President will have the responsibility of convening the Board when necessary. The decisions of the Board of Appeal shall be adopted on the basis of a majority of at least four of its six members. This is outlined further in Articles 58-60 of the ESMA Regulation.

Where there is no right of appeal to the Board of Appeal from a decision taken by ESMA, appeals will be able to be made to the Court of Justice.

18. How will ESMA consult with stakeholders?

It is anticipated that ESMA will continue its practices of public consultation as under CESR and this will be confirmed following the adoption of rules of procedure at the first meeting of the Board of Supervisors in January.

However, in addition, the Regulation establishes a Securities and Markets Stakeholder Group which replaces CESR's existing market participants consultative panel.

According to the Regulation, the main tasks of the Group are:

- to advise the Authority on actions taken in accordance with the Regulation concerning regulatory technical standards and implementing technical standards;
- to advise the Authority on actions taken in accordance with the Regulation concerning guidelines and recommendations, to the extent that these do not concern individual financial institutions;
- to advise and assist the Authority in assessing the potential impact of the proposed draft regulatory and implementing technical standards, guidelines and recommendations, to the extent that these do not concern individual financial institutions.

The Group may submit opinions and advice on any issue related to the tasks of the Authority with particular focus on the areas listed above and on the following ones, thus:

- requesting, as appropriate, the Authority to investigate the alleged breach or non-application of Union law;
- contributing to the Authorities' efforts to establish a European common supervisory culture and consistent supervisory practices;
- advising the Authority on its peer review activity;
- to the Authority's assessment of market developments.

What will be the composition of the Stakeholder Panel?

CESR published a 'Call for Expressions of Interest' on 26 November 2010. This set out the process for approving the 30 Members of the Group. It noted that it would be seeking to ensure representation of the following types of stakeholders:

- Financial services' intermediaries;
- Market infrastructure providers (i.e. Regulated Markets, MTFs, CCPs, CSDs and trade reposi-

tories);

- Issuers (potentially some of which may be SME's);
- Institutional investors (i.e. Insurance, pensions funds, asset management firms);
- Representative of shareholders;
- Users and distributors of financial information (i.e. Auditors, Accountants, Information providers, Rating agencies, Analysts);
- IT developers for financial services firms;
- Alternative investment fund managers;
- Representatives of financial service employees;
- Representatives of retail investors or individual retail investors;
- Individuals representing the interests of small and medium-sized enterprises (SME's)
- Top-ranking academics

In approving the final short-list of Members for the Group, the Board of Supervisors will take into account the need to ensure geographical and gender balance. The Members of the Group will serve for a period of two and half years.

IV ESMA's budget and resources

19. What is ESMA's budget?

The budget of ESMA, including the implementation of the CRA Regulation from January 2011, has been estimated at about 17 million Euro in the first year of operations (i.e. 2011), reaching around 24 million Euro after two years (i.e. 2013).

ESMA's main source of funding will be mixed between Union funds and competent authority funds. At least in its first year, 40% of the funding for ESMA will come from the Union budget and 60% from competent authority funds. The costs of implementing the CRA Regulation will be financed via industry fees and levies from 2012.

The 60% funded by competent authorities shall be allocated according to the weighted voting rights established under the Union Treaties.

20. How many staff will ESMA have?

ESMA will aim to have approximately 70 staff by the end of 2011 (from currently 47 staff at the end of 2010). The staff numbers are made up of temporary agents (TA) directly recruited by ESMA, of which in 2011 there is anticipated to be 58 in total, as well as seconded national experts (SNE) and contract agents (CA). The authority is expected to hire 22 temporary agents in 2012 and 19 more in 2013. As such at "cruising speed" ESMA will function with about 120 staff in total of which 100 will be temporary agents and approximately 20 CA/SNE only in 2014.

It is anticipated that there will be 15 staff dedicated to the supervision of CRA's of which 5 are currently in place, 9 of these will be TA's and 6 will be seconded national experts in 2011.



V Cross-sector co-operation: the ESAs and the ESRB

21. How will the three ESAs work together?

ESMA will continue to co-ordinate and work closely on issues of cross-sector importance with the fellow supervisory authorities EIOPA and EBA. The regulation therefore established the creation of Joint Committee which will be supported by a secretariat drawn from the three supervisory authorities. The chairmanship of the Joint Committee will rotate amongst the three Authorities, and will meet at least once every two months. The Vice Chair of the ESRB will also be invited to attend. A committee will also be formed under the Joint Committee to develop joint positions in relation to financial conglomerates.

ESMA, EIOPA and EBA along with ESRB form what is known as the European System of Financial Supervision.

Annex 1

List of Standing Committees, Panels, Groups and Networks of ESMA

I. Panels	Areas
Review Panel	<ul style="list-style-type: none"> • Contributing to supervisory convergence through the consistent and timely implementation of Community legislation in the Member States; • Reviewing the day-to-day implementation of EU legislation, and ESMA standards, guidelines and recommendations; and • Conducting Mappings, Self-assessments and Peer reviews.
II. Permanent Standing Committees	Areas
Corporate Reporting	<ul style="list-style-type: none"> • Accounting and enforcement of IFRS; • Audit; • Publication of periodic information; and • Storage of regulated information and OAMs.
Corporate Finance	<ul style="list-style-type: none"> • Convergent implementation of the Prospectuses Directive, including Q&As; • Future Level 2 advice and equivalence with third Countries; • Corporate Governance; • Notification of major shareholdings under the Transparency Directive
Credit Rating Agencies	<ul style="list-style-type: none"> • Convergent implementation of the Regulation on Credit Rating Agencies
ESMA-Pol	<ul style="list-style-type: none"> • Market surveillance; • Enforcement of securities laws as well as co-operation and exchange of information between national authorities, particularly in market abuse investigations; • Policy making with regards to the Market Abuse Directive (MAD)
Secondary markets	<ul style="list-style-type: none"> • Issues related to the structure, transparency and efficiency of secondary markets for financial instruments, including trading platforms and OTC markets; and • Convergent implementation of the MiFID Directive and implementing rules.
Post-Trading	<ul style="list-style-type: none"> • All issues related to the provision of central counterparties, clearing and settlement services (including T2S) as well as operation of trade repositories.
Investor Protection and Intermediaries	<ul style="list-style-type: none"> • Issues related to the provision of investment services and activities by investment firms and credit institutions; • Convergent implementation of MiFID Intermediaries with particular regard to investor protection, including the conduct of business rules, distribution of investment products (PRIIPS), investment advice, suitability.
Investment Management	<ul style="list-style-type: none"> • Issues related to collective investment management, covering both harmonised and non-harmonised investment funds; • And Convergent implementation of the UCITS Directive, the future directive on AIFM and depositaries.
III. Task Forces (temporary groups)	Areas
Retail Investment Products	<ul style="list-style-type: none"> • Advice to the Commission on PRIIPS

<u>IV. Technical/support groups</u>	Areas
Economic and markets analysis	<ul style="list-style-type: none"> • Financial markets monitoring and analysis: Pro-active identification and analysis of emerging and existing key risks, trends and developments in financial markets; • Impact Assessment: Contribute to better regulation by actively supporting ESMA's commitment to Impact Assessments of existing and planned/proposed regulation and supervisory practice.
IT management and governance	<ul style="list-style-type: none"> • Project, develop and maintenance of ESMA IT projects
<u>V. Operational networks</u>	Areas
Take-over Bids	Exchange of views and experiences on cross-border take-over bids to promote convergent implementation of the Take-over Bids Directive
Other Networks	ESMA also conducts work through a number of other networks, covering issues like legal matters, training, supervisory culture, communications and retail investors.