

**EFAMA response to the European Commission consultation document  
Review of the EU macro-prudential policy framework**

## **Preliminary comments**

EFAMA welcomes the opportunity to respond to the European Commission’s consultation envisaging the review of the EU macro-prudential policy framework. The consultation paper emphasises the review of the existing prudential framework built around the systemic nature of credit institutions and at the cornerstone of which lies the CRD/CRR, accompanied by the ESRB Regulation and the foundation of a Single Supervisory Mechanism (SSM) for a Banking Union, in turn revolving around the ECB. The consultation paper also marginally raises the prospect for a review of the present institutional set-up (see Section II.1.2 of the document), and more particularly, the possibility of extending the ESRB’s “institutional and analytical capacity” into the non-bank/market-based financing space. It is in particular with regard to this second aspect that EFAMA wishes to respond.

Before turning to answer the consultation paper’s most relevant questions for us, please consider the following few preliminary remarks:

- A revised macro-prudential policy framework for the European financial system should necessarily be characterised by a holistic approach, aimed at better understanding the multi-dimensional nature of contemporary financial markets. These involve, to name only a few of the most obvious, the complex interactions between bank and non-bank sectors, as well as the means and objectives of countless entities and individuals, of which the asset management industry represents only a minor part<sup>1</sup>;
- For a more robust and fact-based assessment by macro-prudential supervisors, it is imperative for the current multitude of separate data collection efforts to be harmonised, so as to yield data sets that are precise, comparable and subsequently actionable for public policy goals. In this regard, we regret that, given the uncertainties surrounding multiple reporting requirements stemming from EU-based rules, preliminary assessments as to the contribution

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<sup>1</sup> In this regard, the approximate “size” of the global asset management industry was correctly reflected in a recent FSB consultative document, addressing a series of alleged “structural vulnerabilities” in the asset management industry, whereby “Third-party asset managers as a group only manage about one-third of the total financial assets of pension funds, SWFs, insurance companies and high net worth individuals. The remaining assets are managed by the investor or asset owner without the help of independent asset managers.” Please refer to the FSB’s *Proposed Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities*, published on 22 June 2016; available at: <http://www.fsb.org/wp-content/uploads/FSB-Asset-Management-Consultative-Document.pdf>

of non-bank actors to European-wide (or global) systemic risks will only be partial at best, when not entirely flawed;

- We deem the ESAs already possess a clear mandate to identify and monitor potential systemic risks arising in their respective areas of responsibility, accounting for eventual macro-prudential concerns in both their regulatory and standard-setting work. However, in case a revised EU macro-prudential policy architecture were to be extended to the assessment of non-bank actors and activities, we consider it essential that the relative “weight” of market supervisors be enhanced within the organisational structure of the ESRB. In parallel, we would also recommend that the current composition of the ESRB Secretariat staff be more diversified by recruiting non-bank expertise from national market supervisors and ESAs. The outcome would in our opinion achieve a better balance among bank-specific and non-bank-specific skill-sets, necessary to avoid some of the recurring biases in the ESRB’s present analysis of market realities;
- Finally, in view of the existing “strong link” between the ESRB and the ECB, our industry wishes to avert at the European level many of the forgone policy conclusions a number of global central bank-dominated institutions, like the FSB, have been drawing over the past several years in the attempt to designate asset management companies and their funds as “global systemically important financial institutions” (G-SIFIs). Quite worryingly, this attempt was initially carried out on the basis of a methodology used to designate “global systemically important banks” (G-SIBs) by the Basel Committee on Banking Supervision (BCBS) since 2011. As the Commission is aware, in view of the proposed methodology’s inherent weaknesses, this initial approach has been sensibly amended to take into account our industry’s views, as well as those of securities market regulators as represented globally by the IOSCO. In this regard, it is fundamental that the ESRB/ECB recognise that asset management is primarily an “agency” business, and as such should not be viewed through the prism of banks’ activities, as well as the fact that – especially in Europe – our industry is already comprehensively regulated.

In our view, the above conditions are preliminary to the eventual and effective expansion of the ESRB’s remit to cover non-bank actors and activities, as the European Commission may deem necessary.

## Responses

**Q2: (a) Would you consider appropriate to expand the macro-prudential framework beyond banking? [Please rank your answer from 1 (fully appropriate) to 5 (fully inappropriate), and explain your scoring.] (b) If deemed appropriate, what kind of systemic risks should be targeted and how?**

We would observe that ranking the option of expanding the macro-prudential framework beyond banking on a scale between 1 and 5 remains arduous in the absence of greater detail around the final contours of a revised macro-prudential framework. From our perspective, we would highlight the following key challenges for the Commission to carefully consider before revising the existing framework:

### 1. A potential for significant overlaps between the ESRB and NCAs/ESMA mandates

Firstly, we would note that an expanded macro-prudential regime beyond banking for the ESRB bears the potential for significant overlaps with the financial stability mandates of national market supervisors, as well as with ESMA.

Unlike recently assumed by certain standard-setters<sup>2</sup>, market supervisors in Europe – especially those entrusted with the ongoing authorisation and oversight of asset management companies and their funds in accordance with the landmark UCITS and AIFM Directives (including their implementing measures) - are responsible not only for investor protection and for fair and orderly markets, but also share a broader financial stability mandate with the ESMA and the ESRB. As an example, there is an undeniable financial stability rationale in the AIFMD, where Article 25(3) of the Directive (in conjunction with Article 112 of the implementing Regulation EU no. 231/2013) clearly empowers national competent authorities to set limits on the use of leverage by one or more managers to the extent that “(...) the use of leverage by an AIFM or its interaction with a group of AIFMs or other financial institutions can contribute to the **build-up of systemic risk in the financial system or risks creating disorderly markets**” (emphasis added by EFAMA)<sup>3</sup>.

With regard to ESMA, we would recall the relevant Articles 22 and 23 of the founding ESMA Regulation EU no. 1095/2010, where ESMA shall address “systemic risk”<sup>4</sup> by considering, where appropriate, the results of the ESRB’s assessments and work collaboratively with the latter to develop a “common approach” for the identification and measurement of such risk<sup>5</sup>. Closer cooperation is warranted in

<sup>2</sup> The recent FSB consultative document on *Proposed Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities* of June 2016, for instance, has alleged that existing mitigants to risks stemming from liquidity mismatches in open-end funds, while useful to protect investors against breaches within individual funds, may not be sufficient to capture the build-up of “sector-wide risks”. In this regard, market supervisors’ intervention powers would be limited to the fund entity itself, allowing for financial stability risks to grow unchecked.

<sup>3</sup> Such decision must furthermore be notified to the ESMA, to the ESRB and eventually even to the competent authorities of the jurisdiction in which a fund is registered (i.e. where different from the jurisdiction in which the management company is established and authorised).

<sup>4</sup> “Systemic risk” as defined under Article 2 letter c) of the ESRB Regulation EU no. 1092/2010.

<sup>5</sup> In this respect, one may recall the ESMA’s periodic publications, i.e. the *Report on Trends, Risks and Vulnerabilities*, as well as the *Risk Dashboard*.

particular with regard to the development of a “stress testing regime”, while also taking into account international approaches in this policy field.

Such provisions would beckon the question to what extent may the present powers of the ESRB be reconciled with the regulatory remit of the existing primary supervisors for non-bank actors and activities. In our view, achieving a complementary balance of supervisory powers between the NCAs, the ESAs and the ESRB is crucial to the long-term success of the European macro-prudential framework. For it to materialise, the Commission, will necessarily have to adopt a careful balance between a future role for the ESRB and the core mandates and competences of the securities market regulators. In our view, as we shall elaborate further in our answer to Q.31 (see *infra*), such balance would necessarily require reforming the organisational structure of the ESRB (as represented in Annex 2 of the consultation paper) to allow the 28 high-level representatives of the national supervisory authorities to hold a voting right on par with those of the Governors of the national central banks within the General Board. In concomitance, EFAMA would recommend that a greater portion of the ESRB’s future staff be recruited from the national supervisory authorities and/or ESAs.

## 2. Harnessing data availability

Secondly, as the Commission is aware, current regulatory reporting requirements brought into effect under asset management-specific sectoral legislation (i.e. the UCITS and AIFMD frameworks) are aimed at the national competent authorities (NCAs). These are the natural repositories of such data, enabling NCAs to carry out their oversight functions, both on an individual firm-wide basis, as well as on a market-wide one. Interactions with other domestic (e.g. prudential) supervisors are also regular, as well as opportunities for cross-border cooperation with other NCAs for the exchange of information (typically, in the context of enforcement proceedings). The nature of the reported data remains firm-specific and mostly confidential by nature. Attempts at aggregation are seldom made and are mostly suited for statistical purposes.

Addressing the need to improve data collection on our industry for broader “system-wide” financial stability monitoring purposes is a concern EFAMA is familiar with. In this regard, we actively support the ongoing work of the International Organization of Securities Commissions (IOSCO) regarding its *Priorities Regarding Data Gaps in the Asset Management Industry* of June 2016<sup>6</sup>, and have more recently encouraged global regulators to begin work towards a globally-harmonised data reporting template to be elaborated under the aegis of IOSCO<sup>7</sup>.

Besides the abovementioned IOSCO initiative, the Commission should also consider other valuable initiatives aimed at improving the quality of financial data available to regulators. In this regard, together with ISIN codes for securities, we wish to recall the G20/FSB-sponsored Legal Entity Identifier (LEI), as well as the Unique Transaction Identifier (UTI) and the Unique Product Identifier (UPI) codes being developed jointly by the Committee on Payments and Market Infrastructures (CPMI) and IOSCO for trade repository data on OTC derivatives. Within Europe, apart from the regulatory reporting

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<sup>6</sup> Please refer to the relative statement; available at: <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD533.pdf>

<sup>7</sup> Please refer to the EFAMA response to the FSB’s consultative document on *Proposed Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities*, published in September 2016; available at: [http://www.efama.org/Publications/Public/EFAMA\\_Reply\\_FSB\\_Structural\\_Vulnerabilities.pdf](http://www.efama.org/Publications/Public/EFAMA_Reply_FSB_Structural_Vulnerabilities.pdf)

requirements proper of the UCITS/AIFMD frameworks, we wish to recall the multiple transaction and position reporting regimes under MiFID II/MiFIR, EMIR and SFTR. For market participants to progressively comply with a proliferation of different reporting templates, inconsistent formats and poor definitions, is proving to be a daunting task. We therefore encourage the Commission and the ESAs to streamline reporting requirements and their processes to the furthest extent possible, allowing NCAs, or the same ESAs, to transform considerable quantities of data points into relevant and usable information for the purpose of, *inter alia*, monitoring the stability of the financial system.

Under the present circumstances, pending the further standardisation of reportable data points, as well as of their delivery method to regulators and aggregation, we conclude that a broader mandate to the ESRB risks undermining its credibility for want of quality evidence to support its research and recommendations.

### **3. Risks from a central bank bias**

Finally, although we share the view that “(...) the ESRB could benefit from additional own analytical resources to complement its analysis especially in those areas, where there is a) less pre-existing knowledge and/or expertise (e.g. systemic risks outside the banking sector) (...)”, we remain concerned by the Commission’s admission that “(...) Notwithstanding such broadening and deepening of own analytical resources there would be merit in keeping the strong link between the ESRB and the central bank community (...)”. From our long-standing experience in discussing policy issues with central bankers – particularly around topics dealing with the alleged contribution of our industry to global systemic risks, as recently held by a number of institutions (e.g. FSB, IMF, etc.) – we fear that, due to its close links with the ECB, the ESRB’s analysis may be tainted by a prudential bias against market-based actors and activities. In this regard, we would therefore disagree with the Commission that central banks would be well-placed to offer their analytical capacities in the non-bank remit to guide the focus of the ESRB’s future work under an expanded mandate. Rather, we believe the ESRB should:

- I. Build stronger ties with European securities market regulators, including both ESMA and individual NCAs; and
- II. Develop opportunities for greater interaction with individual market actors. Insofar as the European asset management industry is concerned, we deem it essential for the ESRB to fully appreciate the fiduciary nature of our business, the variety of our product range, asset class specificities, the uses of certain instruments (i.e. derivatives), our existing regulatory constraints, and perhaps above all, the nature and needs of our final end-clients on behalf of which we manage funds.

In view of the above considerations, until the initiatives to harmonise the reporting of financial data across jurisdictions have come to fruition and pending a more intimate knowledge by the ESRB of non-bank actors and activities, we would consider it premature for the Commission to consider extending the remit of the ESRB into the non-bank space.

**Q30: How do you assess the current capacities of the ESRB to deliver on its mandate for conducting system-wide risk analysis, including its access to relevant data? [Please rank your answer from 1 (fully adequate) to 5 (not adequate), and explain your scoring.]**

In line with our response to Q.2 above, we deem the current capacities of the ESRB to deliver on its mandate largely unsatisfactory (hence “5” or “not adequate”). We acknowledge, to a certain extent, that persisting data gaps for the non-bank industry may constitute an impediment for the monitoring of financial stability. Notwithstanding these data limitations, we are concerned about the ESRB’s apparent misconceptions regarding market-based activities in general, and asset management in particular. We are worried by the fact that such misconceptions are being broadly echoed by various international bodies and/or standard-setters without sufficient evidence and consideration for the already extensive regulation of our industry.

To better illustrate this point, we refer the Commission to some of the statements made in the ESRB’s recent strategy paper *Macroprudential policy beyond banking*, published in July 2016<sup>8</sup>. Section 2 of the document enumerates sources of systemic risk from the non-bank financial system. Among these are several unsubstantiated claims that generally reveal a lack of in-depth knowledge of our industry and of its distinctive characteristics as compared to banks. The ambitious prospect of a “system-wide” stress-test is certainly the most telling in this regard. According to the paper, it would be possible for macro-prudential authorities like the ESRB to gather enough data via multiple aggregations across the entire breadth of European markets, encompassing all types of market participants, to devise a single, “top-down” stress-test – akin to the one designed for, and periodically administered to, credit institutions – intended to quantify sources of systemic risks and consequently impose a number of “macroprudential instruments” to all non-bank actors and their activities<sup>9</sup>.

In a recent response to an FSB consultative document in September 2016, we have highlighted that attempts to aggregate fund-specific data in view of designing “system-wide” stress-tests or “simple and consistent” measures of leverage, remain fraught with risks. These we believe would not deliver meaningful results, given the vast diversity of non-bank market actors. More specifically in the asset management industry, such approach is incompatible with the variety of fund types, the specificity of investment strategies and uniqueness of each investor profile, to name only a few. Moreover, the outcome of any aggregation attempt would not reflect key qualitative inputs, as well as the fair amount of judgment portfolio managers and their teams routinely exercise based on their intimate experience of, and close proximity to, the markets (see *infra*). As we shall further elaborate, such differences make our industry less “monolithic” than is often assumed in recent central bank statements<sup>10</sup>, in working papers or reports issued by global bodies (e.g. the IMF, the BIS, etc.), as in several academic papers. In reality, it is precisely by virtue of these differences within the asset management industry that financial

<sup>8</sup> Please refer to the document *Macroprudential policy beyond banking: an ESRB strategy paper* published on 18 July 2016; available at: [https://www.esrb.europa.eu/pub/pdf/reports/20160718\\_strategy\\_paper\\_beyond\\_banking.en.pdf](https://www.esrb.europa.eu/pub/pdf/reports/20160718_strategy_paper_beyond_banking.en.pdf)

<sup>9</sup> Please refer in particular to the narrative contained under Section 2 in Box 1 and in Section 6 paragraph 56 of the ESRB strategy paper.

<sup>10</sup> For instance, please refer to the speech by Vítor Constâncio, Vice-President of the ECB, at the Joint conference of the European Commission and European Central Bank on European Financial Integration and Stability, in Frankfurt on 25 April 2016; available at: [https://www.ecb.europa.eu/press/key/date/2016/html/sp160425\\_1.en.html](https://www.ecb.europa.eu/press/key/date/2016/html/sp160425_1.en.html)

risk is largely disaggregated and dispersed between millions of investors, which are, as individuals or institutional clients, the ultimate asset owners choosing to bear financial risk.

Another frequent misconception in the narrative of the ESRB strategy paper is that related to traditional links between non-bank and bank institutions, whereby “A sudden withdrawal of non-banks involved in credit provision in a particular sector may trigger a credit crunch, unless other lenders readily step in.” More hypothetical assumptions follow, whereby “Interconnections between the banking and non-banking sector could amplify financial instability, as stress in non-banks has direct effects on banks’ direct or indirect exposures.<sup>11</sup>” Firstly, we care to note that much of this narrative largely ignores the extent of regulatory progress made since 2008, where much – and some would even argue, too much – has been done to address counterparty risks specifically, i.e. by tightening collateralisation standards, but especially by introducing CCPs as new significant actors of market infrastructure between transacting counterparties. Secondly, we note that it is a too common misconception to assume that non-bank actors, *alias* professional portfolio managers, may all unanimously decide to withdraw from a market at the same time, sparking a mass-selling frenzy, starving government and corporate borrowers of capital, thus contributing to the contraction the real economy for an unforeseeable future. On the contrary, there is plenty of evidence to suggest that investor behaviour is by far more complex, where asset managers act purely as agents on behalf of myriads of investors, each looking at a different risk/reward profile and over time horizons that vary considerably, even within the same broad asset class<sup>12</sup>.

Finally, we note that all too often the notion of “market risk” is conflated with the notion of “systemic risk”. Such notions should not be used interchangeably as they designate two very different types of events. Typically, recent bouts of volatility in certain corners of financial markets have been portrayed as a tell-tale signs of looming “systemic risks”. Fundamentally, we instead believe that assets re-price on a regular basis, as a result of changes in the market cycle or in reaction to exogenous shocks, for instance. Volatility is nothing but a symptom of the re-pricing of financial assets, and where naturally, the gains of some investors are losses for others, reflecting a properly functioning market. Systemic events, on their part, are of a completely different nature, typically counting one or more of the following at the same time: a series of bank runs, a financial market collapse coupled with a very high degree of correlation among multiple asset classes, and/or the collapse of critical financial market infrastructure, which like CCPs, are non-substitutable.

For the economy of this submission, we would not elaborate on further aspects, although encourage the Commission to refer to the list of public responses to the recent FSB consultation on “Proposed Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities” of June 2016<sup>13</sup>.

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<sup>11</sup> Please refer in particular to the narrative under paragraph 25 of the ESRB strategy paper.

<sup>12</sup> As an example of how different bond investor behaviour can be in light of real market conditions, please refer to an insightful *Viewpoint* prepared by Blackrock, *Breaking down the data: A Closer Look at Bond Fund AUM*, as published in June 2016; available at: <https://www.blackrock.com/corporate/en-il/literature/whitepaper/viewpoint-breaking-down-the-data-bond-fund-aum-june-2016.pdf>

<sup>13</sup> The individual responses are published on the FSB website; available at: <http://www.fsb.org/2016/10/public-responses-to-the-june-2016-consultative-document-proposed-policy-recommendations-to-address-structural-vulnerabilities-from-asset-management-activities/>

**Q31: In particular, do you consider that the resources of the ESRB Secretariat are adequate in this context? [Please rank your answer from 1 (fully adequate) to 5 (not adequate), and explain your scoring.]**

In line with our preliminary remarks and in view of a revised mandate, we consider that the present resources of the ESRB are not adequate to deal with potential systemic issues arising outside the banking sector. Unlike stated in the consultation report, we therefore do not subscribe to the Commission's opinion that "Central banks are also well placed to offer considerable analytical capacity about the non-bank financial system, since the interactions between monetary policy and the whole economic environment span all segments of the financial system." We also do not deem that such considerations "(...) apply even more strongly when evaluating the links between the ESRB and the ECB."

In numerous exchanges with central bank supervisors, as represented in global *fora* over the past few years, we note that there has been a substantial lack of financial market expertise in the way bank-like regulatory solutions have been advanced, almost by default, to regulate entities whose "agency" business model – like asset managers' – is completely different. Moreover, we feel there has been a scarce focus on behalf of central banking institutions of the long-term distortive effects of multiple rounds of accommodative monetary policy on asset prices and on the challenges direct asset owners (i.e. savers, pensions, and insurers) have in meeting their investment objectives, especially in terms of generating sufficient income needed to fund their liabilities<sup>14</sup>. Misconceptions are also common with regard to the use of derivatives by portfolio managers, both as risk-management tools, as well as alternative and more cost-efficient ways for portfolio managers to provide investors with a valuable exposure to specific asset classes without the need to necessarily trade in the underlying cash market<sup>15</sup>.

One final example to demonstrate the differences that an in-depth understanding of the market, access to high quality data and strong analytical resources makes to policymaking is the recent work by ESMA and the ESRB in relation to the EU SFTR proposal and to the 2015 FSB recommendations in relation to minimum haircuts for non-centrally cleared SFTs. While the ESRB Opinion<sup>16</sup> appears based

<sup>14</sup> Similarly, the sizeable asset mismatches of both public and private pension plans have been exacerbated by low interest rates. According to a March 2016 report by Citigroup, unfunded or underfunded government pension liabilities totalled USD 78 trillion across 20 OECD countries. Further, most US and UK corporate pensions remain underfunded. For example, the defined benefit plan deficit of FTSE companies in the UK has more than doubled in recent years, and the funding ratio for German blue chip companies has fallen. As pension plans look for yield, they have to choose between low yielding investments that will not meet their liabilities and riskier investment strategies. Low interest rates have consequently become a driver of allocations to higher yielding assets such as high yield bonds, emerging markets debt, and bank loan assets. We recommend studying the impacts of monetary policy on various types of asset owners.

<sup>15</sup> In this regard, please refer to the unsubstantiated conclusions of a recent ESRB *Occasional Paper* (No. 10/July 2016) "Assessing shadow banking - non-bank financial intermediation in Europe", concerning in particular the vague notion of "synthetic leverage" in the asset management industry; available at: [https://www.esrb.europa.eu/pub/pdf/occasional/20160727\\_occasional\\_paper\\_10.en.pdf](https://www.esrb.europa.eu/pub/pdf/occasional/20160727_occasional_paper_10.en.pdf)

<sup>16</sup> Please refer to the *ESRB opinion to ESMA on securities financing transactions and leverage under Article 29 of the SFTR of October 2016*; available at: [https://www.esrb.europa.eu/pub/pdf/other/20161004\\_esrbopinion.en.pdf?eb4c21d49897bfc6f7036b502eb631c2](https://www.esrb.europa.eu/pub/pdf/other/20161004_esrbopinion.en.pdf?eb4c21d49897bfc6f7036b502eb631c2)

on supposition, the ESMA Report<sup>17</sup> is more thorough and better-evidenced, leading to a more nuanced policy outcome, whereby securities regulators were able to assess the merits of the FSB framework in the context of the European market and conclude that the exemptions to the FSB framework could undermine its effectiveness in the EU given the make-up of the EU SFT market.

As pointed out above, the ESMA and EIOPA already possess a mandate to identify and monitor the build-up of potential systemic risks within their regulatory remit, especially when developing regulatory and implementing technical standards, guidelines and recommendations<sup>18</sup>. In fulfilling their role, both ESAs may draw upon their ample expertise in regulating the activities and actors subject to their direct supervision, all while maintaining regular consultations with the ESRB and participating in its General Board and Steering Committee. Therefore, in our view, the balance between the mandate of the ESAs and that of the ESRB has been optimally achieved under their respective founding regulations, ensuring that the EU macro-prudential framework is already robust and comprehensive enough.

However, should the Commission decide to expand the macro-prudential mandate of ESRB, we believe that over the nearer term, in order to obviate the above concerns and reflect market supervisors' enhanced voting representation at the level of the General Board, the Commission should *pari passu* consider the opportunity of recruiting regulatory experts and analysts from the national market supervisors and/or from ESMA. We would also encourage the recruitment of national regulators for insurance and pension institutions and/or EIOPA to complete a broader talent pool. Such staff would usefully complement the available skill-sets, most of which remain too "bank-centric" and less suitable to analyse other non-bank market actors, be they professional asset managers, pension funds, insurance companies, investment consultants, global custodians, finance companies, securitisation entities, market infrastructure (e.g. exchanges and myriads of alternative investment platform, CCPs, CSDs, etc.), index administrators or other third-party service providers (e.g. data vendors), credit rating agencies, to name only a few, for the purpose of achieving a more holistic and comprehensive view of the financial system.

Over the longer term, once all reporting requirements foreseen under EU legislation will have been finalised and present concerns around their consistency and comparability resolved, it would be important for the NCAs, the ESAs and the ESRB to commit sufficient resources to modernise their information technology (IT) capacity in view of:

- (i) facilitating the transfer, or "on-boarding", of financial data to the competent regulators, as reported directly from market players adhering to their regulatory requirements;
- (ii) its subsequent "cleaning" and aggregation in comparable data sets for statistical and monitoring purposes; and

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<sup>17</sup> Please refer to the ESMA *Report on securities financing transactions and leverage in the EU*; available at: [https://www.esma.europa.eu/sites/default/files/library/2016-1415\\_-\\_report\\_on\\_sfts\\_proccyclicity\\_and\\_leverage.pdf](https://www.esma.europa.eu/sites/default/files/library/2016-1415_-_report_on_sfts_proccyclicity_and_leverage.pdf)

<sup>18</sup> Please refer to Articles 22(3) of both the ESMA founding Regulation EU no. 1095/2010 and the EIOPA founding Regulation EU no. 1094/2010 in this regard.

- (iii) its ultimate communication to the ESAs and the ESRB for meaningfully supporting their macro-prudential oversight duties in line with their aforementioned founding EU regulations, reinforced by comprehensive *ex-ante* legal framework to protect the confidentiality of firm-level data.

Finally, occasions for more frequent interactions between the macro-prudential supervisors and relevant parts of the financial industry, where initial concerns are identified, should become the norm in view of sharing concrete market experience.

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Brussels, 24 October 2016

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