

ESMA amends guidelines to further harmonise the enforcement of financial information by national regulators

Following a 2017 peer review on the implementation of certain aspects of the Guidelines, ESMA decided to amend the Guidelines in order to further harmonise the way NCAs enforce the financial disclosures of European issuers. The amendments mainly relate to NCAs' methods for selecting the issuers whose financial information should be subject to examination (Guideline 5) and the procedures NCAs apply when they carry out such examination (Guideline 6).

Steven Maijoor, Chair, said:

"Ensuring that issuers provide investors with the full picture of their financial performance and situation is a prerequisite for transparent capital markets. Investors need to know the financial health of issuers in whom they may wish to invest.

"We need to ensure that the disclosure of financial information is comparable across the EU. Subjecting issuers to a similar level of scrutiny by national competent authorities enhances both market confidence and investor protection."

The changes to ESMA's Guidelines will require NCAs to further harmonise:

- the way they select issuers for examination, by requiring that their selection should be based on a combination of:
 - a risk-based approach;
 - random selection; and
 - rotation;
- the time period within which all issuers in an NCA's jurisdiction should be examined following the peer review's recommendation of a maximum period of 10-15 years; and
- the way in which they undertake their examinations, including by requiring that a minimum proportion of examinations should cover the entire financial statement and entail interaction with the issuer.

ESMA's amendments are intended to strengthen supervisory convergence across the EEA in the area of enforcement of financial information and prevent regulatory arbitrage and thus contribute to investor protection.

Next steps

The amendments to the Guidelines will now be translated into all the official languages of the EU, and a version of the amended Guidelines will be published on ESMA's website in each language. The amendments to the Guidelines will become effective on 1 January 2022.