

ESMA updates SFTR Q&As

The updated set of Q&A complements ESMA's guidance on reporting under SFTR. The Q&As were updated to simplify reporting of SFTs when an external portfolio manager is used.

This document aims to ensure that the supervisory activities of the competent authorities under the Regulation converge along the lines of the responses adopted by ESMA. It should also help investors and other market participants by providing clarity on SFTR requirements.

The purpose of the Q&A document is to promote common supervisory approaches and practices in the application of SFTR. It provides responses to questions posed by the general public, market participants and competent authorities in relation to the practical application of the Regulation.

Next steps:

ESMA will periodically review these Q&A and update them where required.

Further information:

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ESMA publishes Guidelines on periodic information for Trade Repositories

The European Securities and Markets Authority, the EU's securities markets regulator, publishes today [Final report](#) and [Guidelines](#) on reporting of periodic information and material changes by Trade Repositories (TRs) supervised under EMIR and SFTR.

The Guidelines aim to increase transparency of TRs supervised by ESMA. Their introduction will bring the following benefits:

1. reduce efforts to request this information sporadically and ensure that no information is omitted;
2. reduce processing time of information received;

3. ensure a level playing field by establishing harmonised reporting templates;
4. ensure complete information that is necessary for ESMA's risk-based supervision;
5. improve the internal planning of ESMA's supervision teams with regard to information review and facilitate processing; and
6. standardise practices that are already implemented by TRs on a best effort basis.

The Guidelines will also streamline TR processes and ensure the accuracy of information used for the calculation of TR supervisory fees.

Next steps

These guidelines will apply from 30 June 2021. All periodic information items that have annual frequency and a reporting deadline of 31 January should, in the first year, be submitted by 30 June 2021.

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Anneli Tuominen to act as Interim Chair of ESMA

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has appointed Anneli Tuominen, current ESMA Vice-Chair and Director-General at the FIN-FSA, to act as Interim Chair until the next Chair takes office. This is effective from 1 April 2021.

Steven Maijor's second 5 year mandate as Chair came to an end on 31 March 2021. ESMA, in line with the ESMA Regulation, submitted on 26 November 2020 the shortlisted candidates for the position of Chair to the Council of the European Union to appoint the next Chair after confirmation by the European Parliament.

EU financial regulators warn of an expected deterioration of asset quality

Macroeconomic conditions improved in the second half of 2020, supported by ongoing fiscal and monetary policy efforts, but the resurgence of the COVID-19 pandemic since the last quarter of 2020 has led to increasing economic uncertainty. The start of the rollout of vaccinations provides a crucial anchor for medium-term expectations, but insufficient production capacities, delays in deliveries as well as risks related to mutations of the virus are weighing heavily on short-term recovery prospects.

Macroeconomic uncertainty was generally not reflected in asset valuations and market volatility which have recovered to pre-crisis levels, highlighting a continued risk of decoupling of valuations from economic fundamentals.

In light of these risks and uncertainties, the ESAs advise, national competent authorities, financial institutions and market participants to take the following policy actions:

- **Prepare for an expected deterioration of asset quality:** banks should adjust provisioning models to adequately address the impact of the economic shock of the pandemic and to ensure a timely recognition of adequate levels of provisions. They should engage to restructure over indebted but viable exposure efficiently. To supervisors, banks' provisioning policies should continue to be a point of particular attention;
- **Continue to develop further actions to accommodate a “low-for-long” interest rate environment and its risks:** while low interest rates are important to support economic activity, they negatively impact banks' interest income and remain the main risk for the life insurance and pension fund sector. For insurers, it is important that the regulatory framework also reflects the steep fall in interest rates experienced in recent years and the existence of negative interest rates. Financial institutions should also continue to monitor, and be prepared for, changes in interest rates, especially in light of the recent upward shifts of long-term interest rates and the consequent concerns about re-emerging inflationary pressures;
- **Ensure sound lending practices and adequate pricing of risks:** banks should continue to make thorough risk assessments to ensure that lending remains viable in the future, and this should be closely monitored by supervisors. Banks should continue to make thorough risk assessments to ensure that lending remains viable, including after public support measures such as loan moratoria and public guarantee schemes will expire;
- **Follow conservative policies on dividends and share buy-backs:** any distributions should not exceed thresholds of prudence; and
- **Investment funds should further enhance their preparedness in the face**

of potential increases in redemptions and valuation shocks: to this end the alignment of fund investment strategy, liquidity profile and redemption policy should be supervised, as well as funds' liquidity risk assessment and valuation processes in a context of valuation uncertainty.

Background

The three ESAs cooperate regularly and closely to ensure consistency in their practices. In particular, the Joint Committee works in the areas of supervision of financial conglomerates, accounting and auditing, micro-prudential analyses of cross-sectoral developments, risks and vulnerabilities for financial stability, retail investment products and measures combating money laundering. In addition, the Joint Committee also plays an important role in the exchange of information with the European Systemic Risk Board.

The Joint Committee is the forum for cooperation between the European Banking Authority (EBA), European Securities and Markets Authority (ESMA) and European Insurance and Occupational Pensions Authority (EIOPA), collectively known as the ESAs.

The European Supervisory Authorities issue a report on the application of their Guidelines on complaints-handling

This Report examines how the ESAs Guidelines on complaints-handling have been applied since they came into force by using input provided by 44 national competent authorities (NCAs) from 29 countries. In particular, it describes the extent to which the objectives of the Guidelines have been achieved, the supervisory actions that NCAs have undertaken as a result of their national implementation, including the steps taken to identify good/poor practices by firms, as well as the challenges faced.

The Report concludes that the Guidelines have contributed to a consistent approach to complaints-handling across the banking, insurance and securities sectors and have resulted in better outcomes for consumers. Against this background, the ESAs are of the view that there is no need for revising the Guidelines at this stage.

Background

This Report has been drafted in accordance with Articles 1(5) and 9(2) of the ESAs founding Regulations. Article 1(5) requires the ESAs to "contribute to

improving the functioning of the internal market, including, in particular, a sound, effective and consistent level of regulation and supervision. [...], preventing regulatory arbitrage and promoting equal conditions of competition, [...] enhancing customer and consumer protection, as well as supervisory convergence across the internal market". Article 9(2) states that the ESAs "shall monitor new and existing financial activities and may adopt guidelines and recommendations with a view to promoting the safety and soundness of markets, and convergence and effectiveness of regulatory and supervisory practices".