



INITIAL SPEECH BY SEBASTIAN ALBELLA DELIVERED TO THE EUROPEAN PARLIAMENT ECONOMIC AND MONETARY AFFAIRS COMMITTEE (27.02.2018)

Mr. President, Members of the European Parliament, ladies and gentlemen,

It is an honour for me to address you as Chair of the Spanish Securities Market Commission (CNMV). I very much appreciate the opportunity you have given me to participate in this public hearing on the proposal to reform the European System of Financial Supervision.

My purpose is to convey to you our view of the reform and what is our approach to the reform.

It is worth stating at the outset that we support the Single Capital Market project and its Commission's Action Plan, so we fully share the willingness to strengthen ESMA.

In particular, we agree on everything that means turning ESMA into a more efficient and agile organization, an organization that exercises its role of coordination of national competent authorities in the most effective way possible.

In this sense, it seems appropriate for us to create an *Executive Board*, which will be the organization's engine and which will include full-time independent members. The Board of Supervisors must remain the highest decision-making body of ESMA; however, given its nature and size, we understand that it cannot be its regular decision-making body.

We also fully support the new tools that the proposal puts forward to strengthen the coordination and supervisory convergence promotion roles of ESMA:

- We accept the change of approach to move from a system of peer reviews to a system of reviews clearly led by ESMA.
- We also agree that ESMA should approve, with the participation of the Board of Supervisors, strategic plans which serve as a framework and guide for the supervisory activity of all national authorities, as long as the details remain at a local level and that national authorities can add objectives and additional priorities.
- We believe that ESMA should make a greater and more proactive use of tools such as the *Breach of Union Law*, and that the decision on its use could correspond to the new *Executive Board*.

Moreover, it seems right to us that ESMA be given more participation in the supervision of relevant CCPs and be assigned new responsibilities of direct supervision in specific areas where justified, such as, in all matters related to relations with third countries or the so-called critical benchmarks.

However, there are two areas in which we do not see the need or benefit of doing so: in certain types of funds and in the area of prospectuses.

- The European Commission has proposed that ESMA should supervise certain venture capital vehicles and investment funds (EuVECA, EuSEF and ELTIF) and we see no reason for this; we see no point in altering, simply due to the fact that they are called "European" and are directly regulated by European legislation, the traditional system based on the binomial *mutual recognition-passport*.

National authorities are used to authorizing and supervising all types of investment funds and it makes no sense to divide, in some of them, the supervision of management companies and products. It is more efficient to keep the current scheme for these funds, besides the need to take into account the principle of subsidiarity.

- The second area to which I referred to earlier is prospectuses, a proposal that was not mentioned during the prior consultation process.

Nor do we share the reasons given to attribute powers for the approval of prospectuses to ESMA.

- o Indeed, the Spanish Securities Market Commission, like other national authorities, has accredited expertise to approve all types of prospectuses.

And there are already tools available to ESMA, which will be reinforced with the reform, to deal with regulatory arbitrage in this area (which, by the way, is not the case of equities which are always a competence of the authority of the issuer's nationality).

(Besides, the still pending Level 2 and 3 implementing measures of the recently new Prospectus Regulation, represent an excellent opportunity to cast aside regulatory arbitrage practices).

- o We consider that it should be the same entity (i) the authority in charge of approving prospectuses and (ii) the authority in charge of supervising financial information in general and other information disclosed on the issuer. In addition, a national competent authority is in an unparalleled position as it best knows the issuer and the regulatory context affecting the issuer.
- o For all these reasons, we do not consider it appropriate that ESMA should approve the prospectuses of the so-called specialized issuers (a list in which the proposal even includes real estate companies), nor do we believe it is wise to attribute ESMA powers on fixed income prospectuses addressed to qualified investors (in which case since the prospectus also describes the financial situation and business of the issuer, it would likewise cause a splitting up of supervision). And the same would apply to securitization prospectuses.

The European Commission, in its proposal, stresses the importance of an integrated supervision system as a key element to achieving a true European Capital Markets Union. I fully agree. Nevertheless, a more integrated supervision should not necessarily be a more centralized supervision.

Once the course and objectives have been agreed upon, the reform should respect the *supervisory factor* at national level. Member States must continue to have robust supervisory bodies, endowed with relevant powers, so that in Europe there will continue to be a plurality of markets and financial centres with a critical mass. This is essential to achieve a European

capital market with a greater penetration and that truly contributes to improving the financing of our companies – not only the big ones – and reducing their level of dependence on bank financing, one of the great objectives of the Capital Markets Union.