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Keynote speech

30 years of capital markets in Slovakia – NBS

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Ladies and Gentlemen, dobrý deň

Introduction

I am very pleased to have been invited to deliver the keynote remarks at today's conference, marking 30 years since the inception of the capital market in Slovakia. And it is a particular pleasure to do so in person, here in Bratislava.

The European Securities and Markets Authority welcomes and appreciates every occasion that allows us to interact with stakeholders around the Union and better grasp the specificities of the national markets and issues that are salient for the local ecosystems.

I would therefore like to thank our colleagues at the National Bank of Slovakia for this opportunity and for the timely organisation of this conference. It fits very well with the political momentum and the continuous effort to build **a true single market for capital in the EU to the benefit of European citizens and companies**, also referred to as the Capital Markets Union or CMU.

Let me start by emphasising that the success of the Capital Markets Union project depends on the well-functioning and smooth interplay of the respective national markets. Therefore, looking at the audience today, I am glad to see that further development of capital market in Slovakia gains so much interest. I am sure today's event will bring lots of ideas as you delve into the opportunities to further develop retail participation and market-based financing while exploring new trends around digitalisation and sustainability.

But before we get there, I would like to set the scene for the first discussion dedicated to the role supervision and regulation, which brings me “home” to ESMA, the European securities and markets regulator and supervisor. Allow me to introduce the Authority, our mission, its complementarity with national supervision and finally conclude coming back to the broader context of the Capital Markets Union.

ESMA’s role in the EU markets supervision and regulation

It is now more than a decade ago, in the aftermath of the Global Financial Crisis, that ESMA was established as part of the European System of Financial Supervision, together with our two sister authorities overseeing banking and insurance sectors, as well as the European Systemic Risk Board.

The intention at the time was to better protect the stability of the EU’s financial markets, but also to address the fragmentation of the internal market caused by the different national regimes, which led to regulatory trade-offs. These objectives remain at the core of what we do today.

ESMA’s mission is to enhance investor protection, promote orderly financial markets and safeguard financial stability.

Let me explain how at ESMA we aim to deliver on our mission by looking at the three strategic priorities guiding our work.

ESMA published last October its 5-year strategic plan which defines three strategic priorities:

1. fostering effective markets and financial stability,
2. strengthening the supervision of EU financial markets and
3. enhancing the protection of retail investors.

In addition, we have identified two drivers that cut across our activities and those are :

- sustainable finance and
- digitalisation and the effective use of data.

I already hinted at our first priority of **fostering effective markets and financial stability,** which we achieve in close cooperation with the national authorities, EU institutions and global standard setters.

This is all about ensuring fair and orderly market functioning, setting high standards of conduct and transparency, and increasing the preparedness of EU markets for potential shocks. Our role is to contribute to shaping the EU rulebook by providing technical advice to the European institutions and ensuring its consistent implementation across the Member States.

Our second priority is **strengthening supervision of the EU financial markets.** Our goal here is to build a common supervisory culture across the single market, that is risk-based, data-driven and outcome-focused. We aim to develop this common approach with the national authorities whether the supervisory responsibility lies at national level, with ESMA or is shared.

Back in January 2011, when ESMA was created, the co-legislators entrusted it with specific supervisory tasks, which were deemed to be best dealt with at European level. ESMA became the sole supervisor of EU credit rating agencies. Since then, ESMA matured into a well-established supervisor with an increasing number of mandates coming our way. These powers were extended to cover trade repositories, securitisation repositories, data reporting service providers, critical benchmark administrators, but also some non-European entities such as non EU recognised benchmark administrators and certain third country CCPs. As agreed just some days ago, ESMA will soon take-up a central role in setting up and running the European single access point for all information on companies and investment products in Europe.

But let's be clear, the European supervisory architecture continues to largely rely on the national authorities, which remain in charge of the supervision of the majority of market players. ESMA's role in such cases is primarily to foster supervisory convergence. Let me illustrate this with an example.

Where the National Bank of Slovakia drives the supervisory process for investment firms, asset managers or the stock exchange in Bratislava, ESMA's role is to ensure this is based on a common understanding of the EU rulebook. In other words, ESMA acts as a coordinator to prevent situations whereby companies and investors in Slovakia would be faced with fundamentally different conditions and level of protection than those based in other European markets (e.g. in Austria or the Czech Republic).

To operationalise this coordination role, ESMA provides a hub for expertise and data sharing through our standing committees, where we bring together experts from all 27 national competent authorities.

This role we play to support consistent implementations of EU rules on the ground is particularly relevant for our third **strategic priority: enhancing retail investor protection.** This is at the core of who we are and encompasses ensuring investors are able to engage in capital markets within a sound framework. And notably that the information they receive is clear not misleading and understandable.

We aim to ensure investors will have a similar investment experience and benefit for the same level of protection wherever they are in the EU**.**

For that we have a number of tools at our disposal among which the Common Supervisory Actions, where all National Competent Authorities concurrently reach out to their supervised entities to assess specific practices. In one of this year's CSAs, for example, national authorities will simultaneously review the use of firms' marketing communications. This joint exercise coordinated by ESMA will help to align supervisory responses to potential misleading marketing practices among firms, be it greenwashing or aggressive campaigns promoting risky products on social media.

Other thorough instruments are also available in our toolkit. Peer reviews, for example, allow ESMA to provide rigorous and independent assessments of national supervisory practices and pinpoint, where improvements could be made. You may have heard we have done so in the case of cross border supervision of investment firms, or in the handling of business relocations in selected Member States in the aftermath of Brexit.

Ensuring strong cooperation among member states and effective supervision by the home authority in the context of the provision of cross-border services is a very high priority for us. This is key to ensure retail investors are properly protected wherever the provider is based in the EU.

Finally, in the context of our new strategy, let me also highlight our effort to stay on top of the new market trends. As I mentioned earlier, we designed the ESMA strategy 2023-2028 with a view to embed the **cross-cutting drivers of sustainability and technological innovation** across our priorities and all activities of the organisation.

What is often referred to as the twin transformation, will have a profound impact on financial markets. As regulators and supervisors, we need to make sure the rules properly capture the new or specific risks that derive from these changes and also don't unnecessarily prevent innovation. A lot of work is being done to reach these goals that perhaps we will touch upon during the panel discussion. Just to say that these raise many challenges related to the speed of change, the breadth of their impact and the need to build the relevant skills and expertise. Last but not least, we also intend to step up our use of data to strengthen ESMA's role as a data hub in the EU. We intend to increase our use of data to support evidence-based policy work and data driven supervision. We would also like to gradually increase standardisation and efficiency of all data flows within our remit. Machine- readable and machine-executable reporting solutions will be explored with a with a view of reducing reporting burdens for financial institutions, whilst also allowing for efficient information exchange among authorities.

Conclusion

Ladies and gentlemen, we will surely continue digging further into these topics with my colleagues in the next panel, so let me conclude with a few final remarks coming back to the CMU project.

The holistic effect of the new rules under the CMU umbrella, whether we speak about listing, funds, consolidated tape, or retail participation should help stimulate the growth of capital markets, including in Slovakia. While some of these CMU pieces, and arguably the most important ones, are still outstanding, it's clear that deeper and more integrated capital markets in Europe cannot be achieved without domestic efforts, which often go beyond the reach of markets regulators.

One could expect for example efforts towards increasing financial literacy among companies and individuals to broaden their investment horizons beyond the traditional banking channel. The challenges we face today - aging population, sustainability transition, but even the rising rates – also calls for more consideration of market-based solutions.

Looking at the state of the Slovak market, as just presented by Peter some moments ago, there clearly is potential to be harnessed. I look forward to the discussions today to explore these opportunities and see how the Slovak market can grow further as part of the broader European project.

Many thanks for your attention. I look forward to, and wish you all, lots of fruitful and constructive exchanges.