

Summary of Conclusions

Securities and Markets Stakeholder Group

Date:	6 December 2023
Time:	10:00h – 15:45h
Location:	Online
Contact:	stakeholders@esma.europa.eu

No Item

1. Report from the Steering Committee

The SMSG Chair reported that since the last meeting of the SMSG on 6 October 2023, a working group had been preparing advice on ESMA's latest MiCA consultation package that would be presented for adoption at today's meeting.

2. Adoption of summary of conclusions from SMSG meeting on 6 October 2023

The summary of conclusions from the SMSG meeting on 6 October 2023 was adopted.

3. Recent market developments

a. Shareholder rights

SMSG member, Christiane Hölz, presented a study from DSW into shareholders' rights at virtual annual general meetings (AGM) in Germany and Europe. The study found that shareholder rights were impaired in virtual AGMs particularly the rights to ask questions, speak, file motions and vote. The virtual meetings often experienced technical disruptions and were longer than on-site meetings, attendance and turnouts were not higher than at onsite meetings. The study found that hybrid AGMs are favoured by shareholder representatives across Europe provided that physical and virtual attendees are granted the same rights.

SMSG members discussed the presentation including the importance of shareholders attending AGMs and the link to the development of the Capital Markets Union (CMU) and to the environmental transition. A Finnish study showing increased passivity in online meetings was also mentioned.

ESMA staff noted the importance of shareholder engagement and commented that the study seemed to show a lost opportunity for engagement which should be examined at EU level. They noted that ESMA's report for the revised Shareholder Rights Directive (SRDII) had recommended several other actions to facilitate shareholder engagement in meetings.

b. Financial literacy of Italian households

SMSG member, Barbara Alemanni, presented the results of a study into the financial literacy of Italian households. The study found that there are gender and generational gaps in financial literacy, specifically that young people and women are less financially literate than older people and men. Family context and financial autonomy help explain the financial literacy of the young generation. The gender gap was explained by differences in interest, financial autonomy, and a reduced propensity to collect financial information.

SMSG members discussed the survey including the best practices from Sweden of financial education at school, the importance of the topic of financial literacy to the Retail Investment Strategy, the potential reasons for the low level of satisfaction of women in financial services, and the importance of products that give confidence to investors with low levels of literacy. They highlighted that efforts towards increasing literacy should not replace investor protection measures. They also noted that the financial industry should consider how to best fit women's needs.

In commenting on the presentation, ESMA staff reiterated the importance of investor education and financial literacy and the link between those elements and achieving more investment in capital markets. They highlighted ESMA's mandate to coordinate national financial education initiatives and pointed to the interactive factsheets that the European Supervisors Authorities (ESAs) had recently published on [interest rates and inflation](#) and on [sustainable finance](#). They noted the need to keep working intensively on the topic.

c. Transition Investing

SMSG member, Guillaume Prache, presented a Better Finance report on the key challenges and opportunities of transition investing. The report concluded that the exclusion investing approach is counterproductive and that sustainable investing should aim to transition companies from the brown to the green economy. The report's recommendations include implementing a greenhouse gas emission tax, requiring clear transition plans for firms and mandating supervisors to monitor them, introducing a mandate for unified engagement mechanism, and reviewing and harmonising existing legislation to ensure that green investment approaches help the transition.

SMSG members discussed the report and the different potential investment strategies. The importance of the CSRD and the data it would provide was highlighted, as well as the reliance on ESG ratings as being the basis of for exclusion. It was noted that issuers need financing from the capital markets and that coherent conceptions of terms - including of "transition" and of "impact" - across legislation is necessary.

ESMA staff noted the importance of the transition finance topic and the need for a regulatory framework that fully supports that transition.

4. MiCA advice

SMSG member, Giovanni Petrella, presented draft SMSG advice on ESMA's second MiCA consultation for adoption by the Group. The advice supports the overall approach in the consultation paper. In particular, it agrees that proportionality is key but should not compromise safety and soundness considerations. The advice also makes recommendations on governance, measures for permissionless

DLT, the specificity of the user base, and pre-trade transparency for Automated Market Makers (AMMs). The advice also comments on both the content and the format of white papers, while noting that the content is defined in the Level 1 legislation. Finally, they supported the draft technical standards of cooperation between competent authorities that had not been part of the public consultation.

The Group adopted the advice.

ESMA staff thanked the SMSG for the advice and, with reference to proportionality, stated that ESMA would be mindful of creating an environment where the right players could compete on a level playing field while ensuring that they could meet EU standards especially for investor protection.

5. Improving the effectiveness of EU capital markets

ESMA staff introduced the topic and presented some areas in which an ESMA Board Task Force was considering ways in which the functioning of EU capital markets could be improved. They asked for views from SMSG members on what is needed for improvement.

SMSG members pointed to the lack of trust in capital markets by retail investors and the need for independent advice and simple, trustworthy products. Some members pointed to the complexity of European capital markets compared to US markets and the need to prioritise competitiveness, including giving competitiveness mandates to ESMA and NCAs. Several members noted the importance of taxation policy to investment in capital markets. The importance of securitisation in the European context was evoked, as was the need for pension funds, individual savings plans, and long-term investments, as well as ensuring that capital would go to equity markets, and not only bond markets. Also noted was the need for regulatory flexibility, including dynamic implementation dates or non-action letters, fewer legislative reviews, better cost/benefit analysis and more focus on enforcement. Better supervisory integration was also mentioned by some members. There were several comments related to SMEs, including the importance of research and the high costs of listing and the heavy burden of reporting.

ESMA staff noted the comments and highlighted the difficulty of finding the right balance between regulation and the proportionate burden on firms. It is vital for economic progress to ensure continued access to financing for companies, but also increasing retail investors long-term wealth. In relation to competitiveness mandates, they noted that directly addressing competitiveness at regulator level may not be the most appropriate solution, as it is more important to address this in trade and investment policy. Finally, they confirmed that reducing the reporting burden was a priority for ESMA.

6. DORA second consultation

ESMA staff provided some feedback on the ESA stakeholder groups' joint response to the ESA's first consultation package on the Digital Operational Resilience Act (DORA), which included regulatory technical standards (RTS) on simplified ICT risk management, third-party provider policy, ICT-related incident reporting classification and an implementing technical standard (ITS) on the register of information.

ESMA staff then presented a [second joint ESA consultation package](#) of RTS, ITS and Guidelines due for publication on 8 December 2023. The topics for consultation include ICT incident reporting (including assessment of related costs and losses), threat-led penetration testing, sub-contracting, and oversight of critical third-party providers (including cooperation between CAs and Lead Overseers).

SMSG members were informed that the ESAs will organise a public hearing about the consultation package on 23 January 2024, and were invited to register once the registration is open.

The SMSG Chair decided to approach the Chairs of the other ESA stakeholder groups to see if a joint working group could be formed to provide joint advice.

7. Retail investor digitalisation

ESMA staff presented an upcoming discussion paper (DP) on digitalisation and retail investor protection. The aim of the DP is to gather input from stakeholders on topics such as layering and accessibility, marketing communications and practices, the use of affiliates (e.g. Finfluencers), and digital engagement practices.

SMSG members decided to form a working group to provide advice on the DP.

8. AOB

The SMSG Chair asked for input from SMSG members to the agenda of the next meeting.

ESMA staff informed the SMSG that they would soon receive an email asking for input into a divergence survey. They also asked thanked SMSG members for their responses to a fast-track consultation on EMIR bilateral margining exemption for equity options.

PARTICIPANT LIST – SMSG 6 December 2023

Name	Organisation	
Alemanni, Barbara	University of Bocconi	present
Avgouleas, Emillos	University of Edinburgh	absent
Balthasar, Stephan	Allianz SE	present
Bergmann, Henning	Deutscher Derivate Verband (German Derivatives Association)	present
Biernacki, Piotr	Polish Association of Listed Companies	present
Bindelle, Florence	EuropeanIssuers AISBL	present
Christov, Lubomir	Advisor to the Bulgarian National Association "Active Consumers"	present
Colaert, Veerle	KU Leuven University	present
Funered, Urban	Swedish Securities Dealers Association	present
Gažić, Ivana	Zagreb Stock Exchange	present
Granjé, Ben	The Flemish Federation of Investors	present
Gurau Audibert, Adina	Association Française de la Gestion financière (AFG)	present
Hölz, Christiane	Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW)	present
Jewell, Dermott	Consumers' Association of Ireland	present
Litvack, Eric	Société Générale	present
Lounasmeri, Sari	Finnish Foundation for Share Promotion	present
Mandic, Stjepan	Concepto Ltd	present
Masquelier, François	European Association of Corporate Treasurers (EACT)	present
Oberndorfer, Martha	Advisor to Austrian Public Sector Clients of ESG	present
Pedersen, Morten Bruun	Danish Consumer Council	present
Petrella, Giovanni	Università Cattolica	present
Prache, Guillaume	Better Finance	present
Reyna, Agustín	BEUC	excused
Riess, Rainer	Federation of European Securities Exchanges (FESE)	present
Saade, Virginie	Citadel	present
Santillán, Ignacio	Spanish Investors Compensation Scheme for investment firms (FOGAIN)	excused

Name	Organisation	
Schuurs, Pieter	Europex	present
Stiefmüller, Christian Martin	Finance Watch AISBL	present
Van de Werve de Schilde, Tanguy	EFAMA	present
Vervliet, Chris	European Works Council at KBC Group	present

ESMA

Name	Position
Verena Ross	Chair
Natasha Cazenave	Executive Director
Valerio Novembre	Corporate Finance and Reporting Unit
Barbara Daskala	Data Intelligence and Technology Department
Jakub Michalik	International and Institutional Affairs Team Leader
Joe Heavey	International and Institutional Affairs Team
Benjamin Burlat	Market and Digital Innovation Department
Cyril Gruffat	Market and Digital Innovation Department
Tessa Bode	Protection Retail Investors Team
Louise Waller	International and Institutional Affairs Team