PRESS RELEASE

ESMA seeks views on proxy advisors

ESMA published last Thursday a discussion paper (ESMA/2012/212) on proxy advisors active in the European Union, seeking views of stakeholders. The paper aims at giving an overview of the state and structure of the market, advisor's methodologies, and on possible policy options. Generally, proxy advisors assist (institutional) investors and asset managers in their voting policy and strategy. Currently, there are no rules in place on a pan-European basis regarding proxy advisors.

ESMA seeks to assess how advisors influence voting

Following a fact finding exercise in 2011, ESMA sees growth in the EU proxy advisory industry and that investors are increasingly using those services. ESMA is seeking evidence on the impact on the proper functioning of the voting process.

ESMA's paper looks into the ways in which institutional investors make use of proxy advisor services and explores some of the key issues in relation to voting recommendations.

Possible needs for regulatory intervention

In seeking stakeholder's views, ESMA aims to gain evidence on whether market failures may exist and to discuss the extent to which EU-level intervention might be appropriate. The policy options put forward in the discussion paper include (section VI.IV of the paper):

1. recommending to the European Commission to take no further action at EU-level on proxy advisors, at least at this stage;
2. encouraging Members States and/or industry to develop standards (i.e. by promoting some form of informal engagement between the European Authorities, Member States, and/or industry to develop standards);
3. developing quasi-binding EU regulatory instruments (e.g. through ESMA guidelines or recommendations);
4. introducing binding EU legislation.

Next steps

ESMA will use the feedback received on this paper to publish a feedback statement in Q4 of 2012, which will also include ESMA's view on whether there is a need for policy action in the area.

Notes for editors

1. ESMA is an independent EU Authority that was established on 1 January 2011 according to EU Regulation No. 1095/2010 as published on December 15, 2010, in the Official Journal of the European Union (L 331/84). The Authority contributes to safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as enhancing investor protection. In particular, ESMA fosters supervisory convergence both amongst securities regulators, and across financial sectors by working closely with the other European Supervisory Authorities competent in the field of banking (EBA), and insurance and occupational pensions (EIOPA).

2. ESMA's work on securities legislation contributes to the development of a single rule book in Europe. This serves two purposes; firstly, it ensures the consistent treatment of investors across the Union, enabling an adequate level of protection of investors through effective regulation and supervision. Secondly, it promotes equal conditions of competition for financial service providers, as well as ensuring the effectiveness and cost efficiency of supervision for supervised companies. As part of its role in standard setting and reducing the scope of regulatory arbitrage, ESMA strengthens international supervisory co-operation. Where requested in European law, ESMA undertakes the supervision of certain entities with pan European reach.

3. ESMA also contributes to the financial stability of the European Union, in the short, medium and long-term, through its contribution to the work of the European Systemic Risk Board, which identifies potential risks to the financial system and provides advice to diminish possible threats to the financial stability of the Union. ESMA is also responsible for coordinating actions of securities supervisors or adopting emergency measures when a crisis situation arises.

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