

Opening Statement

Verena Ross

Chair

European Securities and Markets Authority (ESMA)

Economic and Monetary Affairs Committee

European Parliament

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Dear Chairwoman,

Dear Members of the Economic and Monetary Affairs Committee,

Thank you for the invitation to address you this morning.

It is clear that the energy crisis directly affects many European citizens and companies. While its root causes are geopolitical, we all observe the consequences in our daily lives as the price of energy has increased.

To start, I would like to clarify that ESMA's role as a securities market regulator does not cover all aspects related to developments in energy markets. We play a role in derivative markets, as part of the European System of Financial Supervision, in support of the ESMA objectives of promoting stable and orderly financial markets. Market surveillance and enforcement against market abuse breaches remain the remit of National Competent Authorities, while we, as ESMA, facilitate cooperation and information sharing. In addition, ESMA has a leading role when it comes to CCP supervision. Spot markets for energy trading on the other hand are supervised by the Agency for the Cooperation of Energy Regulators (ACER) and national energy regulatory authorities (NRAs).

I would also like to highlight that, as of early September, we have regularly convened Board of Supervisors' discussions to assess and closely monitor developments in the energy derivatives markets and to take mitigating actions where necessary.

An important distinction between financial speculation and market manipulation

Generally speaking, volatile market conditions tend to attract more participants trading, or some would say, 'speculating' in the markets. It is important to distinguish between speculation and market manipulation. While speculators may exacerbate price movements, they are part of free markets dynamics and play a role in the provision of liquidity. [Doing this speculators could risk big losses if their predictions do not pan out.] Market manipulation, on the other hand, constitutes abusive behaviour that is a threat to the integrity and the orderly functioning of the markets themselves. It means rigging the system to your own profit, rather than taking a position that may or may not deliver to your benefit. This is what financial regulators are there to police to ensure market integrity, transparency and efficiency.

Applicable regulatory framework regarding market manipulation

As mentioned earlier, under the Market Abuse Regulation, responsibilities for fighting market manipulation lie with National Competent Authorities. ESMA has a coordinating role and will continue to cooperate closely with NCAs and ACER to ensure that potential market abuse is detected, investigated and prosecuted. On 18 October, ESMA and ACER informed the public of our intention to strengthen our cooperation, to further improve information exchange and work with our respective national authorities to enhance the surveillance of Europe's spot and derivative markets.

ESMA's policy work in relation to recent developments in energy derivative markets

Looking at the energy crisis more widely, I would like to briefly touch on the policy measures we have put forward in this space. In September, at the request of the European Commission (EC), we drew up a set of proposals aimed at taming some of the adverse consequences observed in energy markets, such as slightly widening the pool of eligible collateral in CCPs, suggesting improvement to circuit breakers, raising the clearing threshold and bringing energy firms' significant financial market activity under the same regime as financial firms. In doing so, our work focused on assessing possible avenues to alleviate the strain some financial markets have been experiencing, without transferring undesirable levels of risks from the energy markets into the EU financial system. We are happy to see that many of the proposals were taken forward by the EC. I was also pleased to see that the European Parliament treated the suggested Delegated Acts with urgency and that these provisions will now hopefully bring some relief to market participants.



I note that there is now a debate on a possible price cap mechanism in the gas market. This is essentially a political debate. ESMA is nonetheless very attentive to the concrete design of the price cap mechanism in view of its potential implications for the functioning of markets in terms of price formation and in particular CCPs' ability to manage risk in accordance with applicable regulatory requirements.

Thank you for your attention and I now stand ready to take your questions.