



SPOTLIGHT ON MARKETS

FEBRUARY 2022 N°31

ESMA prioritises the fight against greenwashing in its new Sustainable Finance Roadmap

Call for evidence on ESG ratings
TRV: Warning consumers of risk of significant market
corrections
Mixed effects of 2020 short selling bans
Reforms to improve resilience of Money Market Funds



SUSTAINABLE FINANCE ROADMAP

The published Roadmap will be used as a practical instrument to ensure that ESMA accomplishes a wide range of sustainable finance responsibilities in a coordinated manner across several sectors.

PUBLICATIONS

Your one-stop-shop information source in the world of EU financial markets brings together the latest reports, proposals and statements.

THE MONTH AHEAD

The speaking appearances of ESMA staff in March cover topics like Inflation, Digitalisation, Trade & Transaction reporting and the future of Capital Markets.

IN THIS ISSUE

This month, ESMA launched its first [Sustainable Finance Roadmap](#), setting out three priorities of combating greenwashing, building NCAs and ESMA's capacity, and monitoring, assessing and analysing ESG markets and risk. The roadmap outlines ESMA's sustainable finance deliverables, as well as how they will be executed over the next three years.

ESMA is also gathering information on the market structure for ESG rating providers in the European Union (EU) through the [Call for Evidence on ESG Ratings](#).

In its first [Trends, Risks and Vulnerabilities \(TRV\) report](#) of 2022 ESMA highlighted the Risk of Significant Market Corrections. For the first time, environmental risk has been added to the risk dashboard as a separate category and a set of structural indicators is made available. In addition, ESMA publishes a [statistical annex](#) including new risk indicators on climate-related disclosures, company reputational risk, and EU carbon markets.

Linked to the TRV, ESMA published three articles, on the [High Level of Divergence in Disclosure of ESG Factors in Credit Ratings](#), [Monitoring environmental risks in EU financial markets](#) and the [Mixed Effects of 2020 Short Selling Bans](#).

In the month of February, ESMA had also [proposed Reforms to improve Resilience of Money Market Funds](#) which would address, among other things, liquidity difficulties and threshold effects for constant net asset value (CNAV) MMFs.

A full overview of all publications can be found in the newsletter, together with information on next month's speaking appearances of ESMA staff, consultations closing in March and vacancies. For updates, follow us on [Twitter](#) and [LinkedIn](#).

ESMA IN FEBRUARY

ESMA PRIORITISES THE FIGHT AGAINST GREENWASHING IN ITS NEW SUSTAINABLE FINANCE ROADMAP	3
ESMA LAUNCHES CALL FOR EVIDENCE ON ESG RATINGS	5
ESMA WARNS CONSUMERS OF RISK OF SIGNIFICANT MARKET CORRECTIONS	6
ESMA FINDS HIGH LEVEL OF DIVERGENCE IN DISCLOSURE OF ESG FACTORS IN CREDIT RATINGS	8
ESMA FINDS MIXED EFFECTS OF 2020 SHORT SELLING BANS	9
ESMA PROPOSES REFORMS TO IMPROVE RESILIENCE OF MONEY MARKET FUNDS	10
PUBLICATIONS	12

THE MONTH AHEAD: MARCH

SPEAKING APPEARANCES	14
CONSULTATIONS	17
OPEN VACANCIES	18
CONTACT INFO	19



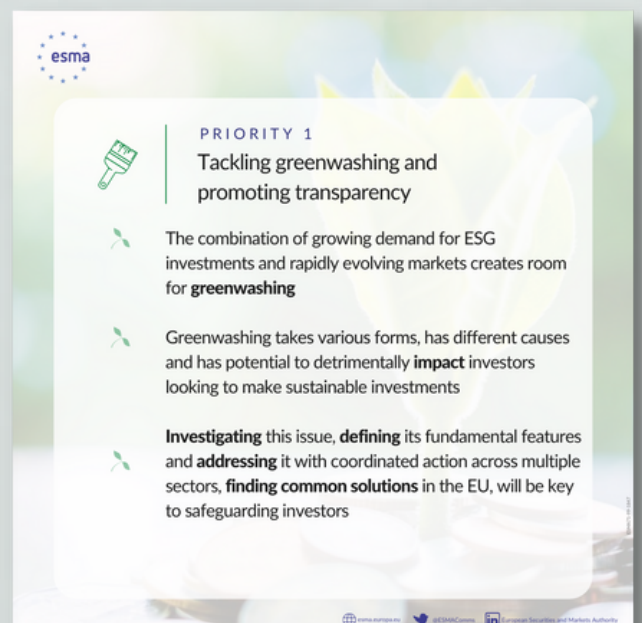
ESMA PRIORITISES THE FIGHT AGAINST GREENWASHING IN ITS NEW SUSTAINABLE FINANCE ROADMAP

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has published its [Sustainable Finance Roadmap 2022-2024 \(Roadmap\)](#). ESMA identifies three priorities for its sustainable finance work:

Building on ESMA's 2020 Strategy on Sustainable Finance, the Roadmap sets out ESMA's deliverables on sustainable finance and how they will be implemented over the next three years. The Roadmap will serve as a practical tool to ensure that ESMA delivers on the wide array of sustainable finance tasks across several sectors in a coordinated way.

Roadmap Priorities

The Roadmap sets three priorities for ESMA's sustainable finance activities in the period from 2022 to 2024:



ESMA is actively contributing to the development of the sustainable finance rulebook and to its consistent application and supervision by taking the necessary measures to promote investor protection across the EU. ESMA also engages in risk assessment and market monitoring activities focusing on potential financial stability risks stemming from ESG factors.

PRIORITY 2
Building NCAs' and ESMA's capacities

- The growing importance of sustainable finance requires NCAs and ESMA to further **develop skills** beyond their traditional areas of focus to understand and address the supervisory implications of new regulation and of novel market practices
- ESMA will help build its, and NCAs', capacity on sustainable finance through
 - a multi-year **training programme**
 - facilitating the active **sharing of supervisory experiences** among NCAs
- These efforts will also contribute to creating effective and consistent supervision in the area of sustainable finance

PRIORITY 3
Monitoring, assessing and analysing ESG markets and risks

- Investor protection and financial markets stability require close monitoring of emerging **trends, risks and vulnerabilities**
- ESMA will leverage on its **data-analysis capabilities** to support its, and NCAs', **supervisory work** and to promote a convergent approach among NCAs
- ESMA will undertake specific **activities**
 - climate scenario analysis for investment funds
 - CCP stress testing
 - common methodologies for risk analysis with other public bodies

ESMA will address its three priorities with a comprehensive list of actions across the following sectors: investment management, investment services, issuers' disclosure and governance, benchmarks, credit and ESG ratings, trading and post-trading and financial innovation. Several of these actions will also contribute to fulfilling the European Commission's 2021 Renewed Sustainable Finance Strategy.

Next steps

ESMA has already embarked on the first Roadmap activities to ensure it can deliver on its ambitious plans. It will shortly launch a call for stakeholder candidates to join a new Consultative Working Group supporting ESMA's Coordination Network on Sustainability.

ESMA will keep the Roadmap, including the identified priorities and the sectors of focus, under review during the entire implementation period of 2022 to 2024. This will ensure that it continues to address the most significant challenges related to ESMA's sustainable finance mandate, as this important field continues to evolve.

Areas of focus
Sustainable Finance Roadmap 2022 - 2024

- Cross-sectoral
- Benchmarks
- Investment management
- Credit ratings and ESG ratings
- Investment services
- Trading and post-trading
- Issuers' disclosure and governance
- Financial innovation

Click here for more information.

ESMA LAUNCHES CALL FOR EVIDENCE ON ESG RATINGS

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has published a **Call for Evidence on Environmental, Social and Governance (ESG) ratings**. The aim is to gather information on the market structure for ESG rating providers in the European Union (EU).

Call for Evidence on ESG Ratings

WHO?

- ESG rating providers
- Users of ESG rating providers
- Entities subject to rating assessment of ESG rating providers

WHY?

- Identify ESG rating providers currently present in the EU, and those located outside the EU but operating in the EU/having clients in the EU
- Receive feedback from covered entities on their experiences of being rated

WHEN?

- Stakeholders to submit input by **11 March**

esma

www.esma.europa.eu @ESMAComms European Securities and Markets Authority

The Call for Evidence's purpose is to develop a picture of the size, structure, resourcing, revenues and product offerings of the different ESG rating providers operating in the EU. The call is mainly addressed to three target groups:

- **ESG rating providers;**
- **users of ESG ratings; and**
- **entities subject to rating assessment of ESG rating providers.**

The Call for Evidence is intended to complement a separate consultation to be launched by the European Commission (EC), that will seek stakeholder views on the use of ESG ratings by market participants and the functioning and dynamics of the market.

Next steps

Stakeholders are invited to submit their responses via the questionnaire available here by 11 March 2022 for ESMA's consideration. The feedback received will be shared with the EC.



ESMA WARNS CONSUMERS OF RISK OF SIGNIFICANT MARKET CORRECTIONS

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, had published the first **Trends, Risks and Vulnerabilities (TRV) Report of 2022** and, in its outlook for 2022, continues to see high risks to institutional and retail investors of further, possibly significant, market corrections.

The pandemic's resurgence at the end of 2021 and an uncertain economic and monetary policy outlook are leading market participants to revisit their growth and market expectations. Going forward, we continue to see high risks to investors of further – possibly significant – market corrections as markets remain nervous and geopolitical tensions are rising.

The Report's main findings are:

Market environment: Macroeconomic conditions continued to improve through the second half of 2021, although the impact of a new wave of the pandemic on the economic outlook is unclear at this stage.

Asset management: Investment fund markets continued to grow, particularly with inflows into equity funds. Risks remained elevated, both in terms of liquidity risk and credit risk, while higher inflation expectations raise new concerns in relation to duration risk. Funds investing in assets protected against inflation, such as commodity funds, benefitted from increased flows.

Sustainable finance: The growth of ESG markets remained steady as investors continued to increase their investments in sustainable products. ESG fund assets increased by 9% in the second half of 2021, while ESG bond markets grew by 19%. Concerns over possible green asset overvaluation lingered.

Financial innovation: Crypto Asset markets reached new records with a peak at EUR 2.6tn in November, fuelled by investor appetite for riskier assets and growing institutional adoption. Stablecoins and DeFi continued to expand rapidly, and with them concerns over the resilience of business models as well as high product and market risks investors take.

New in this edition

ESMA is for the first time including environmental risk as a category in the risk dashboard. In addition, new risk indicators on climate-related disclosures, firms' reputational risk and EU carbon markets are covered in the statistical annex.

ESMA is also publishing the TRV Structural Market Indicators (SMIs), a collection of statistics that provide structural indicators on securities, markets, market participants and infrastructures for the EEA and EU, and by Member State. The SMIs provide transparency on the structure of EU securities and markets to supervisors, market participants and investors by using ESMA's regulatory datasets. ESMA plans to update the published indicators and possibly expand the scope of the SMIs annually.



All investors should consider that the risk of market corrections remains acute. This was demonstrated last year in two episodes of sell-offs largely driven by news first related to Evergrande and then to the resurgence of Covid-19. The markets remain highly volatile and ESMA sees growing uncertainty for investors going forward.

Retail investors are of particular concern to ESMA. Their participation in financial markets has increased substantially in recent years, with new investors taking advantage of the convenience and user-friendly features of mobile trading platforms. This diversification offers opportunities but also comes with risks, and ESMA remains concerned about risks to retail investors who buy assets with expectations of significant price growth, and without realising the high risks involved.



Verena Ross
Chair





ESMA FINDS HIGH LEVEL OF DIVERGENCE IN DISCLOSURE OF ESG FACTORS IN CREDIT RATINGS

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, had published an [article](#) assessing the implementation of ESMA's Guidelines on the disclosure of environmental, social, and governance (ESG) factors in credit rating agency (CRA) press releases. ESMA finds that the overall level of disclosures has increased since the introduction of the Guidelines, but that a high level of divergence across CRAs means there is still room for further improvement.

Applying natural language processing techniques to a unique dataset of over 64,000 CRA press releases published between 1 January and 30 December 2020, the study finds that the extent of ESG disclosures differs significantly across both CRAs and ESG factors, especially environmental topics.

It also observes divergences in CRAs' disclosures even for rated entities that are highly exposed to ESG factors, relative to their sector peers. Investor interest in sustainable finance has grown exponentially in recent years and, as a result, some CRAs have sought to become more transparent on how ESG factors are integrated into their credit ratings.

IESMA, to ensure a consistent level of ESG issues transparency for investors, on 30 March 2020 began applying Guidelines for how and when CRAs' considerations of ESG factors are disclosed in credit rating press releases.

ESMA is also currently conducting a Call for Evidence on the market structure of ESG rating providers in the EU. Its purpose is to develop a picture of the size, structure, resourcing, revenues and product offerings of the different ESG rating providers operating in the EU.

ESMA FINDS MIXED EFFECTS OF 2020 SHORT SELLING BANS

© imagepointpro, Getty Images-1341252712

The severe market stress of March 2020 pushed six European authorities to impose short selling bans in a coordinated way with the aim of limiting downward price spirals. In a new article ESMA looks at the impact these restrictions had at the height the Covid-19 related market stress.

Overall, ESMA finds that the long-term short selling bans of 2020 appear to have had mixed effects, with a deterioration of market liquidity but also a reduction of the volatility of the shares concerned. This is consistent with prior analysis on the impact of short selling restrictions. The reduction in liquidity appears more pronounced for large-cap stocks, highly fragmented stocks and stocks with listed derivatives – pointing towards stronger effects for shares deemed as liquid.

In terms of price impact, ESMA's evidence suggests that the bans did neither harm nor sustain market prices. Finally, according to the analysis of net short positions data across European jurisdictions, the bans did not entail substantial displacement effects from non-banning to banning jurisdictions.



[Click here to review the full article](#)



ESMA PROPOSES REFORMS TO IMPROVE RESILIENCE OF MONEY MARKET FUNDS

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, is issuing an [Opinion](#) containing proposed reforms to the regulatory framework for EU Money Market Funds (MMFs) under the Money Market Funds Regulation (MMFR). The proposals will improve the resilience of MMFs by addressing in particular liquidity issues and the threshold effects for constant net asset value (CNAV) MMFs.

These proposed reforms result from the lessons learnt from the significant liquidity difficulties faced by MMFs during the initial outbreak of the COVID-19 pandemic in March 2020. At the time investor redemption rates rose on the liability side with a corresponding deterioration in the liquidity of money market instruments on the asset side.

The ESMA Opinion includes the following key policy measures aimed at improving the resilience of MMFs:

1. Addressing the threshold effects for constant net asset value (CNAV) MMFs, by:
2. Removing the possibility to use amortized costs for low volatility NAV (LVNAV) MMFs; and
3. Decoupling regulatory thresholds from suspensions, gates and redemption fees for LVNAV/CNAV MMFs.
4. Addressing liquidity related issues by:
5. Ensuring mandatory availability of at least one liquidity management tool for all MMFs;
6. Amendments of the Daily liquid asset/ Weekly liquid assets ratios as well as the pool of eligible assets, including public debt assets, which can be used to satisfy these liquidity ratios; and
7. Inclusion/Reinforcement of the possibility to temporarily use liquidity buffers in times of stress.

In addition, ESMA is proposing complementary reforms aimed at enhancing MMFs' preparedness for a crisis. These include enhancements of reporting requirements and the stress testing framework, as well as clarification of the requirements on external support and new disclosure requirements linked to the rating of MMFs.

ESMA has also published the annual update of the Guidelines on MMF Stress tests.

Next steps

ESMA has sent its Opinion to the European Commission and will work closely with the Commission throughout the Review of the MMF Regulation.

The Guidelines on MMF Stress tests will be further reviewed this year to take in particular into account the interdependencies between the different risk factors under certain market situations. ESMA will be consulting on this review in 2022 and the outcome will be published by the end of the year.

“

ESMA is today proposing a number of changes to the MMF regulation intended to make MMFs more resilient. These reforms will help to improve the overall stability of financial markets, by reducing the risk of liquidity stress.

In March 2020 MMFs faced difficulties brought on by increases in redemption demands while the assets they held became more difficult to sell. Our proposals today, which are consistent with those of the ESRB, aim to ensure that MMFs will be able to meet investors' redemption requests, and that this will continue to be the case also in the future.

Verena Ross
Chair

”



PUBLICATIONS



Click to read the news items

24
Feb VERENA ROSS SPEAKS AT
THE EUROFI HIGH LEVEL
SEMINAR 2022

11
Feb ESMA PRIORITISES THE
FIGHT AGAINST
GREENWASHING IN ITS
NEW SUSTAINABLE
FINANCE ROADMAP

23
Feb ESMA LAUNCHES CALL
FOR EVIDENCE ON
CLIMATE RISK STRESS
TESTING FOR CCPS

10
Feb ESMA FINDS HIGH LEVEL
OF DIVERGENCE IN
DISCLOSURE OF ESG
FACTORS IN CREDIT
RATINGS

16
Feb ESMA PROPOSES
REFORMS TO IMPROVE
RESILIENCE OF MONEY
MARKET FUNDS

9
Feb VERENA ROSS DELIVERS
KEYNOTE SPEECH AT THE
AFORE 6TH ANNUAL
FINTECH AND
REGULATION
CONFERENCE 2022

15
Feb ESMA RESPONDS TO
EUROPEAN
COMMISSION
CONSULTATION ON THE
LISTING ACT

8
Feb ESMA LAUNCHES A
COMMON SUPERVISORY
ACTION WITH NCAS ON
MIFID II COSTS AND
CHARGES

15
Feb ESMA WARNS
CONSUMERS OF RISK OF
SIGNIFICANT MARKET
CORRECTIONS

8
Feb ESMA ISSUES LATEST
DOUBLE VOLUME CAP
DATA

7
Feb

ESMA BECOMES
SUPERVISOR OF EU
DATA REPORTING
SERVICE PROVIDERS

3
Feb

FINANCIAL EDUCATION
AND LITERACY: A
PRIORITY FOR THE ESAS

7
Feb

THE ESAS RECOMMEND
ACTIONS TO ENSURE
THE EU'S REGULATORY
AND SUPERVISORY
FRAMEWORK REMAINS
FIT-FOR-PURPOSE IN
THE DIGITAL AGE

3
Feb

ESMA LAUNCHES ITS
NEW STS REGISTER

4
Feb

ESMA PUBLISHES LATEST
EDITION OF ITS
NEWSLETTER

2
Feb

ESMA PUBLISHES
SUPERVISORY BRIEFING
ON THE USE OF TIED
AGENTS UNDER MIFID II

3
Feb

ESMA REPORT
HIGHLIGHTS LIQUIDITY
CONCERNS FOR
ALTERNATIVE
INVESTMENT FUNDS

1
Feb

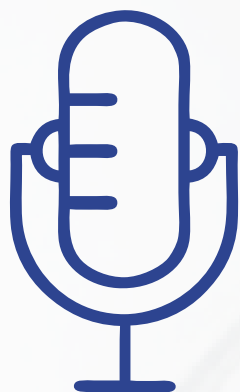
ESMA MAKES NEW
BOND LIQUIDITY DATA
AVAILABLE AND
PUBLISHES DATA FOR
THE SYSTEMATIC
INTERNALISER
CALCULATIONS

3
Feb

ESMA LAUNCHES CALL
FOR EVIDENCE ON ESG
RATINGS

1
Feb

ESMA RECOMMENDS
CLEARING OBLIGATION
FOR PENSION FUNDS TO
START IN JUNE 2023



SPEAKING APPEARANCES

by ESMA staff in March

	EVENT	ORGANISER	SPEAKER
8 Mar	SUERF event on Gender, Inflation and Digitalization	EUAN Coordination	Claudia Guagliano
8 Mar	EUAN Online Talk "Women Leaders of EU Agencies/Jus"	EUAN Coordination	Natasha Cazenave
8 Mar	"Food for Thought" event	Frankfurt Main Finance	Klaus Loeber
10 Mar	ICI's Executive Committee Meeting	ICI	Verena Ross
15 Mar	Meeting of AFME's European Public Policy Committee (EPPC)	AFME	Natasha Cazenave
16 Mar	AEFR morning meetings	Association Europe Finances Regulations (AEFR)	Verena Ross
16 Mar	BOCA	FIA	Klaus Loeber

	EVENT	ORGANISER	SPEAKER
17 Mar	11th edition Central Counterparty and Clearing Risk	Marcus Evans	Franck Viollet
17 Mar	European Corporate Treasury Association (EACT) Summit	European Corporate Treasury Association (EACT)	Verena Ross
21 Mar	UN High-level Meeting on Credit Rating Agencies	European Union Delegation to the United Nations in New York	Iliana Lani
22 Mar	RCCI-RCSI day	AMF	Verena Ross
22 Mar	Trade & Transaction Reporting	Informa	Nikolay Arnaudov
22 Mar	Annual Joint Conference on CCP Risk Management	European Central Bank, Deutsche Bundesbank and Federal Reserve Bank of Chicago	Nicoletta Giusto
24 Mar	EMEA Trading Conference	FIX Trading Community	Fabrizio Planta
24 Mar	Atelier sur les infrastructures et marchés post brexit	Association Europe Finances Régulations (AEFR)	Claire Bravard
28 Mar	ICI's 2022 Investment Management (IM) conference	ICI	Natasha Cazenave
29 Mar	EuropeanIssuers	FIA	Verena Ross

	EVENT	ORGANISER	SPEAKER
29 Mar	Derivatives Forum Frankfurt 2022 & Catch-Up	Eurex	Klaus Loeber
29 Mar	AFCM Annual Conference Bahrain 2022	Arab Federation of Capital Markets (AFCM)	Klaus Loeber
30 Mar	Seminar on Taxonomy Regulation	Hellenic Capital Market Commission (HCMC)	Eduardo-Javier Moral Prieto
31 Mar	Twelfth Annual EFR Stakeholder Round Table	European Financial Services Round Table (EFR)	Verena Ross

CONSULTATIONS



Closing



04/03/2022

Call for evidence on the DLT Pilot Regime



11/03/2022

Call For Evidence on market characteristics for ESG Rating Providers in the EU



11/03/2022

Consultation on the Revision to Guidelines and Recommendations on Scope of the CRA Regulation

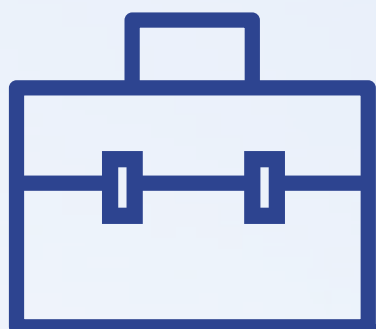


31/03/2022

Consultation on the Review of EMIR RTS on APC margin measures

The full list of consultations and reply forms can be found on the [ESMA consultations page](#)





OPEN VACANCIES

POSITION

DEADLINE

Senior Policy &
Convergence Officer
(Securitisation Profile)

07/03/22

Team Leader - Profile:
Post-Trading and Integrity

07/03/22

Senior Legal Officer
(Enforcement Profile)

29/03/22

Traineeship notice –
Legal profile (F/M)

Open call
(without a specific deadline)

Traineeship notice –
Transversal profile (F/M)

Open call
(without a specific deadline)

Traineeship notice -
Financial Markets Profile
(F/M)

Open call
(without a specific deadline)

All open vacancies can be found on [ESMA's recruitment portal](#)



CONTACT INFO



ESMA

201-203 Rue de Bercy

75012 Paris



info@esma.europa.eu



Press office