

Response of the Netherlands – Public consultation on the European Supervisory Authorities (Regulations 1093/2010, 1094/2010, 1095/2010)

This is a joint reaction of the Netherlands Ministry of Finance, the Dutch Authority for the Financial Markets and De Nederlandsche Bank, each institution with their own role and responsibilities.

General reaction (in answer to Q32: You are invited to make additional comments on the ESAs Regulation if you consider that some areas have not been covered above.)

First of all, we would like to compliment the European Supervisory Authorities (ESAs) with their achievements since the start of their operation in 2010, especially in the field of the single rulebook. We believe the ESAs in general have positively contributed to promoting convergence of supervisory practices by means of issuing guidelines and recommendations and creating a platform for exchanging supervisory experiences. Until 2016, the focus of the ESAs was on their regulatory role. Since then, more attention and resources have been put in enhancing supervisory convergence between National Competent Authorities.

Integration of markets and supervision is at different stages in the areas of banking (EBA), and insurance and pensions (EIOPA) and securities markets (ESMA). We thus are taking a differing approach towards the evaluation of EBA and EIOPA on the one hand, and ESMA on the other hand. To consider fundamental improvements of the institutional architecture, we feel that the European supervisory framework at large should be reviewed. In that respect, we would like to take note of the upcoming review of the Single Supervisory Mechanism (SSM) before giving an in-depth reaction on the institutional questions.

On EBA and EIOPA, we are content with the current functioning of the organizations and are supportive to continue these organizations in their current form with their current mandate. Specifically, given the national character of pension funds (IORPs) in relation to social security and labour market issues, we do not see a need to move beyond the current framework on this point.

On ESMA, we see that capital markets in the European Union (EU) are increasingly integrated. Market participants are free to decide where to locate their activities and to offer their services from any EU member state. These freedoms will be enhanced by the efforts of the European Commission to accelerate the capital markets union (CMU). CMU will allow for even more cross border investment and a more efficient allocation of capital, which can boost financing of business and infrastructure.

One of the current consequences of better integrated capital markets is that national supervision is increasingly confronted with cross-border financial markets activities. This raises the question whether national regulators have the capacity to address the risks created by entities under their supervision outside their jurisdiction, in other EU member states. In order to protect the support for the current EU passport system for market entities, we should prevent a tendency to lower standards. We thus believe there is a need to advance ESMA's instruments to enhance supervisory consistency. We are generally supportive of strengthening ESMA in the area of supervisory convergence. Much progress in this field can already be made within the framework of the existing Treaties. Where adjustments are needed in order to effectively fulfill the mandate, the boundaries of the *Meroni*-doctrine should be respected as well as the complex system of multileveled (national versus EU) and inter-institutional governance, of which the democratic credentials are built upon a subtle, Treaty-established balance.

Looking ahead, as was already done in the 'Five Presidents'-report of 22 June 2015, a successful CMU ultimately needs a single European capital markets supervisor. Although first steps have been taken in the past years, we have not seen a big bang in the area of capital markets as we did see in the field of banking, with the creation of the Banking Union. There are areas of supervision where a strong case can be made for more centralised supervision. In our view, market segments where business is principally European and of a cross border nature, like supervision on benchmarks and market abuse, are most likely to benefit from more centralised European supervision. In these market segments more centralised supervision can help reduce market fragmentation and contribute to a better functioning and more integrated European capital market. We encourage the Commission move ahead with a single European capital markets supervisor and

further explore proposals on supervisory tasks on specific areas that can be organized more effectively on a European level. The link with national resolution regimes and national resolution authorities should be taken into account when looking into centralization of supervision.

1. *In general, how do you assess the work carried out by the ESAs so far in promoting a common supervisory culture and fostering supervisory convergence, and how could any weaknesses be addressed?*
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The ESAs work with regards to supervisory convergence has been instrumental for fostering a common supervisory culture, as substantial progress has been made since the inception of the ESAs.

Both the founding regulations of the ESAs and sectoral legislation contain a number of intervention powers, allowing the ESAs to intervene indirectly or directly in supervisory matters, which are important to enhance supervisory convergence. There are several important instruments at hand for the ESAs to put pressure on NCAs which fail to meet their regulatory obligations: peer reviews of NCA's, the role of the ESAs in case of a breach of EU law, guidelines and recommendations, and the settlement of disagreements between NCAs on cross-border issues.

We do not feel that the current framework is substantially lacking competences for EBA and EIOPA, although we see room within the current legal framework to further promote supervisory convergence.

We do support the strengthening of ESMA in this area. We acknowledge the work done so far by ESMA and believe it is time to take next steps to render ESMA future proof. We believe there should be a strong focus on convergence with a risk based approach. We would like ESMA to develop instruments that stimulate peer learning by setting up a communal supervisory methodology, working together in supervisory projects and an advisory function by sharing best / worst practices Strong action should be taken in order to ensure that practices are corrected where serious or persistent divergence is detected.

2. *With respect to each of the following tools and powers at the disposal of the ESAs:*
 - a. *peer reviews (Article 30 of the ESA Regulations);*
 - b. *binding mediation and more broadly the settlement of disagreements between competent authorities in cross-border situations or cross-sectorial situations (Articles 19 and 20 of the ESA Regulations);*
 - c. *supervisory colleges (Article 21 of the ESA Regulations);*

To what extent:

- a. *have these tools and powers been effective for the ESAs to foster supervisory convergence and supervisory cooperation across borders and achieve the objective of having a level playing field in the area of supervision?*

Please elaborate on questions and, importantly, explain how any weaknesses could be addressed.

- b. *has a potential lack of an EU interest orientation in the decision making process in the Boards of Supervisors impacted on the ESAs use of these tools and powers?*

Please elaborate on questions and, importantly, explain how any weaknesses could be addressed.

Peer reviews are a relevant and useful tool for supervisory convergence. It is an effective tool to show differences in regulation and supervision across the EU and to identify areas where further regulatory products are needed to converge national practices. We do believe there are some common principles that should apply when conducting peer reviews:

- reviews should not only focus on compliance of the procedural aspects of supervision but specifically take in mind where the largest risks within a market or by an NCA are seen;
- peer reviews should focus on supervisory practices and avoid becoming a “ticking the box exercise”;
- the selection of peer review topics should be in line with the ESA priorities that are selected in their annual work programmes;
- peer reviews should ideally be based on clear benchmarks, as to compare NCA’s as effectively as possible. Also more transparency regarding the outcome of peer reviews might help in this respect;
- there could be merit in selecting only a few NCAs to be subject to a peer review, dependent on the subject or relevant market size;
- it would be useful to see peer reviews as part of a learning experience for NCAs. The quality of EU-wide supervision (especially in cross-border situations) might benefit significantly from mutual understanding of each other’s legal systems and supervisory modus operandi.

Supervisory colleges:

- EIOPA plays a facilitating and coordinating role in the supervisory colleges, for instance with regards to data exchange. The participation of EIOPA in discussions and on-site inspection helps to foster supervisory convergence across insurance groups.
- In case of EBA, supervisory colleges seem to be especially useful for identifying areas where national practices diverge and where there may be a need for trying to reach more convergence by issuing recommendations or guidelines.
- ESMA plays a coordinating role in the CCP colleges. With this horizontal role, they have insight across all the CCPs in the EU. That knowledge is being used e.g. to make suggestions for EMIR mandatory peer reviews or CCP stress tests. In addition, ESMA will play a coordinating role in the colleges for critical benchmarks.

3. *To what extent should other tools be available to the ESAs to assess independently supervisory practices with the aim to ensure consistent application of EU law as well as ensuring converging supervisory practices?*
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We believe in general that EBA and EIOPA have the tools available that are necessary to fulfil their roles with respect to supervisory convergence and some existing tools could be exploited further. We see merit in enhancing the use of peer learning instruments.

Specifically on ESMA: We are generally supportive of strengthening ESMA in the area of supervisory convergence. We see merit in enabling ESMA to take a more initiating role, especially regarding peer reviews. We also propose adding to the toolkit the possibility of setting up combined teams, consisting of both NCA- and/or ESMA staff that are able to initiate on-site visits of NCAs.

4. *How do you assess the involvement of the ESAs in cross-border cases? To what extent are the current tools sufficient to deal with these cases?*

ESMA has some experience with cross border cases. ESMA can step up and make sure there is enhanced pressure on the NCA(s) involved. We propose adding to the toolkit the possibility of setting up combined teams, consisting of both NCA- and/or ESMA staff that are able to initiate on-site visits of NCAs.

With respect to EIOPA and EBA, the current tools are deemed sufficient.

5. *To what extent are the ESAs tasks and powers in relation to guidelines and recommendations sufficiently well formulated to ensure their proper application? If there are weaknesses, how could those be addressed?*

In general, guidelines and recommendations are very useful. The tasks and powers in relation to this item are sufficiently well formulated. Given the large amount of legislation that is currently in place for the financial markets and the implementation needed, we encourage the ESAs to ensure that quality goes above quantity. We do not think there are any other instruments needed.

6. *What is your assessment of the current tasks and powers relating to consumer and investor protection provided for in the ESA Regulations and the role played by the ESAs and their Joint Committee in the area of consumer and investor protection?*

Consideration should be given to a higher profile for consumer/investor protection related issues. We experience that sector-based regulation is struggling to secure the interconnected and complex nature of the risks consumers and investors are exposed to. The fact that financial institutions are operating across bank/insurance/pension lines, and are offering increasingly complex financial products that have blurred the conventional credit/insurance/securities boundaries, underlines the need to ensure a cross-sectoral approach to consumer and investor protection.

The Joint Committee so far has played an important role in this work. However, we have noticed that the governance of the Joint Committee is not optimal for decision making in specific cross-sectoral areas. In this regard we welcome the suggestion of the Commission in question 28 to explore the possible benefits of consolidating certain consumer and investor protection powers within one European authority. We would like to stress that the goal of reaching a high level of investor protection goes beyond the institutional organization on a European level.

7. *What are the possible fields of activity, not yet dealt with by ESAs, in which the ESA's involvement could be beneficial for consumer protection?*

We would like to refer to our answer to the questions 6 and 28.

8. *Is there a need to adjust the tasks and powers of the ESAs in order to facilitate their actions as regards breach of Union law by individual entities? For example, changes to the governance structure?*
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On EBA and EIOPA, we are unaware that any changes on this issue are currently deemed necessary.

On ESMA, we invite the Commission to present proposals to enhance the role of ESMA in this regard. The outcome of a peer review might for instance show that a national supervisor needs to change its supervisory practices or has not fully implemented EU legislation. ESMA has several possibilities to address such an issue, for example by making the outcome of a review public, 'naming and shaming', or even to start a so-called Breach of Union Law procedure. But for each of these specific situations, where ESMA needs to 'sanction' one of its members, we face a problem within the governance. In the current set-up of the ESAs, the ultimate decision-making body is the Board of Supervisors composed of the Chairs of the national competent authorities. In case ESMA staff finds a so called Breach of Union Law by one or several of its members, it's the national competent authorities themselves that have to take the decision whether to sanction one of their fellow Board Members.

On governance, we would like to refer to our answer to the questions 22 and 23.

9. *Should the ESA's role in monitoring and implementation work following an equivalence decision by the Commission be strengthened and if so, how? For example, should the ESAs be empowered to monitor regulatory, supervisory and market developments in third countries and/or to monitor supervisory co-operation involving EU NCAs and third country counterparts?*

Monitoring regulatory, supervisory and market developments in third countries and supervisory co-operation could provide useful information on whether an equivalence decision should be reviewed. The ESAs could play a more prominent role in this area.

10. To what extent do you think the ESAs powers to access information have enabled them to effectively and efficiently deliver on their mandates?

It has been beneficial that the ESAs have access to data. It made it possible to have a European perspective looking at the data, for example for its financial stability task and/or to quickly analyze the possible consequences of certain market developments. If the ESAs develop information products (such as data quality reports, peer group comparisons and analytical products for colleges) and share them with the NCAs, this creates additional value for NCAs.

EIOPA and EBA have sufficient powers in place to access data necessary to fulfill their mandate. EBA has evolved into a datahub with data from a broad range of European banks available in comparable format. For instance, EBA receives all regulatory reports for the significant institutions on quarterly basis (e.g. FINREP, COREP, LR, etc.). Access to data has increased significantly for EIOPA and EIOPA has evolved into an important data hub for data from insurance companies. This has helped EIOPA to deliver on their mandates and EIOPA is also working on providing added value of data to NCAs (for instance by providing benchmarks at European level, identifying risks and vulnerabilities). EIOPA and EBA are both working on information products that facilitate peer reviews and the information exchange in supervisory colleges or between home and host supervisors.

ESMA should play a more central role in the collection of data for securities market activities. This could be done either by harmonisation, or by NCAs and ESMA working together more closely. A relevant example of such cooperation is the Delegated Project Boards within ESMA, where NCAs and ESMA build an infrastructure within ESMA for their MiFID data (FIRDS) and a collective distribution model for trade repository derivatives data (TRACE). Given the highly relevant role that data collection and distribution play for securities markets supervision and the efficiency gains that could be reached, we believe in addressing these tasks on a European level. As such, we can support the suggestion by the Commission to place data providers (DRSPs) in MiFID 2 under ESMA supervision.

11. Are there areas where the ESAs should be granted additional powers to require information from market participants?

We would like to make the following remark on whether the ESAs should be empowered to obtain information directly from market participants. As long as the ESAs do not have a mandate for engaging in direct supervision of the undertakings, the way for ESAs to require information from financial undertakings/market participants is through the NCAs. It is important that the NCAs, which are responsible for direct supervision, always have at least the same information as the ESAs. The NCA is the most knowledgeable about the undertakings' situation and should be the one that communicates with the undertaking. This is the most transparent and efficient way to organize the data flows, both for the industry as for the NCAs (and the ESAs as well). To have two data flows brings the risk of overlapping queries to the undertakings, both in terms of delivering data as in terms of communication about these data (answering questions etc.). Therefore, we do not see the need to grant the ESAs additional powers to request information from market participants.

12. To what extent would entrusting the ESAs with a coordination role on reporting, including periodic reviews of reporting requirements, lead to reducing and streamlining of reporting requirements?

Streamlining of reporting requirements has improved considerably. For undertakings that operate on a European level we do see merits in streamlining and harmonizing the reporting frameworks and a coordinating role for EBA and EIOPA in reporting frameworks could be beneficial; the SII reporting framework is a good example of this approach. However, we believe that, given the current national differences between IORPs and the absence of a European supervisory framework similar to SII, maximum harmonization of IORP reporting frameworks, is not yet possible.

The reporting framework should be further improved by timely communicating the final version of the reporting requirements, which could be further strived for. Insight is needed in the cause of the delay between formal submission by EBA and EIOPA and the final publication of the standards in the Official Journal of the EU.

13. In which particular areas of reporting, benchmarking and disclosure, would there be useful scope for limiting implementing acts to main lines and to cover smaller details by guidelines and recommendations?

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14. What improvements to the current organisation and operation of the various bodies do you see would contribute to enhance enforcement and supervisory convergence in the financial reporting area? How can synergies between the enforcement of accounting and audit standards be strengthened?

In our view ESMA significantly contributes to the alignment of supervisory approaches in the financial reporting area. An important activity in this respect is the establishment of European common enforcement priorities (ECEP) for financial reporting.

In the past years a high number of accounting issues has been discussed in the European Enforcers Coordination Sessions (EECS). This sharing of experiences and exchange of views helps to ensure the convergence of supervisory outcomes in the area of accounting enforcement.

In the medium to long term we support the call for a greater harmonisation of accounting and auditing practices for financial institutions, as expressed in the Five Presidents' Report in the context of building a strong CMU.

15. How can the current endorsement process be made more effective and efficient? To what extent should ESMA's role be strengthened?

ESMA and EFRAG should both keep playing an important role as advisors in the endorsement process towards the Commission next to each other.

16. What would be the advantages and disadvantages of granting EIOPA powers to approve and monitor internal models of cross-border groups?

The NCA's are well equipped to approve and monitor internal models, and they are the most knowledgeable about the undertaking's situation. At the same time, also supervisory convergence in the area of the ex ante approval of internal models of insurance undertakings is warranted for (not only for cross-border groups). Hence, we would see a role of EIOPA in this respect, for instance by means of peer reviews and the possibility to give recommendations to the NCA's ("comply or explain"). This would however require the build-up of a substantial knowledge base at EIOPA.

17. To what extent could the EBA's powers be extended to address problems that come up in cases of disagreement? Should prior consultation of the EBA be mandatory for all new types of capital instruments? Should competent authorities be required to take the EBA's concerns into account? What would be the advantages and disadvantages?

We underline the importance of making sure that the interpretation of compliance with eligibility criteria by NCA's is harmonized. However, the benefits of extending the powers of EBA as suggested in the consultation paper would need to be balanced against its costs, such as potential delay in the issuance of new capital instruments. Also, we are not aware of any significant problems in this area that would warrant extending the scope of the powers of EBA. As a final remark, we note that e.g. the CET1 monitoring reports by EBA already make a significant contribution towards harmonizing market practice in relation to eligibility criteria. This shows progress towards more harmonization can also be made without extending formal powers.

18. Are there any further areas where you would see merits in complementing the current tasks and powers of the ESAs in the areas of banking or insurance?

Please elaborate and provide examples.

The value of financial assets can be negatively impacted by environmental, social and governance related issues. De Nederlandsche Bank has made recommendations to the High Level Expert Group (HLEG) on sustainable investment to develop and deploy measures to bring sustainability considerations into mainstream finance.

As ESAs are mandated to identify, at an early stage, trends, potential risks and vulnerabilities stemming from the micro-prudential level, across borders and across sectors in order to safeguard financial stability, ESG-related risks could become part of their focus.

19. In what areas of financial services should an extension of ESMA's direct supervisory powers be considered in order to reap the full benefits of a CMU?

As also stated in our general remark, we see merit in strengthening the European supervisory framework in order to achieve a real and well-functioning CMU. This would include both more supervisory convergence work among national supervisors and a strong ESMA with clear responsibilities. ESMA and the EMIR colleges have already played a positive role in enhancing supervisory convergence and addressing the risk of regulatory divergence between member states. We would welcome a further examination by the European Commission on how the current role of the ESAs, especially ESMA, could be strengthened further in light of this task.

Given the ambitious agenda of the CMU, we encourage the Commission to further explore whether a number of supervisory tasks and fields could be organized more effectively on a European level and if so which European authority (ESMA, ECB, other) would be best placed to perform these tasks. In our view, market segments where business is principally European and of a cross border nature, like supervision of benchmarks and market abuse, are most likely to benefit from more centralised European supervision. In these market segments more centralised supervision can help reduce market fragmentation and contribute to a better functioning and more integrated European capital market.

20. For each of the areas referred to in response to the previous question, what are the possible advantages and disadvantages?

Please elaborate on your responses providing specific examples.

We would like to refer to our answer to question 19.

21. For each of the areas referred to in response to question 19, to what extent would you suggest an extension to all entities or instruments in a sector or only to certain types or categories?

We would like to refer to our answer to question 19.

22. *To what extent do you consider that the current governance set-up in terms of composition of the Board of Supervisors and the Management Board, and the role of the Chairperson have allowed the ESAs to effectively fulfill their mandates? If you have identified shortcomings in specific areas please elaborate and specify how these could be mitigated?*

Overall we consider the Boards and Chairpersons to be adequately equipped to perform their tasks well. The governance structure currently ensures a balanced decision-making process. Naturally, when more supervisory tasks would be placed at EU level, the governance of ESMA should mature accordingly.

The ESAs could operate more effectively if the Board of Supervisors would focus more on strategy and supervisory matters. For the past years the main focus has been on technical regulatory matters. In our view the ESAs should be able to make this shift in focus, even without changing the current governance framework.

We do see merit in improving the work of the Joint Committee. As already mentioned in the answer on question 6, the governance of the Joint Committee is not optimal for decision making in specific cross-sectoral areas. Approval of each of the three ESAs can be challenging for finalising a regulatory product.

Furthermore, we would like to draw attention to the fact that the impact of the ESAs` regulatory role, as well as their activities in the field of supervisory convergence, seem to have increased. In general, the shifted focus of the ESAs demands increased attention for the accountability of the ESAs. We think the boundaries of the *Meroni* doctrine should be respected as well as the complex system of multilevel (national versus EU) and inter-institutional governance, of which the democratic credentials are built upon a subtle, Treaty-established balance. In addition to a carefully designed governance framework, accountability requirements ensure that the Board will be kept within the Treaty's established institutional and political limits and that it delivers results true to its pan-European character.

One last issue specifically concerning the functioning of EBA is the fact that its governance has not been fully and formally adapted to its recent tasks and responsibilities in the field of bank resolution. While some form of de facto decision-making has been attributed to the Resolution Committee in relation to the BoS, there remain legal inconsistencies with the BRRD, which requires separate powers and decision-making on resolution. The fact that the Resolution Committee formally cannot decide on Level 2 regulation without BoS involvement currently raises questions regarding operational independence. In the same vein, the current governance creates practical inconsistencies, e.g with regard to EBA's mediation role in Resolution Colleges. The current review offers a good opportunity to review and remedy this situation.

23. To what extent do you think the current tasks and powers of the Management Board are appropriate and sufficient? What improvements could be made to ensure that the ESAs operate more effectively?

The current tasks and powers of the Management Board are appropriate and sufficient. The ESAs are member organizations, and a balanced decision-making process, such as is currently the case, should be ensured. To consider fundamental improvements to the institutional architecture, we feel that the European supervisory framework at large should first be reviewed. In that respect, we would also like to take note of the upcoming review of the SSM before giving an in-depth reaction on the institutional questions.

24. To what extent would the introduction of permanent members to the ESAs' Boards further improve the work of the Boards? What would be the advantages or disadvantages of introducing such a change to the current governance set-up?

We would like to refer to our answer to the questions 22 and 23.

25. To what extent do you think would there be merit in strengthening the role and mandate of the Chairperson? Please explain in what areas and how the role of the Chairperson would have to evolve to enable them to work more effectively? For example, should the Chairperson be delegated powers to make certain decisions without having them subsequently approved by the Board of Supervisors in the context of work carried out in the ESAs Joint Committee? Or should the nomination procedure change? What would be the advantages or disadvantages?

We would like to refer to our answer to the questions 22 en 23.

26. To what extent are the provisions in the ESA Regulations appropriate for stakeholder groups to be effective? How could the current practices and provisions be improved to address any weaknesses?

We appreciate the involvement and work done by stakeholders groups.

27. To what extent has the current model of sector supervision and separate seats for each of the ESAs been efficient and effective?

We refer to the answer to question 28.

28. Would there be merit in maximizing synergies (both from an efficiency and effectiveness perspective) between the EBA and EIOPA while possibly consolidating certain consumer protection powers within ESMA in addition to the ESMA's current responsibilities? Or should EBA and EIOPA remain as standalone authorities?

To consider fundamental changes to the institutional architecture, we feel that the European supervisory framework at large should first be reviewed. In that respect, we would also like to take note of the upcoming review of the SSM before giving an in-depth reaction on the institutional questions.

At this stage, we do not immediately see the benefits of a merger of EBA and EIOPA, as we do not expect significant synergies for their core tasks. From an efficiency point of view, there might be merit in further concentrating conduct supervision.

Independently of the chosen structure, it is important that consumer and investor protection is approached in a cross-sectoral and consistent manner. At the same time, the institutional structure of the ESAs is not so much a goal in itself and should primarily ensure reaching our supervisory goals in an effective and efficient way. As stated before, a more overarching view on the institutional set-up of the supervisory architecture in the European Union is – however - necessary to decide on concentration of conduct supervision at one ESA.

29. *The current ESAs funding arrangement is based on public contributions. Please elaborate on each of the following possible answers (a) and (b) and indicate the advantages and disadvantages of each option.*

a) should they be changed to a system fully funded by the industry?

What are the advantages and disadvantages of option a)?

b) should they be changed to a system partly funded by industry?

What are the advantages and disadvantages of option b)?

We stress the importance of the funding levels of the ESAs to be stable and commensurate to what is necessary, operating efficiently, to effectively fulfill the objectives and tasks set out in their founding regulations and by other legislation. In addition, the work programmes of the ESAs should be focused on ensuring resource efficiency as well as effectiveness. In general, we underline the importance of a transparent and accountable process in building the work programs and setting priorities.

In light of the above, and regardless of the source of funding (based on public or (partly) industry financing), the funding model should be consistent with the principles of fair burden-sharing and budget discipline, aligned to the ESAs' tasks, resources and responsibilities, and with effective governance and appropriate accountability rules in place.

In case of any alteration of the current funding model, the level of democratic legitimacy and (political and/or public) accountability of the ESA's should be taken into account. Furthermore, we believe that an alteration of the funding system needs to be balanced against the costs. Should the funding arrangement be changed to a system (partly) funded by the industry, it is necessary to take the regulatory burden for all parties involved into account.

Naturally, those entities that are under direct supervision of ESMA should directly contribute to its funding, as is currently the case for Trading Repositories and Credit Rating Agencies.

30. *In your view, in case the funding would be at least partly shifted to industry contributions, what would be the most efficient system for allocating the costs of the ESA's activities?*

Please elaborate on (a) and (b) and specify the advantages and disadvantages involved with each option, indicating also what would be the relevant parameters under each option (e.g., total market capitalisation, market share in a given sector, total assets, gross income from transactions etc.) to establish the importance/size of the contribution.

We would like to refer to our answer to question 29.

31. Currently, many NCAs already collect fees from financial institutions and market participants; to what extent could a European system lever on that structure? What would be the advantages and disadvantages of doing so?

Please elaborate.

We would like to refer to our answer to question 29.