AFM position paper on centralisation of capital markets data in the EU

In short Centralizing capital markets data in Europe offers numerous benefits, aligning with the goals of the Capital Markets Union (CMU) to create an integrated and efficient market. Centralization of data facilitates regulatory effectiveness, streamlines reporting processes, and reduces compliance costs for companies operating across EU Member States. Centralization also enhances market transparency, fosters international cooperation, and improves risk management capabilities. The AFM proposes conditions for successful centralization, emphasizing data governance, quality standards, and centralized facilities for data delivery. Certain data flows, such as those resulting from new legislation or transcending national boundaries, are prime candidates for centralization. Implementing centralization requires a phased approach, prioritizing new regulations, evaluating existing tasks, and seeking incremental gains to demonstrate its benefits.

Key messages:

1. **The AFM sees significant advantages in centralising capital markets data delivery and data processing at a European level:** Centralising capital markets data in Europe enhances regulatory effectiveness, fosters cross-border cooperation and allows for a more comprehensive understanding of risks. Centralisation leads to more efficient information sharing and creates a harmonised approach to oversight across EU Member States. It improves the supervision of market manipulation by enabling quick detection of suspicious activities.

2. **Efficiency and International Cooperation:** Centralising data improves efficiency in regulatory processes and reduces the dependence on complex systems for individual regulators. It makes automation of supervisory activities easier, allows quicker responses to emerging issues and fosters international cooperation among European regulators.

3. **Conditions for successful centralisation:** The AFM proposes certain conditions for effective centralisation of data. These include centralised data delivery and processing, defining data quality requirements at a central level and ensuring central facilities for NCAs to access and analyse data. This also emphasises the need for clear data governance, with ESMA potentially playing a central role in managing this centralisation.

4. **Data flows suitable for centralisation:** The AFM suggests centralising new data flows resulting from new legislation, data flows where centralisation can significantly improve quality and efficiency (such as transaction reporting flows) and data on financial products that transcend national boundaries. Centralisation in these areas can provide better insights into the EU financial market and identify cross-border market abuse.

5. **Benefits for supervised institutions:** Centralising capital markets data in Europe significantly enhances efficiency and compliance for supervised institutions, streamlines reporting and reduces administrative burdens. This leads to cost savings, increased market transparency and greater trust in financial markets.

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1. Introduction

Centralising capital markets data in Europe offers numerous advantages enhancing regulatory effectiveness and fostering cross-border cooperation. In an increasingly interconnected financial landscape, the consolidation of capital markets data allows for a more comprehensive understanding of risks, facilitating timely responses to emerging challenges.

Centralisation of capital markets data is also closely aligned with the goals of the Capital Markets Union (CMU) in the European Union. For example, the CMU aims to create a more integrated and efficient capital market across the EU Member States. Centralisation facilitates the integration of capital markets across the EU by providing a centralised platform for accessing financial and non-financial information. This harmonises the flow of information and reduces fragmentation in the market. For companies, especially those operating in multiple EU countries, centralisation of data can simplify the regulatory reporting process and reduce compliance costs, a benefit that aligns with the CMU's aim of reducing administrative burdens.

This document explores the key reasons why centralising financial supervision data in Europe is beneficial, touching upon aspects such as coordinated regulatory efforts, efficient information sharing and the creation of a harmonised approach to oversight across European Union Member States.

2. Why centralise capital markets data?

The AFM sees significant advantages in centralising data delivery and data processing at a central European level. Supervisory objectives can be achieved more effectively if we have an integral data set at a central European level. Also, central data collection is more efficient because no national data infrastructures are needed for receiving and processing data and, in addition, inefficient data exchange between regulators is not required. For financial institutions, the advantage is that they only need to provide data in one place. Also, a more integrated European capital market benefits from data storage on a supranational European level.

With a more comprehensive overview of the EU financial markets, we can better identify risks and cross-market manipulation. The cross-border and platform-transcending nature of market abuse is, in principle, well suited to a centralised data approach. This is especially true for specific financial instruments that have a strong cross-border character, such as bonds. Centralising capital markets data significantly enhances the supervision of market manipulation by allowing regulators to quickly detect suspicious activities through access to a broader range of data sources. Real-time monitoring becomes possible. Centralisation also improves collaboration among regulators internationally. This approach leads to more efficient resource utilisation, as separate data collection and analysis are no longer necessary.

Centralisation of data enhances efficiency in regulatory processes, as information sharing becomes more streamlined. On the one hand, individual regulators are no longer dependent on a cumbersome or indirect system to gather all the information before inspections can be carried out. This applies, for example, to various transaction reports. In addition, the automation of checks can be more efficient because the data sets are centralised. Centralisation also facilitates a more comprehensive understanding of the financial landscape, enabling better-informed decision-making. Furthermore, a centralised system

can contribute to fostering a level playing field among financial institutions across the EU, promoting fair competition and reducing regulatory arbitrage.

Centralised data also enhances international cooperation among European regulators and their global counterparts. While initial setup costs may be significant, long-term cost savings are achieved through reduced duplication in data collection and analysis.

Centralising capital markets data in Europe presents significant advantages for supervised institutions, including simplified reporting processes due to standardised requirements, which reduce administrative burdens. It creates a clearer regulatory environment, making compliance easier to understand and follow. Institutions benefit from enhanced risk management capabilities, as they gain access to a richer and more diverse data set for better market understanding. This centralisation also promises long-term cost savings from more efficient data collection and analysis. Increased market transparency enhances integrity and trust in the financial markets, which is beneficial for institutions that rely on investor and consumer confidence. Furthermore, it improves their competitive position by providing better market insights and facilitates easier access to cross-border markets, creating opportunities for expansion and growth. These benefits collectively enable supervised institutions to operate more efficiently and effectively within the European financial markets, contributing to their overall stability and growth.

3. What conditions does the AFM propose for the centralisation of data?

Successful centralisation improves the effectiveness of supervision, and also allows us to realise the potential efficiency benefits. To realise these benefits, the AFM sees several preconditions that must be met.

First, central facilities for NCAs must be available in order to access and analyse the data, produce data reports and download data sets. As long as supervision and enforcement is at a national level, NCAs need access to the data in order to be able to research identified supervision risks. They also need context data to be able to classify the severity of the risks. Facilities to safely download and process data must be available so that NCAs are able to combine central data with their own local data and make case files. Some of this context data might be public data, the collection and publication of which should also be on a central level.

A prerequisite for access facilities is that data governance is in place. It must be clear who can access what data and for what purpose. When the data is centrally managed, the responsibility for security, access and responsible use of data will also have to be organised on the central level. These requirements should be balanced with the condition that NCAs in principle should get access to the data they need for their supervision tasks.

Also, data quality requirements must be defined at a central level. Currently, the NCAs individually define the level of data quality they need for their own purposes. When data delivery is centralised, one definition of data quality is needed to be able to process and analyse the received data in an efficient (automated) way. This one central definition should nevertheless accommodate necessary requirements of NCAs to use the data for their supervision tasks.

Finally, not only should data collection and storage be centralised, but central facilities where supervised institutions can deliver their data should also be available. Data delivery and data collection in one place is the most efficient technical solution. Otherwise, NCAs still need to build and maintain own infrastructure to collect data and send it to the central point. This would negate efficiency gains.

Given these conditions, ESMA seems to be in the best position to fulfil the central role. First, because ESMA has already been assigned this role for new tasks, such as MiCAR. Secondly, with the advent of the European Single Access Point (ESAP), ESMA will become the organisation managing ESAP, the European central portal providing access to regulated financial and non-financial information from 2026, such as prospectuses, annual reports, sustainability information, etc. Thirdly, centralising data while accommodating individual requirements requires (continuous) consultation and discussion, which ESMA is well placed to host and manage. Finally, fulfilling the role of a central data collection and management hub will require a more executive role for ESMA, rather than a mainly coordinating role. This might be new and might require some adaptation. Alternatively, 'partial' centralisation of certain data flows at an NCA may be possible when a data set is only relevant to a limited number of NCAs.

Vision on centralisation
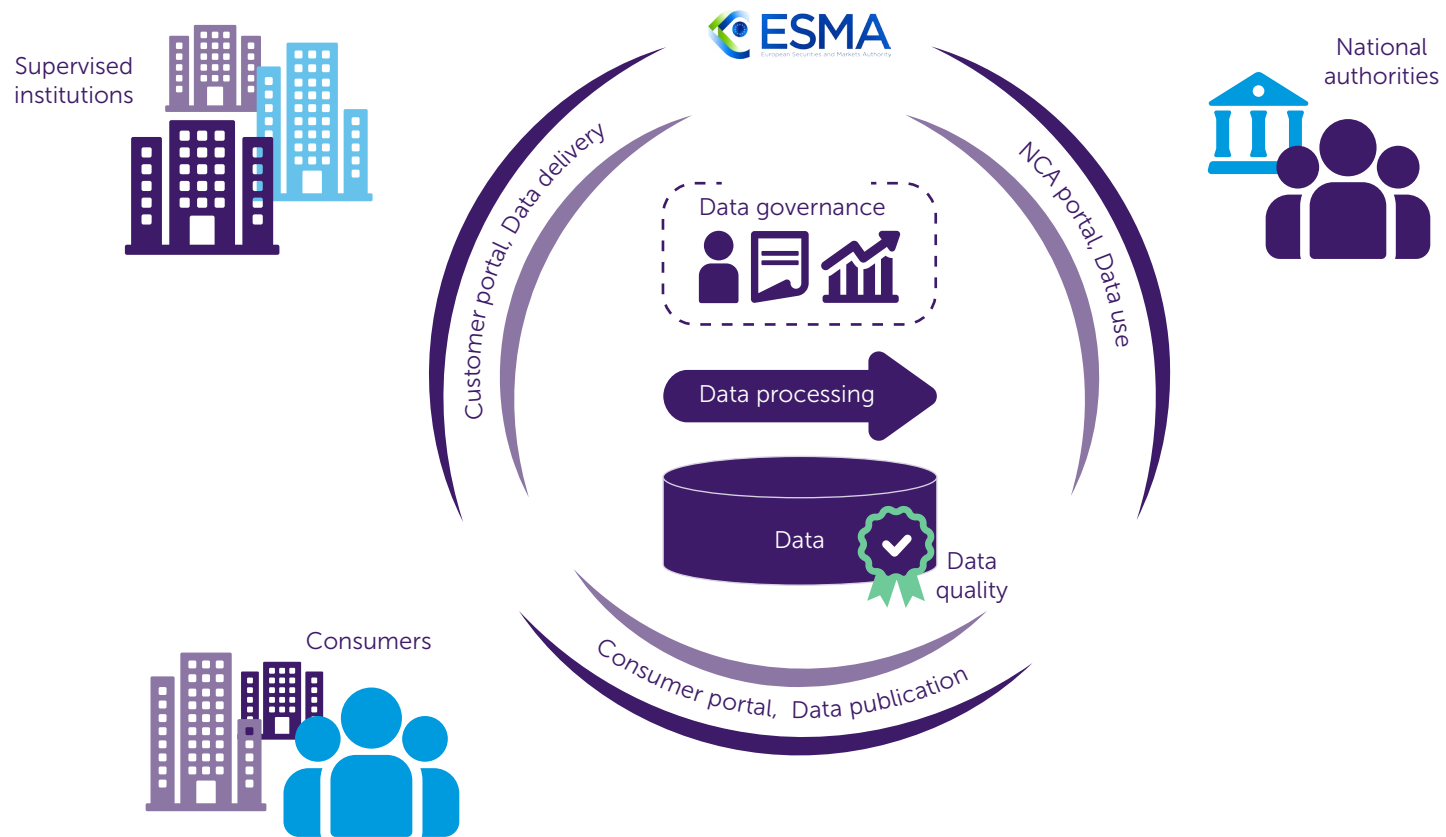
The AFM envisages a central data hub for capital markets data and ESMA appears to be best positioned to fulfil this central role. The data hub could function as a data portal for consumers, supervised institutions and national authorities, for both the delivery and the use of data.

4. Which data flows should be centralised first?

The AFM has analysed several scenarios to determine the tasks for which centralisation of data storage and processing makes sense. Our conclusion is that the majority of the capital market supervisory tasks examined will (in the longer term) be eligible for centralisation of data, but the case for centralisation of some data flows is more obvious.

- New data flows that are a result of new legislation. No infrastructure is yet in place for these data flows, and there are no working processes at NCAs yet. In other words, there is no impact on existing resources (legacy) and that means that they can be set up centrally from scratch.
- Data flows where centralisation can offer significantly higher quality or efficiency and therefore improve supervision, such as transaction reporting flows. Because centralisation is likely to result in higher data quality, the efficiency of supervision improves because there are far fewer 'false alarms'.
- Data flows on financial products that transcend national boundaries. Centralisation means more data, giving better insight into what is going on in the (EU) financial market. For example, centralisation of the data flows used for the identification of market abuse gives the opportunity to monitor the whole market instead of the local market and thereby identify cross-border market abuse.

5. Steps towards centralisation

Centralising data delivery and processing, especially in the initial stages, will not be achieved overnight. Therefore, the AFM proposes a step-by-step approach/moments:

1. Adopt direct centralisation of data storage and processing as much as possible when developing new regulations/supervision with a strong data component, unless this clearly does not yield benefits. MiCAR is an example of a new task where the assessment is currently underway to determine whether the data components of this new task can be centrally managed by ESMA.
2. Evaluate, during the review of existing tasks, whether centralisation of data is feasible (through reviews, consultations etc.).
3. Assess whether centralisation can occur at a partial level as an intermediate step towards full centralisation. For example, consider financial instruments with a specific geographical scope and/or collaborate more closely with Member States. Use this as an intermediate step towards more comprehensive centralisation.
4. Seek out 'quick wins' and leverage them to substantiate the benefits of centralisation for other supervisory tasks. For instance, consider examples like MiCAR and ESAP.