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All for one and one for all

With the adoption of the Capital Markets Union Action Plan 2020 a few months ago, the EU Commission started a new and important chapter in the achievement of a single EU capital market. It was Alexandre Dumas who once wrote “all for one and one for all”: The same sentiment could be applied to the capital markets union. In the belief that 27 economies together can achieve more than each one individually, the intention is that the EU will unleash enhanced economic power by providing cross-border financial services both internally and externally, thus increasing its importance and its resilience at the European and international levels.

In particular, with increasing cross-border trading of shares, bonds and derivatives, the economic opportunities of a united capital market will soon present themselves to the member states and lead to sustainable growth. Against this backdrop, the continued removal of cross-border impediments and increased transparency are essential for a level playing field.

CCPs have always played a key role in this respect as they reduce counterparty and settlement risks, thus contributing to secure and continuous economic growth. The new supervisory framework EMIR 2.2 enhances the resilience of these important players.

The recently enacted CCP Recovery and Resolution Regulation augments the regulatory framework with a powerful recovery and resolution regime and completes the picture and the mission initiated at the Pittsburgh summit in 2009. Binding recovery and resolution plans in conjunction with adequate tools to deal with crises will generate more predictability, safety and confidence in the European capital market and ultimately increase trust in the EU's financial system.

In that context, **ESMA performs an important function through its supervisory convergence work** by promoting the standardisation of supervision practices and compiling a single rulebook for EU financial markets. In the area of CCPs, ESMA supports the Member States' authorities in the coordinated supervision of EU CCPs by issuing peer reviews and stress tests and by participating in CCP colleges and in the CCP Supervisory Committee, and, in future, in CCP resolution colleges. Outside of the EU, ESMA's supervision of systemically important third-country CCPs ensures that the high EU standards are not being eroded.

This European approach has fully proven its worth in terms of coordinated and harmonised supervision, precisely because it allows the local specialisations of the CCPs to be optimally taken into account by the respective national authorities. This is crucial since not all CCPs clear the same products, and many have different risk profiles and varying legal systems, but it also enables a consistent methodology to be reinforced, best practices to be defined and thus the goal of achieving a single capital market to be fostered.

However, this will not be the end: with the advance of digitalisation, a changing clearing landscape will emerge. New market players will bring with them new opportunities, but also new risk. Questions are arising concerning, in particular, how to integrate these new players into the single capital market. The answer for that can only be “same activity, same risks, same rules”.