

ESMA discusses market-based finance in latest Banque de France Financial Stability Review

ESMA expects market-based finance to grow in the future driven by a strong potential for demand facilitated by a supportive policy environment and the limited ability of banks to finance the economy. The development of market financing as a complement to bank financing must be accompanied by an adequate and effective prudential framework because of the systemic nature of these activities.

In this article, the ESMA analyses how European legislation on securities markets already include a number of microprudential tools available to supervisors, which need to be taken into account when designing macroprudential tools for ensuring the stability of market-based finance.