

# Public Consultation on Fees charged to Credit Rating Agencies by ESMA

ESMA invites comments on all matters set out in this paper and in particular on the specific questions summarised in Annex 1. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **15 March 2021**.

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading: 'Your input – Consultations'.

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## ESMA calls for legislative action on ESG ratings and assessment tools

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has [written](#) to the European Commission (EC) sharing its views on the main challenges in the area of ESG ratings and assessment tools. ESMA highlights the need to match the growth in demand for these products with appropriate regulatory requirements to ensure their quality and reliability.

ESMA identifies the following key points for consideration:

- The market for ESG ratings and other assessment tools is currently unregulated and unsupervised. When combined with increasing regulatory demands for consideration of ESG information, there are increased risks of greenwashing, capital misallocation and products mis-selling.
- There should be a common definition of ESG ratings that covers the broad spectrum of possible ESG assessments currently on offer. This will help future-proof any regulatory framework and mitigate against possible obsolescence.
- The supervisory and regulatory regime should be adapted to the current market structure and accommodate both large multi-national providers who may be subject to existing regulatory frameworks, as well as smaller entities.
- ESG rating providers can be part of larger groups providing services

such as green bond certification and credit ratings. On the other hand, smaller players would also benefit from having access to an EU-wide regime. Given this overlap and to benefit from economies of scale in supervision ESMA is ready to support possible future supervisory responsibilities in this area.

ESMA's letter builds on its [response](#) to the EC's consultation on the Renewed Sustainable Finance Strategy in July 2020, where specific issues in relation to the ESG ratings and assessment tools were raised.

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## [ESMA consults on appropriateness and execution-only under MiFID II](#)

These requirements constitute an important element of investor protection in the provision of investment services other than investment advice or portfolio management. Under MiFID II, investment firms, providing non-advised services are required to request information on the knowledge and experience of clients or potential clients to assess whether the investment service or product envisaged is appropriate, and to issue a warning in case the investment service or product is deemed inappropriate. The execution-only framework allows for an exemption to this assessment in certain conditions, including that the firm issues a warning to the client.

This Consultation Paper builds on relevant parts from ESMA's Guidelines on certain aspects of the MiFID II suitability requirements, while adjusting these to the appropriateness and execution-only framework. In addition, it takes into account the insights of supervisory activities conducted by national competent authorities (NCAs) on the application of the appropriateness and execution-only requirements, in particular resulting from the 2019 common supervisory action (CSA) on appropriateness. This CSA showed that there was insufficient convergence in the understanding and application of several areas of the appropriateness and execution-only requirements by firms in different Member States, and often within Member States themselves, creating problems for achieving a consistent level of investor protection in the EU.

### **Next steps**

ESMA invites feedback from interested stakeholders on the proposed guidelines by 29 April 2021 and will consider this feedback with a view to issue final guidelines in Q3 2021.

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# Consultation on Guidelines on appropriateness and execution only

This paper is primarily of interest to competent authorities and investment firms that are subject to Directive 2014/65/EU of the European Parliament and of the Council (MiFID II). In particular, this paper is addressed to investment firms and credit institutions providing investment services and activities, investment firms and credit institutions when selling structured deposits and external Alternative Investment Fund Managers (AIFMs) when providing investment services. This paper is also important for consumer groups, investors and trade associations, because the guidelines seek to implement enhanced provisions to ensure investor protection, with potential impacts for anyone engaged in the dealing with or processing of financial instruments.

ESMA invites comments on all matters in this paper and in particular on the specific questions summarised in Annex 1. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **29 April 2021**.

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## European Institute of Innovation and Technology and Strategic Innovation Agenda: EU co-legislators reach political agreement



Representatives of the Portuguese presidency of the Council today reached a provisional political agreement with the negotiators of the European Parliament on a package consisting of :

- amendments to the regulation on the European Institute of Innovation and Technology (EIT) and
- a decision on the future Strategic Innovation Agenda (SIA) of the EIT.

The key amendments to the existing EIT regulation concern financial sustainability and openness of Knowledge and Innovation Communities (KICs),

stronger principles for monitoring and evaluation and the role of the member states in the governance of the EIT. More specifically, the EIT will establish performance-based mechanisms for the granting of financial contributions to KICs in order to enhance their capacity to attract other investments and to finance their activities independently of the EIT's contributions. The enforcement of these provisions will be supported by stronger monitoring and evaluation principles: the continuation of existing KICs will be subject to comprehensive assessment, which should include the monitoring of progress towards financial sustainability as well as openness to new members. A group of representatives of member states will be consulted on strategic decisions, such as the extension of partnership agreements with KICs.

The key features of the agreed SIA are the following :

- it requires Knowledge and Innovation Communities to become more open, inclusive and transparent;
- it clarifies the scope of the new pilot that will support the development of entrepreneurial and innovation capacity in higher education institutions;
- it defines eligibility criteria and the budget for activities under the Regional Innovation Scheme (RIS), aimed at widening the EIT's regional activities to modest and moderate innovator countries;
- it provides for a simplified performance-based funding model for the KICs;
- it introduces a continuous monitoring and evaluation system of the KICs, including closer monitoring of their openness;
- it clarifies the EIT's relations with KICs after the termination of the framework partnership agreement;
- it provides for a streamlined procedure for the launch of a new KIC in 2022 or 2023 in the field of cultural and creative sectors and industries and of a second new KIC in the field of water, marine and maritime sectors and ecosystems in 2026, taking into account the strategic planning process of Horizon Europe.

## Background

The **European Institute of Innovation and Technology (EIT)** is an integral part of Horizon Europe, the future EU framework programme for research and innovation. The EIT's budget for the years 2021-2027 (as provided for in the Horizon Europe regulation) amounts to €2.96 billion. The EIT's leading mission since 2008 is to contribute to sustainable European economic growth and competitiveness by reinforcing the innovation capacity of the member states and of the EU as a whole by addressing societal challenges through innovation-driven knowledge integration between higher education, research and innovation (knowledge triangle) It brings together leading universities, research labs and companies to form pan-European partnerships, the so-called Knowledge and Innovation Communities (KICs), to help innovators and entrepreneurs across Europe turn their ideas into products and services for the market. Since 2010, the EIT has over the years launched eight KICs, each of them focusing on a different societal challenge (Climate, Digital, Food,

Health, InnoEnergy, Manufacturing, Raw Materials, Urban Mobility).

The **Strategic Innovation Agenda (SIA)** complements the legislative framework for the functioning of the EIT for the years 2021 to 2027. It sets out the priority fields and strategy of the EIT for the period 2021-2027 by defining the EIT's objectives, key actions, mode of operation, expected results and resources needed. The SIA also ensures the coherence of the EIT with Horizon Europe, the future EU framework programme for research and innovation for the period 2021-2027 and is expected to foster synergies with other EU programmes.

## **Next steps**

The agreed texts will be submitted to the relevant bodies of the Council and the Parliament for political endorsement shortly. Following such endorsement, the Parliament will proceed to the adoption of its position at first reading on the basis of these agreed texts (following legal linguistic scrutiny). The Council will then formally approve the Parliament's position and both legal acts will be deemed to have been adopted. This will take place after the Horizon Europe regulation has been adopted.