

European Securities and Markets Authority (ESMA)

Prelims: Current events of national and international importance

Why in News?

The RBI has signed a Memorandum of Understanding (MoU) with the ESMA to facilitate formal recognition of Indian Central Counterparties (CCPs), including the Clearing Corporation of India Ltd. (CCIL).

- It is the **European Union's financial markets regulator and supervisor**.
- ESMA protects the investor and promotes stable, orderly financial markets.
- **Established** - 2011.
- **Headquarters** - Paris, France.
- **Nature** - Independent EU Authority.
- **Members** - The members include National authorities responsible for securities markets in **27** EU countries.
- **Objectives - Investor Protection** - To help financial consumers make informed choices.
- **Orderly Markets** - To ensure integrity, transparency, efficiency, and proper functioning of financial markets and infrastructures.
- **Financial Stability** - To strengthen the financial system to withstand shocks and financial imbalances.
- **Key Focus Area - Sustainable Finance** - Integrates Environmental, Social, and Governance (ESG) factors to support sustainability and climate transition.
- **Technology & Data** - Promotes innovation, data-driven supervision, and functions as a pan-European data hub.
- **Role & Functions** - Fosters supervisory convergence among national competent authorities (NCAs) of EU member states.
- Works closely with other European Supervisory Authorities
 - European Banking Authority (EBA)
 - European Insurance and Occupational Pensions Authority (EIOPA)

- **Global cooperation** - Cooperates with international bodies such as the International Organisation of Securities Commissions (IOSCO) and the Financial Stability Board (FSB).
- **Accountability** - Accountable to European Institutions such as
 - European Parliament.
 - Council of the European Union.
 - European Commission.
- Reports regularly through formal hearings and Annual Reports.

Central Counterparty

- A financial intermediary that steps between the buyer and seller in a trade, becoming the buyer to every seller and the seller to every buyer.
- **Role** - Reduces counterparty risk and ensures smooth clearing and settlement of trades.
- **Example** - Clearing Corporation of India Ltd.

References

1. [PIB | European Securities and Markets Authority \(ESMA\)](#)
2. [ESMA | About](#)