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

SHANKAR IAS PARLIAMENT
Information is Empowering