



EUROPEAN COMMISSION

Directorate-General for Financial Stability, Financial Services and Capital Markets Union

Director General

Brussels,
fisma.ddg.b.2 TV/ss(2019)620967

Mr Steven MAIJOOR
Chairman
European Securities and Markets
Authority

Per email:
steven.maijoor@esma.europa.eu

Mr Gabriel BERNARDINO
Chairman
European Insurance and
Occupational Pensions Authority

Per email:
gabriel.bernardino@eiopa.europa.eu

Mr Jo SWYNGEDOUW
Interim Chairman
European Banking Authority

Per email:
jo.swyngedouw@eba.europa.eu

Subject: Call for advice to the European Supervisory Authorities to collect evidence of undue short-term pressure from the financial sector on corporations

Dear Chairmen,

The Action Plan on Financing Sustainable Growth mentions fostering transparency and long-termism in financial and economic activity as one of its three main aims. Sustainability faces obstacles to develop in a context where incentives, market pressures and prevailing corporate culture prompt market participants to focus on near-term performance at the expense of the mid to long-term objectives. This is why in Action 10 of the Action Plan, the Commission announced that it would ask the European Supervisory Authorities (ESAs) to collect evidence of potential undue short-term pressure from capital markets on corporations. Such pressure could lead corporations to overlook long-term risks and opportunities such as those related to climate change and other factors related to sustainability. Companies facing short-term pressure could as a

result forgo investment in areas important for a successful transition towards a sustainable economy.

In line with this initiative, the enclosed request invites the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA) to each develop a report, which will present initial evidence on potential pressures from the financial sector on corporations to prioritise near-term shareholder interests over long-term growth of the firm. In gathering the evidence, qualitative sources and relevant literature should be complemented, where feasible, by quantitative evidence such as data from public and commercial databases. We also expect the ESAs to engage with the most relevant stakeholders to develop the requested report.

The request aims at providing a pragmatic approach towards delivering the requested report by the ESAs, as discussed with your staff. Following discussions with your staff, we decided to postpone the deadline for delivery of the report until the end of Q4 2019. I would like to use this opportunity to thank you and your services for your interest in and understanding of the importance of this initiative.

My services will continue to cooperate with the ESAs on this work and stand ready to exchange views on its organisation.

Yours sincerely,



Olivier GUERSENT

c.c.: E. Melngaile, A. Beltramello (Cabinet Dombrovskis), J. Berrigan, M. Nava, M. Merlin, P. Brumter-Corret, U. Bassi, A. Schaedle, S. Gentner, T. Lueder, F. Stanescu, K. Spitzer, M. Spolc, R. Painter, S. Hrovatin, N. Berger, S. Ryan, D. Thienpont, E. Soares, T. Vaclavicek (FISMA)

Encl: Call for advice to the European Supervisory Authorities to collect evidence of undue short-term pressure from the financial sector on corporations