A 10-point plan to unlock the full benefits of EU capital market integration

Executive summary

- Integrating EU capital markets can no longer be a political promise. In 2026, it is a geo-strategic imperative.
- The Market Integration and Supervision Package (MISP) has the potential to be a transformative catalyst for strengthening European competitiveness, growth, and economic resilience.
- Achieving modern, efficient, and connected capital markets will provide structural foundations needed to channel the substantial new investment flows under the Savings and Investments Union (SIU).
- Following publication of the MISP proposals in December, agreement and implementation must be pursued with urgency and ambition so that this critical opportunity is not lost.
- As EU leaders double-down on efforts to deliver competitiveness, a stronger focus on completing SIU initiatives is welcome. However, it is crucial that the singularity of the package is upheld so that it retains its guiding narrative and strategic purpose.
- Disconnected and bifurcated negotiations would likely only result in less-effective final measures and increase the risk of delayed implementation.
- This paper outlines ten areas where targeted, actionable adjustments and enhancements can complement the current proposals to address unintended consequences and maximise the positive impact of the MISP.
- Three overarching priorities stand out as critical success factors that will ensure the MISP is the key that unlocks a true single market for capital in the EU:
  - **Europe needs modern and frictionless post-trading architecture:** EU capital markets need scale and efficiency to foster liquidity provision and support growth and investment. To achieve this, creating a competitive, pan-European operating environment for market infrastructure must be a defining objective. EU-level of supervision of significant FMIs (including CSDs and CCPs) is only half a solution – ideally the new supervisory architecture should expand across all relevant market infrastructures which must be linked with more substantial changes in the post-trade rulebook.
  - **Centralised supervision by a stronger ESMA is essential:** An agile and predictable regulatory framework is a strategic necessity for EU competitiveness. Clearly delineated rulemaking responsibilities, robust supervisory powers, and a formal competitiveness mandate will be a cornerstone for SIU success. New powers and responsibilities should be carefully calibrated to ensure the centralisation of supervision for relevant entities does not create duplicative and unclear responsibilities among supervisors which drives compliance costs for both public and private market participants and can have unintended consequences.
  - **Building trust is essential for turning MISP ambition into action:** EU capital markets have grown just 2% relative to GDP since the launch of the CMU[1]. It is the collective responsibility of policymakers, market participants, and national governments to overcome short-term compromises in pursuit of deeper, more connected capital markets that can meet the needs of citizens and businesses across Europe in the decades ahead.

EU capital markets are missing out on substantial untapped potential
Integration via the MISP can unlock capital mobilisation at scale

Analysis by New Financial[2] illustrates the potential for growth in EU capital markets:

→ More than **7,300 additional companies** in the EU could raise funding in the capital markets every year.
→ That means an extra **€570 billion in financing each year**, equivalent to almost 3% of EU GDP.
→ Europe could see around **190 additional IPOs per year**, raising some €20 billion in fresh equity.
→ 4,700 more innovative, high potential firms could secure VC funding, an **additional €75 billion per year.**

[1] 'A focus on market outcomes: Reforming EU financial regulation' – New Financial, October 2025
[2] 'What if…? Measuring the growth potential for EU capital markets' – New Financial, February 2026

10-point plan: Ensuring maximum positive impact from the MISP

Building on positive momentum and addressing unintended consequences

1) Strengthen ESMA's capabilities and mandate to become a more agile and responsive supervisor.
2) Introduce more substantial change in the post-trade rulebook to drive consolidation and CSD transparency.
3) The codification of ESMA's post-trade transparency opinion must be extended to all financial instruments.
4) FMI-style reporting requirements should not apply to the unique role of settlement internalisers.
5) Harmonisation of settlement finality rules is welcome, but more scope to address existing inconsistencies.
6) Unlock potential of netting practices through targeted financial collateral directive (FCD) changes.
7) Preserve an appropriate balance in the breadth of ESMA's supervisory convergence tools.
8) More ambitious changes would secure long-term competitiveness of the DLT Pilot Regime.
9) Ensure implementation of funds depositary passport to support cross-border activity and integration.
10) MiFIR open access changes require careful calibration to ensure full benefits.

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1) **Strengthen ESMA's capabilities and mandate to become a more agile and responsive supervisor**
   - **What is the issue?**
     - ESMA currently lacks meaningful powers to step in to temporarily pause, clarify, or smooth over conflicting or unworkable EU rules during periods of legal uncertainty or market stress (no action relief).
     - The lack of a (secondary) mandate for competitiveness also means that ESMA has no obligation to consider the cumulative impact of its decisions on EU firms' ability to attract investment, reduce regulatory friction or remain globally competitive.
   - **Why is action needed?** ESMA needs the optionality to use broader no-action relief powers to swiftly provide certainty to prevent market disruption, reduce duplicative compliance burdens, and preserve the global competitiveness of EU firms, e.g. when it comes to the extraterritorial application of EU rules.
   - **Recommendations:**
     - Broaden ESMA's no-action powers beyond what is currently included in MISP to explicitly strengthen their ability to address unintended frictions and avoid harm from the application of certain requirements on market participants or EU capital markets. This should explicitly include the ability to address level-playing-field and third-country issues.
     - Introduce a formal secondary competitiveness mandate to ensure the notion of competitiveness underlies every supervisory and rule-making decision.
     - **Delivery mechanism:** Amendments to the ESMA Regulation, Article 9a and associated provisions.

2) **Introduce more substantial change in the post-trade rulebook to drive consolidation and transparency**
   - **What is the issue?** EU post-trade infrastructures remain fragmented due to opaque CSD fee schedules, inconsistent application of CSDR across Member States, and uneven T2S participation and functionality. These factors limit cross-border settlement efficiency and block meaningful CSD consolidation and go beyond the proposed centralisation of ESMA supervisory powers over CSDs and CCPs.
   - **Why is action needed?**
     - Fragmentation increases costs, reduces competition, and undermines the objectives of the SIU – especially ahead of T+1. Without greater standardisation and broader T2S adoption, Europe cannot achieve a modern, connected, and efficient settlement environment.

- Proposed centralised supervision of significant CSDs and CCPs is a welcome first step to drive consolidation from the top down, but this must be accompanied by further bottom-up changes in the post-trade framework, which are currently not sufficiently captured in the MISP.
- Any changes to the supervisory structure must take into account the lessons learnt from the Single Supervisory Mechanism (SSM) to avoid duplication of requirements, unclear responsibilities and (ultimately) higher costs.

- **Recommendation:**
  - Support practical steps toward CSD consolidation, including harmonised and transparent fee schedules, consistent CSDR supervision, and effective implementation of the CSD hub model.
  - Enhance and expand T2S, including broader CSD and currency participation, improved corporate-action and issuance functionality, and clearer requirements for direct connection.
  - Policymakers should also reflect on experiences from the Single Supervisory Mechanism (SSM) to avoid duplication, unnecessary burdens, and higher costs as supervision of FMIs is centralised.
  - In the longer-term, formal consideration should be given to extend ESMA supervision to all CSDs and CCPs in the EU, moving beyond the proposed "significant" category to avoid an unlevel playing field across EU FMIs.
  - **Delivery mechanism:** Targeted CSDR Level 1 amendments, ESMA Level 2 standards on CSD fee transparency, and Eurosystem-driven T2S functionality and scope enhancements.

3) **The codification of ESMA's post-trade transparency opinion must be extended to all financial instruments.**
   - **What is the issue?**
     - The EC's proposal codifies ESMA's transparency opinion for over-the-counter (OTC) derivatives which avoids duplicative reporting in third-countries for EU firms operating via a branch network and avoids an overstating of available liquidity. The proposal however omits all other instruments covered by the opinion in MiFIR Articles 20–21.
     - In addition, the current provisions do not cover instances where OTC transactions in third-countries are reported to approved reporting arrangements (APAs). This creates similar issues in terms of avoiding double-reporting and misrepresentation of available liquidity.
   - **Why is action needed?** Limiting the exemption to a small subset of instruments without the extension to OTC trades creates legal uncertainty, risks double-reporting, and could place EU firms at a competitive disadvantage when serving global clients outside of the EU.
   - **Recommendation:**
     - Extend the codification of the transparency opinion to all relevant instruments.
     - Ensure third-country APA regimes are recognised where comparable structures exist in third-countries.
     - **Delivery mechanism:** Amendments to Article 21 MiFIR.

4) **FMI-style reporting requirements should not apply to the unique role of settlement internalisers.**
   - **What is the issue?**
     - The MISP proposes reporting and public fee disclosure requirements similar to that of financial market infrastructures (FMIs), which do not reflect the distinct role of custodian banks acting as settlement internalisers.
     - Proposed requirements risk mischaracterising internalised settlement as a substitute for CSD activity and impose obligations incompatible with competitive commercial practices.
   - **Why is action needed?** These obligations would add operational burden, breach client confidentiality, distort competition, and divert attention from core structural problems, such as opaque and inconsistent CSD fee schedules.
   - **Recommendation:**

- Ensure any new reporting and transparency requirements distinguish clearly between custodian banks and FMIs, focusing on accurate data collection and preserving commercial confidentiality which reflect the distinctive characteristics of custodian banks and CSDs.
- **Delivery mechanism:**
  - The envisaged ESMA single report on CSD settlement and internalised settlement by end of 2026 should be carefully prepared and interpreted to ensure correctness of data and to avoid any misinterpretations.
  - This would then inform changes to the proposed settlement internaliser rules in Article 34 CSDR.

5) **Harmonisation of settlement finality rules is welcome, but more scope to address existing inconsistencies.**
   - **What is the issue?**
     - The transformation of the Settlement Finality Directive (SFD) into a directly applicable Regulation is welcome, but key areas remain insufficiently harmonised.
     - Optionality for Member States, such as whether indirect participants can be treated as participants persists and inconsistencies remain around insolvency protections, including divergent interpretations of 'right of retention' and the absence of a harmonised 'right of sale'[2].
   - **Why is action needed?**
     - Leaving discretion to Member States risks perpetuating fragmentation in cross-border settlement, limiting the SFR's ability to deliver legal certainty and efficient, predictable settlement outcomes.
     - Divergent insolvency laws can lead to inconsistent treatment of collateral and settlement finality, undermining the objective of a level playing field across the EU.
   - **Recommendations:**
     - Remove remaining optionality for Member State to admit an indirect participant into a system to ensure a harmonised approach across the EU
     - Strengthen harmonisation of insolvency-related protections to address the inconsistency between Member States on rights relating to collateral (e.g. right of sale vs. retention), ensuring uniform rules that insulate settlement assets from national insolvency delays.
     - **Delivery mechanism:**
       - Amendments to the SFR proposal in Level 1 text to remove optionality regarding the treatment of participants.
       - Engagement with DG Justice and national ministries to align insolvency rules and establish a common EU-wide baseline, alternatively push for a 28th regime on certain insolvency-law related questions.

6) **Unlock potential of netting practices through targeted financial collateral directive (FCD) changes.**
   - **What is the issue?**
     - The current Financial Collateral Directive (FCD) is too narrow, fragmented, and applied inconsistently across Member States.
     - Current MISP reforms focus only on DLT rather than addressing core netting issues which can support risk mitigation and improve liquidity and resilience across different financial instruments and jurisdictions.
   - **Why is action needed?** Netting is essential for risk mitigation, but existing fragmentation increases legal uncertainty, operational complexity, and systemic risk.

[2]In practice, a 'right of retention' only allows a participant to hold collateral during an insolvency, whereas a 'right of sale' allows the participant to sell that collateral to recover its value which is a stronger and more effective protection. Some Member States allow both rights, whilst others only allow retention, leading to inconsistent protection in cross-border situations.

- **Recommendation:**
  - Expand FCD protections, harmonise scope, and consider, together with DG JUST, creating a dedicated Netting Regulation to ensure uniform EU-wide rules.
  - **Delivery mechanism:** Revisions to FCD Level 1 text; potential new standalone Regulation.

7) **Preserve an appropriate balance in the breadth of ESMA's supervisory convergence tools.**
   - **What is the issue?**
     - The proposed deletion of Article 16b of the ESMA Regulation would remove the formal mechanism through which ESMA refers interpretative questions to the Commission for authoritative responses.
     - The proposed new Article 17aa gives ESMA excessive escalation mechanisms in instances where NCAs are considered to be failing to effectively supervise market participants in relation to products, services or entities going far beyond the remit they currently have regarding product interventions.
   - **Why is action needed?**
     - Without an effective Q&A mechanism, firms and NCAs risk losing a key source of supervisory convergence and direct interaction with ESMA, undermining the goal of harmonisation and consistent and predictable application of rules.
     - The greater powers conferred on ESMA in the context of the MISP should be focussed towards supporting its expanded mandate to supervise significant, cross-border market infrastructures and to avoid harm for EU capital markets and firms in the context of no-action relief letters.
     - The proposed substantial broadening of its ability to intervene at the national level (e.g. before an NCA approves a product, service, or entity) would seem excessive considering ESMA does not have (and is not intended to have) formal supervisory powers over these firms.
   - **Recommendations:**
     - Clarify the rationale for deleting Article 16b and introduce an alternative legally anchored process for consistent interpretation of EU law, building on the previous Q&A mechanism but with targeted improvements to the make the process faster and more efficient.
     - Article 17aa - Balance the need for supervisory convergence with existing (and remaining) responsibilities of NCAs to avoid an overly complex system of responsibility.
   - **Delivery mechanism:** Amendments to Article 16 and 17 of the ESMA Regulation.

8) **More ambitious changes would secure long-term competitiveness of the DLT Pilot Regime.**
   - **What is the issue?**
     - Proposed improvements to the DLTPR are welcome, in particular the simplified regime for applicants seeking permission to operate a DLT trading or settlement system (DLT-TSS).
     - However, certain thresholds, participation constraints, and limited optionality for settlement assets would still present restrictions that could the commercial viability of some projects.
   - **Why is action needed?**
     - The EU could risk diminishing its competitive advantage over international peers in the development of digitalised financial markets if DLT infrastructures cannot effectively scale and transition into permanent, fully-functional business models.
     - Further clarity and flexibility is needed to ensure that investment firms/credit institutions are not unnecessarily disincentivised from exploring innovations in trading market structure.
     - These additional improvements and clarification are essential to ensure that the DLT PR evolves into a framework that supports innovation by both FMIs *and* market participants.
   - **Recommendations:**
     - Ensuring commercial viability for DLT-TV / DLT-TSS pilots:
       - Seek clarification, if the restrictions imposed on a DLT-SS to not being operated by a credit institution providing clean credits unrelated to CSD services under CSDR do also apply to DLT-TSS operated by a credit institution, and clarify if these credit restrictions also apply to

credit institutions providing individual CSD services under new Article 10a DLTPR (DLT notary services and DLT central maintenance services).
    - Broaden participation beyond only DLT account keepers and allow participation in more than two settlement schemes, and raise the threshold beyond the proposed EUR10bn.
    - Streamline authorisation processes for providing CSD services such as DLT notary and settlement maintenance for existing regulated institutions under the new Article 10a.
    - Allow for settlement in DLT-based cash solutions beyond central bank money such as tokenised deposits and authorised e-money tokens (EMTs).
  - Improving the usability of the overall DLT PR regime:
    - Remove transaction thresholds altogether.
    - Reassess the need to receive approval for any and all derogations, instead considering an option whereby financial institutions can "tack onto" previous approvals if they meet the same/similar criteria.
  - Overall, the MISP should be negotiated as a singular package to ensure the proposals have maximum impact. Separating discussions on the DLTPR would only risk losing focus on the broader MISP and SIU objectives, and delaying progress on other proposals which are complementary to the success of the Pilot Regime (e.g. CSDR and MiFIR changes).
  - **Delivery mechanism:** Further amendments to the DLT Pilot Regime Regulation.

9) **Ensure implementation of funds depositary passport to support cross-border activity and integration.**
- **What is the issue?** Current AIFMD/UCITS rules restrict depositaries to the fund's Member State, limiting competition and cross-border scale in the EU asset management sector.
- **Why is action needed?**
  - The proposed depositary passport could reduce barriers to the cross-border operation of fund managers, increase choice, and lower costs for investors – particularly in smaller markets.
  - A single market in depositary bank services could also serve to highlight inconsistencies in interpretations of AIFMD/UCITS requirements and encourage ESMA and NCAs to arrive at common interpretations.
- **Recommendation:**
  - Fully support the introduction of an EU funds depositary passport.
  - This must come with sufficient guardrails for investor protection, legal certainty and clear supervisory expectations.
  - **Delivery mechanism:** Amendments to AIFMD and UCITS via the MISP package.

10) **MiFIR open access changes require careful calibration to ensure full benefits.**
- **What is the issue?**
  - The proposed tightening of access refusal grounds and prohibition of preferred clearing could unintentionally disrupt existing market arrangements or introduce systemic risk if not calibrated with market realities.
  - The proposed right to designate any EU CSD for settlement (new Article 34c MiFIR) is a welcome step and expected to result in lower barriers to entry and increased competition.
- **Why is action needed?**
  - Positive integration objectives from widening open access could be offset by constraints that reduce flexibility, create inefficiencies, or diminish incentives for innovation.
  - Whilst there are positives with regards to designate any EU CSD for settlement such as promoting innovation and to allow members of trading venues to consolidate their settlement in a single investor CSD, implementation should avoid any complexities that bring unintended costs for investors and intermediaries.

- **Recommendation:**
  - Ensure conditions for access, refusal, and timelines are balanced to maintain efficiency, stability, and fair competition.
  - If entering the arrangement is based on client demand, the new settlement route must not introduce new risks, inefficiencies or significantly higher costs, which would negatively impact existing market participants. Ultimately, it is a joint decision of the CCP, trading venue and the client base, taking into account also whether there is sufficient critical mass to use the alternative settlement location. The implementation of such arrangements should not create any undue barriers to or restrict the freedom of choice of settlement location by trading parties.
  - **Delivery mechanism:** Refinement of revised MiFIR Articles 34–36.