
For Resilient, Competitive and Innovative Financial Market Infrastructures in the EU

Key messages on post-trade financial market infrastructures issues

July 2025

Overview

The Eurogroup and the ECB Governing Council alongside several important reports (Noyer, Letta and Draghi) rightly identified the need to work towards a better integrated market infrastructure. Although barriers in the post-trade space are often well-known, progress has been slow to dismantle them at national and European level. In this context, AFME fully supports the objective of the European Commission's Savings and Investments Union Strategy to remove barriers to more integrated post-trading infrastructures and supports the renewed impetus to address them effectively.

AFME is a long-standing advocate of an integrated, harmonised, low risk and low-cost post trading system in Europe, in which post trade infrastructures and service providers compete in a harmonised and standardised operational, legal and regulatory environment, offering innovative and low-cost services to all users on a non-discriminatory basis.

The post-trade infrastructure landscape remains complex, fragmented along national lines, and suffers from a lack of competition. This hinders efficient trading and investment eroding return on investment, and contributes to making Europe a less attractive place to list and invest, in particular for smaller market participants such as retail investors. The current post-trade market structure does not allow market participants to have a truly free choice of which Central Securities Depositories (CSDs) to use – their choice is largely determined by the selection of the CSD by the issuer – and investor CSDs cannot fully compete on a level playing field with the issuer CSD for the provision of “market-side” services (safekeeping and settlement of assets) as they can only do this by connecting to, and paying, the issuer CSD.

In its response to the European Commission's consultation on the integration of EU capital markets¹, AFME recommends to focus efforts on the need for major change in the European post-trade environment. **Enhancing the competitive landscape should be a key priority** for upcoming legislative action to create the conditions for true competition and foster integration, particularly at CSDs' level.

Making CSDs more efficient by enabling true competition paving the way for market-driven consolidation

Reforms in the CSDs space should focus on three priorities having the potential to deliver results in the short and medium term:

1. Improving the comparability of CSDs' costs
2. Unlocking the potential of Distributed Ledger Technology
3. Supporting further harmonisation of the legal, regulatory, and operating environment.

¹ Please see AFME [submission](#) and [executive summary](#)

1. Improving the comparability of CSDs' costs

The principle of transparency in the relations between CSDs and their users is a cornerstone of the Central Securities Depositories Regulation (CSDR). In particular, CSDR mandates that CSDs provide clear, accessible, and detailed information about their pricing structures to foster a transparent and competitive market environment. The full disclosure of understandable and reconcilable data on pricing as well as consistency and stability in fee schedules are fundamental to this transparency to allow participants to predict and manage their costs accurately.

However, current fee schedules present variations in format, granularity, and user-readability across different CSDs, which undermines this principle of transparency. The variations in fee schedules across CSDs highlight the challenges derived from financial market infrastructures' fragmentation, which hinders cross-border investment. We believe that **increasing the harmonisation of CSD fee schedules will enhance competition and market efficiency**, thus ensuring that all participants operate on a level playing field, which is essential for the smooth functioning of EU capital markets.

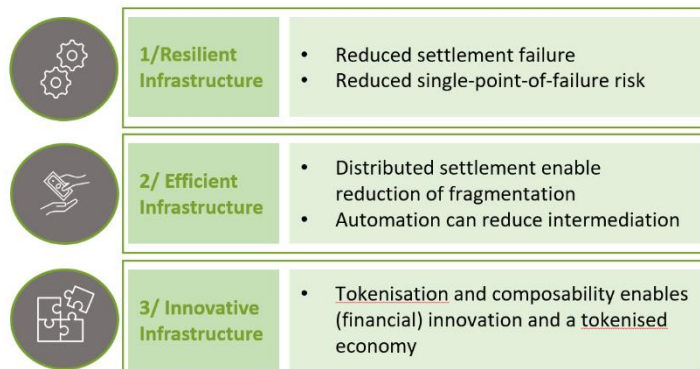
We therefore recommend **the introduction of measures to further harmonise CSD fee schedules**, allowing market participants to easily understand the costs CSDs charge to them. Standardisation of fee schedules should give an appropriately detailed breakdown of the costs and be presented in a clear, understandable and easily accessible format.

2. Unlocking the potential of Distributed Ledger Technology

The maturation of Distributed Ledger Technology ("DLT") could represent an important transformation in capital markets. Major institutions have moved beyond experimentation to large-scale implementation of DLT use cases. The case for DLT has become increasingly strong: substantial operational efficiencies, increased transparency, programmable and/or real-time settlement, automated asset servicing, and enhanced regulatory reporting capabilities are just a few tangible benefits that tokenization can unlock, addressing longstanding inefficiencies while making the system safer and more secure. Streamlined, automatised and cheaper issuance processes enabled by DLT can allow a broader range of issuers (including medium sized corporates) to tap capital markets. DLT based settlement has the potential to act as an additional, complementary channel alongside existing infrastructure by providing more flexible settlement options and increased capital efficiencies.

The current post-trade regulatory framework limit the ability to unlock the benefits of DLT. To remove these limits, several key actions are required:

- Reviewing the DLT pilot regime – Enhance attractiveness by eliminating thresholds, broadening eligibility for DLT-based settlement systems, and provide a clear, accommodative, and permanent regime.
- Exploring unbundling of CSD core services at functional level (in line with the UK Digital Securities Sandbox approach) to allow for the development of regulated decentralised settlement where core CSD services (e.g. settlement, central



maintenance of securities accounts, notary) are regulated by function and can be performed by different eligible actors.

- Developing solutions for allowing wholesale financial transactions recorded on DLT platforms to be settled in central bank money. AFME supports the ECB's exploratory work – including trials and experiments – to develop a link between DLT-based capital markets and central bank money settlement, which is key to enable risk-free settlement.
- Central bank collateral eligibility – DLT-based securities should be able to qualify as central bank collateral.
- Exploring other incentives to promote DLT-based issuances, including DLT-based bond grant subsidy schemes. Other jurisdictions (e.g. Hong Kong) have pursued public policy initiatives in this direction. This can help market participants with investing in innovation.

3. Supporting further harmonisation of the legal, regulatory, and operating environment.

Removing national and EU barriers to the provision of CSDs services across the EU is a key requirement so companies and investors can really benefit from a seamless single market for financial services. While this paper focuses on AFME's recommendations for the upcoming 'market infrastructure package', we nevertheless would like to encourage the European Commission to fully exercise its powers within the remit of its competences to eliminate national laws or practices that hinder the integration of the Single Market such as requiring that securities issued by certain issuers must be processed through the domestic CSDs.

In light of the pressing need for action, AFME considers that priorities should be given to increase the level of standardisation in CSDR, to update the settlement finality rules and address the structural limitations inherent in the Shareholder Rights Directive (SRD). Further to this, we endorse the AMI-SeCo SEG report on post-trade barriers, and the proposed actions to address these them.

Removing derogations to CSDR

AFME supports further standardisation of the CSDR. Today, certain CSDs, benefiting from derogations to the CSDR, do not offer the full set of functionalities creating fragmentation and reducing the opportunity for settlement, including cross-border.

Financial market infrastructures in the European Union should offer uniform functionality, which maximises the opportunity for settlement including cross-border.

Currently, there is also a requirement for CSD participants and their clients to support and use partial settlement. However, a CSD participant can only use it if the CSD(s) it connects to supports partial settlement. As CSD participants are often intermediaries providing CSD connectivity to their clients, we are supportive of making partial release a mandatory CSD functionality.

As part of this work on further harmonisation, AFME is also of the view that the Commission has a role to play in promoting the ECB platform for settlement, Target2Securities (T2S). We see merits in enhancing T2S functionalities, in expanding the T2S network to include more CSDs and markets (T2S only supports the Euro and the Danish krone), in a wider adoption of T2S harmonisation standards².

² For further details on AFME's vision for T2S [‘Target2Securities: Review of current model and future prospects’](#)

Updating the Settlement Finality Directive

Settlement finality is key to the well-functioning of financial markets since it aims at reducing systemic risks arising from the insolvency of participants in payments and securities settlement systems.

As addressed by the Commission's consultation, barriers persist in the smooth operation of the settlement finality framework in the EU. The current uneven national transpositions of the SFD do not provide the same level of certainty and protection resulting in an increase of pre-settlement risks. AFME recommends harmonising the way markets in the EU deal with the insolvency of indirect participants within the framework of settlement finality and with respect to financial collateral.

We strongly believe that a review of the SFD should ensure that common EU rules prevail and apply consistently across the EU and therefore strongly support that the legislation takes the form of a regulation.

Impactful reforming of the Shareholder Rights Directive

Growing the “demand” for investment in EU securities market is a core component of the SIU agenda. Achieving this objective requires improving outcomes for investors by strengthening their rights, simplifying and reducing the cost of access to essential information, and facilitating cross-border investment.

While the current SRD has made some progress in promoting harmonisation, it also highlights how national-level differences can undermine the effectiveness of EU-wide policies. AFME's principal recommendation is to convert the SRD into a regulation to ensure greater consistency across Member States.

A key priority is indeed establishing a common definition of “shareholder” for the purposes of SRD. Currently this definition is determined by the national law of the country where the security is issued. This creates significant challenges in cross-border investment scenarios, which often involve longer custody chains (i.e., multiple intermediaries between issuer and investor). A harmonised, pan-European definition that recognises the end investor – or “ultimate account holder” – as the shareholder is essential. This would ensure that the party entitled to exercise rights attached to securities is accurately identified.

Ensuring consistent and comprehensive information to process efficiently information related to general meetings and corporates events is critical to end investors so they effectively exercise their rights. In addition, the lack of universal method to messaging standards also undermines the effectiveness of communication. In this regard, the SRD should be strengthened to require mandatory standardised set of information and enforce compliance more effectively, especially given the ambiguity surrounding the current definition of ‘machine-readable’ formats.

Additional inefficiencies are also showed in the voting infrastructure for general meetings. All jurisdictions should support electronic voting by eliminating national requirements such as mandatory physical attendance or notarised powers of attorney. The experience during the Covid-19 pandemic demonstrated that such solutions are both feasible and effective.

Increasing interoperability of Central Counterparty Clearing

At CCPs level, there are also opportunities to further strengthen the provisions on CCP non-discriminatory access to a trading venue interoperability of clearing houses.

Although the introduction of MiFIR represented a significant positive step in achieving this ambition, for equity markets we think that to be truly effective in delivering competition and user choice, mandatory interoperability of CCPs is necessary. The costs for CCPs seeking to establish access to a trading venue's feed should be fair and reasonable, and all CCPs receiving a trading venue's data feeds should have interoperability arrangements with each other, allowing parties to a transaction to select different CCPs for clearing.

The effectiveness of interoperability arrangements in successfully delivering lower costs for investors is well documented³ and implementing such reforms would result in driving down further the cost of transacting for investors.

³ Existing interoperability arrangements by certain CCPs have been hugely successful in driving down fees for cash equities clearing, estimated to be at least 50%.