

AFME views on the Market Integration and Supervision Package

Strengthening Competition to Unlock Europe's Capital Markets Potential for EU Corporates and Investors

20 March 2026

Executive Summary

At a time when Europe faces significant competitiveness challenges and rising investment needs, AFME welcomes the Market Integration and Supervision Package ('MISP') as a critical opportunity to strengthen competition, deepen the Single Market, and improve the EU's ability to mobilise capital at scale.

At the same time, it is important to recognise that the outlook for European equities is more positive than is often assumed. In 2025, global investors allocated more than EUR 130 billion to European equities, alongside record average trading volumes, clear evidence of the continued attractiveness of EU equity markets. This momentum has carried into 2026, with both trading activity and international investment remaining strong.

In line with the EU's simplification agenda, the MISP should therefore be approached through an evidence-based lens, focusing reforms on where they are most needed and can deliver the greatest impact. Where regulatory intervention is not warranted, regulatory stability should be recognised as a strength that supports investor confidence, market efficiency, and long-term growth.

We therefore call for a targeted approach to the MISP, focusing on strengthening competition for services in every part of the capital markets ecosystem, promoting choice for investors and other market participants, and fostering innovation to unlock the full potential of EU securities markets. These features should be the guiding objectives of this package and are essential to effectively serving end-investors and corporates, and to support growth across the EU.

In practice this means:

For Trading - Preserving Choice and Driving Innovation

- **Recognising the Strength and Resilience of EU Equity Markets:** The current market structure is well-functioning, resilient and provides for a robust price formation process. Another round of reforms – at a time when firms are still implementing the most recent MiFID review – would be counter-productive and fundamentally misaligned with the simplification objective.
- **Upholding Investor Choice:** We oppose any regulatory intervention designed to route trading activity towards traditional stock exchanges at the expense of investors. Investors' ability to choose where and how to execute their investments depending on execution costs and potential market impact of each decision must be preserved. This is essential to ensure that institutional investors, including pension funds, retirement systems and insurance companies, get the best possible outcomes for their beneficiaries, such as pensioners and other end-investors.
- **Leveraging the Role of the Consolidated Tape in Boosting Investor Confidence:** The delivery of the Consolidated Tape will support investors' confidence in EU markets by bringing all trading

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information together in a transparent manner. We support the proposal to expand its scope to include 5 layers of depth, and trading venue attribution for those 5 layers.

- **Enforcement of Fair Market Data Pricing:** The provision of market data on a reasonable commercial basis needs to be properly enforced. Access to market data on fair and cost-effective terms is essential to supporting healthy price formation.
- **Addressing duplicative reporting and supporting market stability in bond markets:** ESMA should be given an ongoing mandate to dynamically adjust bond and derivatives deferrals at short notice to protect EU market liquidity and avoid an EU-UK market dislocation, which the current fixed, multi-year review cycle cannot otherwise facilitate. Duplicative EU-UK post-trade transparency reporting should be eliminated by exempting transactions already reported under equivalent third country regimes.

For Post-Trade Infrastructure: Removing Structural Barriers

- **Interoperability delivers results and should be pursued:** CCP interoperability has improved competition and reduced costs. AFME strongly supports reinforcing open access provisions and proposes making interoperability between significant CCPs the default principle, with refusals strictly limited to clearly substantiated systemic risk grounds. Overall, we believe market participants should be free to choose the CCP through which they clear their transactions.
- **A unique opportunity to address structural deficiencies in post-trade:** The majority of Central Securities Depositories (CSDs) are part of publicly listed or commercially owned companies, creating an inherent tension between their role as central market utilities and their profit-maximising incentives. Therefore, measures aimed at enhancing the transparency and standardisation of CSD fee structures are essential. While the MISP moves in the right direction, we would suggest a more granular Level 1 operative wording and a supporting recital that provide ESMA with precise guidance for the Level 2 framework. We strongly believe that the MISP represents a unique opportunity to remove existing barriers to competition among CSDs and to create the conditions for market-led consolidation across market infrastructures and this should be seized.
- **Appropriately differentiate between CSDs and custodians:** Custodians, by contrast, operate in a highly competitive, price-sensitive market and are subject to rigorous client selection processes that foster direct comparison of services and pricing across providers. We note the proposed new requirement for settlement internalisers to make fees related to settlement activities available to clients through a new template to be developed by ESMA. As these fees are, by nature, already disclosed to existing and prospective clients, we are not convinced that this additional reporting requirement would be justified and it appears to run against the overarching objective of simplification. Moreover, we caution the co-legislators against introducing public disclosure which would risk breaching confidentiality agreements between custodian banks and undermine investors' ability to negotiate pricing tailored to their commercial needs, scale, and transaction volumes.

For DLT: Enabling Competition and Market Transformation

- **Enable new business models through the establishment of settlement schemes** in the DLT pilot regime: Such network-based schemes will enable other regulated entities (e.g. credit institutions and investment firms) to provide robust settlement options, alongside traditional infrastructure operators, so that the benefits of DLT in capital markets can be fully reaped. This will improve competition in the post-trade space. For these new settlement schemes to be usable, the threshold should be raised from the proposed 10 bn to at least 50bn.

Modernising the EU Regulatory Architecture for Competitiveness and Growth

- **Advancing an Accountable and Cost-Efficient EU Supervisory Model:** AFME supports further centralisation of EU supervision as it can contribute to the development of integrated European capital markets, ensuring consistent rule application under a proportionate and accountable supervisory model.
- **Embedding Competitiveness in European Supervisory Authorities' (ESAs) Mandates and upgrading supervisory powers:** We recommend explicitly embedding competitiveness as a secondary objective within the mandates of the ESAs. Strengthening this dimension would help ensure that regulatory products (level 2 and level 3) also take into account the EU's broader goals of deepening capital markets, attracting investment, and enhancing the Union's global standing.

We are also strongly supportive of proposals aimed at enhancing regulatory agility, for example through an expanded and more effective use of non-action letters. A regulatory framework that incorporates such instruments can be a powerful way to provide timely clarity and ultimately deliver greater legal certainty for market participants.

This paper sets out our recommendations to enhance competition and further advance Single Market objectives across trading, post-trading, DLT, and supervision.

Trading – Equity Trading Market Structure

There is significant cause for optimism in EU equity markets, following record trading volumes in 2025, and increasing interest from global investors. We continue to believe that the current market structure and regulatory frameworks are broadly well-functioning, resilient and provide for a robust price formation process for all types of investors, and therefore we are of the view that another round of significant regulatory reforms would be counter-productive and misaligned with the broader objective of regulatory simplification. In light of recent geopolitical developments, Europe needs stability, predictability, and consistency in its trading rulebook to sustain (global) investors' confidence and continue the recent positive momentum.

Consolidated Tape: a single view of EU's liquidity

One measure that will support investors' confidence in EU markets is through the delivery of the Consolidated Tape. AFME is a longstanding advocate for a Consolidated Tape for shares and ETFs as a means to provide all investors, irrespective of resources and/or level of sophistication, with the clearest, most comprehensive picture of available liquidity across the Union in real-time and for free or at the most affordable price. This will contribute to the creation of a truly integrated pan-European market.

We welcome the European Commission's proposal to significantly improve the informational value of the tape by expanding its scope to include 5 layers of depth, and venue attribution for those 5 layers. Greater depth will expand the utility of the tape for users, providing greater insights for retail and institutional investors into available liquidity and on the venues where the likelihood of execution at the best prices would be higher, as well as supporting best execution monitoring, risk management, and other use cases.

However, we remain unconvinced that the proposed inclusion of systematic internalisers' (SIs) public quotes on the tape would be of sufficient benefit to justify the additional costs and complexity. Systematic internalisers' quotes are generally already publicly available for free in an aggregated form. Public quotes may also not fully reflect systematic internalisers' appetite and capacity to provide liquidity to their clients. SIs may provide bespoke pricing to specific investors depending on their creditworthiness, trading interests and the SI's internal book and risk management approach. The inclusion of these quotes on the Consolidated Tape would therefore reduce the informational quality of the tape, and potentially have distortive impacts on market participants' perception of available liquidity.

We further note that the delivery of the Consolidated Tape will not fully address the market failure in the provision of market data, for which the existing regulatory framework has been proven ineffective. For more complex use cases (e.g. wholesale trading and other risk management activities requiring low latency data), we are concerned that the lack of competition in this space will allow exchanges to continue increasing fees. We anticipate that the soon-to-be-implemented regulatory framework which seeks to ensure market data is provided on a "reasonable commercial basis" will require significantly enhanced supervisory attention, including potentially by ESMA as the central supervisor, to ensure it is adequately enforced.

By the same token, further consideration should be given as to how to meaningfully address other areas in which important services are provided to market participants on an uncompetitive basis (i.e. characterised by (i) a limited number of providers and / or a significant difficulty to switch from one provider to another one, and (ii) asymmetrical pricing power, to the benefit of the provider, translating ultimately in higher costs for end-investors).

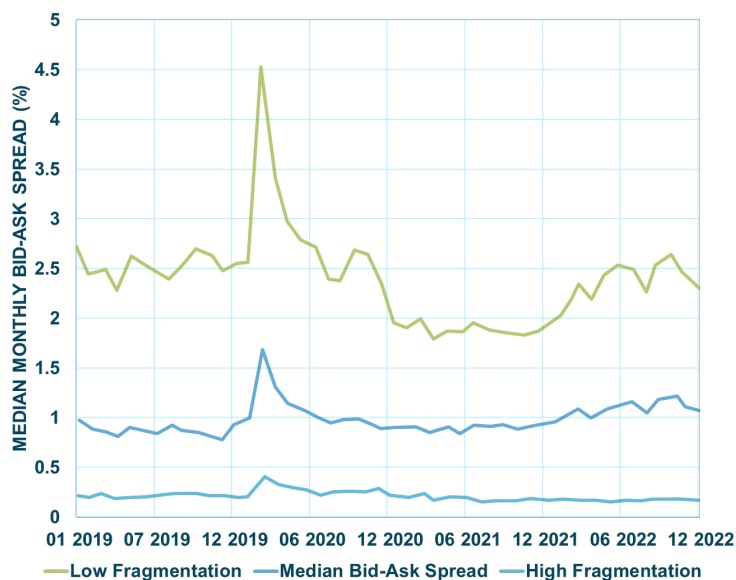
Market Structure: prioritising outcomes for end investors

We remain strongly opposed to any regulatory intervention which forces where trading activity takes place. Routing trading activity towards traditional stock exchanges at the expense of institutional investors, who in turn are also representing retail investors, would critically undermine the broader objective of scaling up EU equity markets and enhancing their global competitiveness.

EU equity markets are much deeper and more vibrant than is often perceived. Changes in the market share of different trading mechanisms have been and will continue to be an expression of investors' choice – owing to the execution costs and potential market impact of each investment decision – which should be preserved. The relatively lower share of intraday trading in central limited order books ("CLOB") has been balanced by an increased share of trading in closing auctions on incumbent exchanges, and/or by investors' preference to trade in alternative venues to avoid the higher price

impact of trading on CLOBs. In view of evolving trading patterns (i.e. passive investing at the closing auction and/or algorithm trading), achieving the best possible execution outcomes for investors can often only be delivered through access to alternative trading mechanisms. Stocks with higher levels of ‘fragmentation’ (i.e. where trading activity is more dispersed across different trading mechanisms) exhibit tighter spreads, a key indicator of liquidity (see Figure 1).

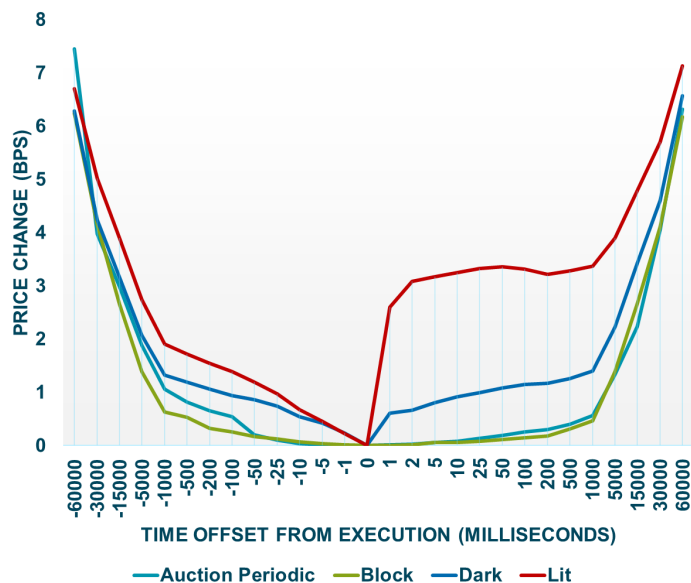
Figure 1 – Median monthly bi-ask spreads by “fragmentation index”



Median monthly bid-ask spreads by “fragmentation index”
Source: ESMA

Alternative trading mechanisms also help investors to minimise information leakage and ensure a lower price impact of their executions compared to exchanges, where a material price move can often be observed immediately post-execution (see Figure 2).

Figure 2 – Actual price moves before/after execution across different execution mechanisms



Actual price moves before/after execution across different execution mechanisms
Source: xyt

We see no evidence or conclusive data that the existing market structure is not working, and, as such, we welcome the decision of the European Commission not to introduce measures to, directly or indirectly, impede investors’ ability to access liquidity from a variety of execution mechanisms according to their specific needs.

Competition between trading mechanisms, which is a major success of the existing regulatory structure, should be welcomed and is best achieved through facilitating and promoting innovation by traditional stock exchanges rather than seeking to make more complex or limit the ability of alternative execution mechanisms to service investors. The soon-to-be-launched Consolidated Tape will bring all that information together in a transparent manner, showing the full depth and breadth of EU equity markets.

Europe has long been a global leader in promoting innovation in equity markets, particularly by developing alternative trading mechanisms that deliver better outcomes for end investors. Periodic auctions are a good example of this progress: they enhance transparency, reduce latency arbitrage, and improve execution quality for institutional investors by limiting the influence of speed-based strategies. These auctions execute at midpoint when it maximises the tradeable volume, a feature that brings clear benefits to investors. Recognising the value of midpoint execution for investors, the most recent MiFID review confirmed that systematic internalisers should also be able to provide this functionality.

Against this backdrop, calls from exchanges to restrict periodic auction operators and SIs from offering genuine midpoint execution would reduce investor choice and undermine competition and market efficiency. Rather than removing a service that demonstrably benefits end investors, policymakers should consider extending similar flexibility to other trading protocols, including central limit order books to support a more balanced, competitive, and growth-oriented market structure.

The declining share of trading on incumbent trading venues' central order books is often framed by concerns around price formation, for which we see no evidence. The assumption that only on-exchange activity contributes to the price formation is false. There are several relevant factors, including company news, broader economic factors, and post-trade reporting of executed transactions across all trading mechanisms. In this regard, we would welcome an in-depth study by ESMA, or another independent party, to properly assess the current price formation process in EU equity markets before any further policy decisions are considered.

Trading – Fixed Income – Duplicative reporting and market stability

ESMA should be given an ongoing mandate to dynamically adjust bond and derivatives deferrals at short notice to protect EU market liquidity, and avoid EU-UK market dislocation, that a static multi-year review cycle cannot facilitate. This should include being granted the flexibility to recalibrate in either direction. In addition, as a broad point, extraterritorial reach of EU legislation should be strictly limited in the future. For example, duplicative EU post-trade transparency reporting should be eliminated by exempting transactions already reported under equivalent third country regimes. Currently such exemptions are in place for third-country trading venues (TCTV) and logically this should be extended to include voice/ OTC trades reported via Approved Publication Arrangements. This can be done promptly by revised level three guidance by ESMA, with subsequent action in MiFIR as part of this package.

As a further point, the current intention to articulate TCTV exemption in level one for derivatives should be extended to all asset classes for the avoidance of any ambiguity. Similarly to above, quick action should be taken to clarify this point by amendments to ESMA guidance followed by amendments to MiFIR.

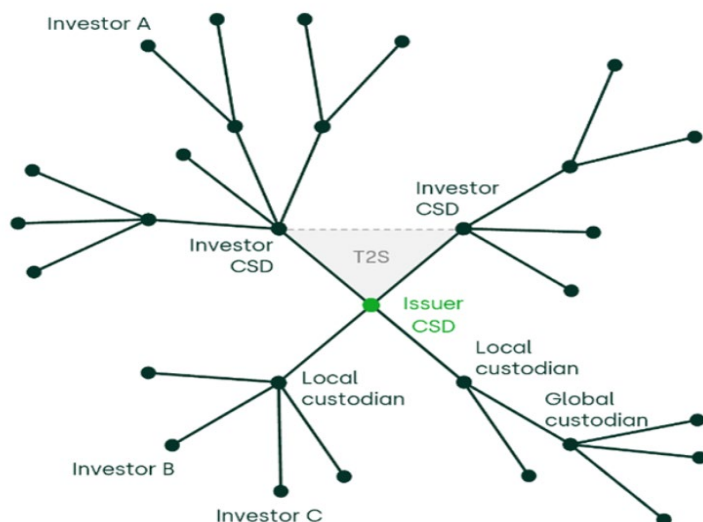
Post-Trade Market Infrastructures

From a clearing perspective, the European Commission's proposals go in the right direction, but greater ambition is required to ensure meaningful impact. Interoperable arrangements between Central Clearing Counterparties (CCPs) have significantly lowered costs and enhanced user choice. However, progress remains incomplete due to a lack of interoperability between some major players.

At the end of the value chain, Central Securities Depositories (CSDs) play a critical role in post-trade markets, providing both issuer services (issuance, notary, register maintenance, corporate actions) and "market-side" services (safekeeping and settlement). Under the current regulatory framework, many of these services (e.g. notary function, register maintenance, operation of a Securities Settlement System) can only be provided by authorised CSDs, and once a CSD is selected by an issuer, the issuer CSD holds a quasi-monopolistic position for that security (see Figure 3).

Although market-side services may be provided by an investor CSD, this is only possible through connections to – and fees paid to – the issuer CSD. As a result, the same levels of competition and user choice that market participants enjoy for trading and clearing do not exist for safekeeping and settlement.

Figure 3 – Stylised representation of the post-trade market structure¹



Clearing: open access as a driver of competition

The MISP’s reinforcement of open access, particularly through revisions to Article 36 MiFIR, is a welcome step toward enhancing competition in the clearing space. Ensuring that access to trading venues and data feeds is not unjustifiably delayed or refused is essential to creating a level playing field between incumbent CCPs and new entrants. AFME welcomes the clarification that access refusals cannot be justified by potential loss of market share, as well as the strengthened arbitration powers granted to ESMA. However, to fully realise the objective of increased competition and integration, it should be clearly established that interoperability between significant CCPs becomes the guiding principle for the European cash equity market. In other words, the default expectation should be that significant CCPs establish interoperable links with one another, with refusals limited strictly to cases where there are genuine and demonstrable systemic risk considerations.

Existing interoperability arrangements between 3 major CCPs have been highly successful in promoting user choice, and competition between providers leading to a significant reduction in costs. So-called ‘preferred clearing’ arrangements imposed by incumbent EU venues have protected their affiliated CCPs from true competition, ultimately at the expense of end investors. Just as market participants should remain free to choose where and how to trade, the same logic must apply to clearing. Market participants should be able to determine where to clear their transactions, supported by an infrastructure framework that facilitates, rather than restricts, cross-CCP competition and user choice.

Extending interoperability across major European CCPs would support deeper market integration by enabling clearing members to consolidate activity, benefit from economies of scale, and optimise multilateral netting efficiencies. Fostering greater competition between CCPs would also contribute to more efficient pricing of clearing services and ultimately reducing costs for end investors.

Advancing a genuine pro-competition agenda in the CSD space

CSDs perform a key role in securities markets. CSD Regulation (CSDR) mandates that any issuer wishing to issue securities must do so through a CSD, and that transactions in these securities executed on a trading venue, must be recorded at the CSD. Connecting to the CSD of issuance, directly or indirectly, is therefore a pre-requisite for any party wishing to own or trade securities. Most European CSDs are commercially owned, creating an inherent tension between their role as market utilities and profit-maximising incentives.

¹ Oxera

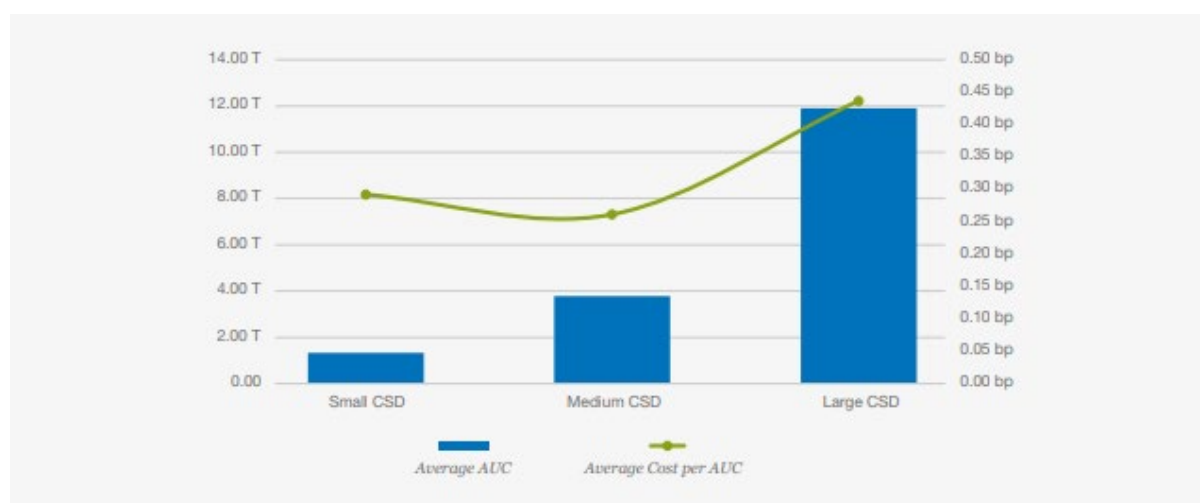
It is therefore appropriate that CSDs should be subject to scrutiny regarding the fees that they charge to their participants. AFME supports the MISP’s proposal for greater fee transparency, including the development of a standardised template by ESMA.

Today, European markets are also characterised by highly complex fee schedules inhibiting comparability across CSDs. Non-standardised fee schedules range from 38 to 242 line items, with a variance of 229%, making it difficult for users to compare costs across CSDs. There is also limited standardisation in terminology and categorisation.

In this context, further attention to fees charged by CSDs is warranted. A recent study² highlights that these fees are substantially higher in Europe than in North America. On average, European settlement costs are 65% higher than North American settlements, while safekeeping charges can be up to 650% higher. Although T2S aimed to lower settlement costs for cross border transactions, CSDs continue to add additional processing fees. In addition, this study shows that higher volumes at CSDs do not necessarily translate into lower fees for users (see Figure 4). In fact, some of the largest CSDs charge higher safekeeping and settlement fees than smaller peers, suggesting that there is no guarantee that consolidation of CSD services into the hands of a few larger players would result in reduced costs for end users.

If European CSDs applied North American pricing, market participants could save up to €1 billion annually - nearly 80% of current expenditure³. The greatest impact would be in safekeeping, as this activity is subject to very limited competitive pressure. This illustrates the significant room for improvement in Europe.

Figure 4 – Average effective custody charges vs total assets under custody by CSD⁴



We therefore stress the importance of continued regulatory and supervisory scrutiny over fees charged by CSDs. While empowering ESMA to develop an Implementing Technical Standard (ITS) on CSD fee transparency is a positive step, we believe CSDR would benefit from explicitly specifying that the proposed standardised template should take the form of a standardised fee grid and further clarify that it should be designed to enable market participants to meaningfully compare CSDs fees for the provision of core CSD services. This would ensure that the transparency framework supports the broader objective of enhancing competition in post-trade services.

In addition, ESMA, as the future supervisor of significant CSDs, would have a central role to play in effectively implementing transparency fee requirements. This could, for instance, take the form of regular reports assessing the effectiveness and comparability of CSDs fee structures and monitoring the evolution of the fees charged by CSDs.

² [Analysis of CSD Fees in Major European Markets](#), October 2025.

³ [Analysis of CSD Fees in Major European Markets](#), October 2025.

⁴ “Small CSD” less than 2 trillion AUC; “Medium CSD” from 2 trillion to 8 trillion AUC; “Large CSD” greater than 8 trillion AUC. [Analysis of CSD Fees in Major European Markets](#), October 2025.

Freedom of issuance, access, and passporting

The MISP addresses certain unjustified restrictions that limit issuers' freedom to choose their issuing CSD. AFME supports the intention behind measures set out in the MISP which aim to ensure that issuers are able to appoint any EU-authorized CSD that meets EU legal requirements, irrespective of location. Similarly, enshrining the right of trading venue members to designate any EU CSD for settlement represents a meaningful step toward genuine user choice and competition.

Streamlining the CSD passporting regime is another key Single Market reform. Moving toward an ex-post notification framework reduces unnecessary legal complexity and removes barriers that may have deterred cross-border activity.

Interconnectivity, and T2S

Improved interconnectivity between CSDs, through well-calibrated links can improve cross-border settlement access for smaller markets. However, it is important that efficiency gains and economic benefits clearly outweigh associated costs and does not lead to additional complexity, which ultimately risks being borne by end-investors. We continue to believe that links should be primarily established on the basis of commercial viability.

AFME also welcomes the requirement for all CSDs offering settlement in euro to join T2S, the ECB platform for settlement in central bank money. T2S has delivered important benefits by increasing settlement efficiency, optimising liquidity management, and, to a certain extent, improving settlement harmonisation. This should therefore be pursued at pace.

Custodian banks also play an instrumental role in facilitating cross-border access to EU securities for the benefit of end-investors. They operate in a highly competitive and dynamic market environment and provide essential services that facilitate the efficient settlement of transactions between counterparties.

When a settlement intermediary, such as a custodian bank, acts on behalf of both counterparties to a transaction, and holds both the clients' assets in an omnibus account at a CSD (or other settlement intermediary), settlement is executed directly on the books of the custodian bank. This practice, often referred to as internalised settlement, improves operational efficiency and reduces costs and risks for investors. It also mitigates the liquidity and collateral risks associated with external settlement processes, thereby contributing to overall market efficiency.

AFME does not see sufficient justification for introducing additional reporting requirements on settlement internalisation under the amended Article 34 of CSDR. Fees related to internalisation services are already disclosed to clients, and the proposed reporting obligations appear to duplicate existing MiFID requirements⁵ to provide comprehensive information on all relevant costs and charges. In this context, the added value of the new reporting layer remains unclear.

Furthermore, should any form of public disclosure be envisaged, although we understand this is not the stated intention of the proposal, it would give rise to serious concerns. Public disclosure of such information would risk breaching confidentiality arrangements between custodians and their clients and undermining investors' ability to negotiate pricing tailored to their specific commercial needs, scale, and transaction volumes.

Collateral mobility

We note that the MISP contains relatively few measures aimed at improving the ability of European market participants to access and mobilise collateral. Collateral plays a critical role in supporting the stability and functioning of the financial system, and it is essential that market participants can access and deploy sufficient collateral, particularly during periods of heightened market volatility. Certain elements of the current EU regulatory framework, combined with the complexity of Europe's market infrastructure, may restrict the smooth and efficient use of collateral. Addressing these issues would help ensure that collateral can move where and when it is needed across the financial system.

In this context, it may be valuable for European authorities to consider steps to reduce barriers to collateral access and mobility. This could include greater alignment of collateral related requirements across markets and types of market participant, enabling firms to manage collateral on a pooled basis and helping to ensure that availability and mobility are optimised.

⁵ Article 24 of MiFID

Unlocking the potential of DLT

For the EU to remain a leader on DLT, it is crucial to ensure that it can be used throughout the entire lifecycle of a security with the same regulatory certainty and assurances as those provided to traditional infrastructures. The revised DLT Pilot Regime should furthermore help market participants maximise the benefits offered by DLT and make it possible to use DLT as a basis for a new market architecture that promotes competition and innovation.

AFME strongly supports the policy objectives of ensuring technology neutrality and transitioning from a directive to a regulation to promote harmonisation and innovation through a Settlement Finality Regulation, rather than the current directive. The recent announcement regarding the future acceptance of DLT-based assets as eligible Eurosystem collateral further demonstrates that both market participants and public authorities increasingly recognise DLT's potential to become a core component of post-trade infrastructure, alongside traditional systems. However, central bank collateral eligibility should not be limited to assets held at CSDs. A burdensome supervisory arrangement should also be avoided.

AFME also welcomes the proposals for the creation of settlement schemes as part of the revised DLT Pilot Regime. Such schemes are a vital part of enabling DLT adoption in European capital markets, as they enable the benefits of DLT in capital markets to be fully reaped: network-based settlement system between eligible DLT account keepers (e.g. credit institutions and investment firms) that leverage the Eurosystem's DLT-adapted wholesale central bank money solutions. This would also help crucially increase competition in the European post-trade infrastructures.

At the same time, while the proposals are a step in the right direction, there are some elements which risk materially limiting the anticipated transformative benefits of the DLT framework.

For the settlement scheme regime to attract eligible participants, be commercially viable, and – as a result – fully function, a number of changes are fundamentally needed to tailor the requisite conditions for participation. These include lifting the low €10bn threshold to at least 50bn, streamlining the authorisation process, broadening settlement assets, and ensuring supervisory efficiency.

Given the pace of market evolution, we also view that the increased €100bn aggregate market value threshold under the full Pilot Regime could quickly become a new constraint. While AFME welcomes the fact that the European Commission may adjust the threshold via a delegated act, co-legislators should consider complete removal of the threshold as the regime would regulate participants to the same regulatory outcome as the permanent CSDR regime, and to avoid constraining market participation and to support broader uptake of the DLT Pilot Regime.

Towards an agile and modernised supervisory architecture

EU supervision

It is worth noting that AFME members are not directly impacted by the proposed reforms aiming at elevating to EU level the supervision of significant market infrastructures. AFME members are primarily subject to the supervision of the Single Supervisory Mechanism. **On balance, as market participants and clients of financial markets infrastructures, single supervision for EU trading and post-trading infrastructures should be a positive development.** Market participants should legitimately expect that it contributes to reducing cross-border frictions and be an enabling factor to apply the single capital market rulebook in a consistent manner. This being said, elevating supervisory powers to the EU level must result in tangible efficiency gains, together with more effective market supervision supporting competition, internal market and innovation while ensuring that the supervisory model remains proportionate and cost-efficient for market participants.

Change in this direction will need to be accompanied by a strong oversight and accountability framework for ESMA in its new guise. In this regard, the European Commission proposal points to the right direction with the possibility for the ESMA Chair to participate in a Council meeting on the performance of ESMA. Robust accountability mechanisms like these are a cornerstone of trust in any supervisory framework – and should be implemented across all of the EU's supervisory authorities.

ESMAs' powers and governance

If more centralised EU supervision can help reduce supervisory frictions and ensure a more consistent application of EU rules, we strongly share the view that this debate should not obscure other significant improvements that are likely to be more achievable and at least as impactful as further centralisation of supervision. For instance, the experience of the SSM demonstrates that, without an adequate legal framework and clear backing from Member States, barriers to integration can remain upon which centralised supervision alone cannot deliver the intended benefits.

This being said, a more globally competitive European capital market does require both a more agile regulatory and supervisory architecture. The European Commission's proposals contain several interesting measures, which we support and which could be amplified and extended to the other European Supervisory Authorities (ESAs), specifically the European Banking Authority.

For instance, AFME particularly welcomes the aspects of the proposals relating to **non-action letters** and greater flexibility in the use of RTS and ITS. In this context, we would suggest going one step further by streamlining the non-action letter process through directly empowering the European Commission to temporarily suspend the application of specific EU requirements when necessary. Such an approach would make non-action powers a highly effective tool for addressing urgent issues in a timely manner, while providing enhanced legal certainty and predictability for market participants.

We also appreciate the Commission's proposals to ensure that the ESAs contribute to supporting market integration within the EU and fostering innovation in the financial sector. This represents a step in the right direction. However, we would also invite the co-legislators to explicitly embed competitiveness as a secondary objective within the mandates of the ESAs, in the exercise of their regulatory functions. This new objective would serve as an effective tool to ensure the ESAs take into account the **international competitiveness of the EU economy and its growth prospects**. One concrete way to achieve this objective would be to require the ESAs to consistently incorporate competitiveness and growth considerations, including international aspects, into the impact assessments and cost-benefit analyses they conduct. These analyses could then be subject to review by an independent body, which would assess and opine on the approach taken. To be clear, the aim of this new objective would not be to override the ESA's main objectives around market integrity and financial stability – but rather to complement and enhance them.

The Commission also proposes replacing the current Management Board with a new Executive Board, which would be primarily responsible for decisions relating to the direct supervision of financial market participants. This Executive Board would be composed of five full-time independent members. From our perspective, **the responsibilities of this new Executive Board should be extended beyond direct supervision to cover all regulatory and implementing technical standards, as well as guidelines**, in order to fully leverage ESMA's expertise and ensure that the overall EU interest prevails. Moreover, decisions of the Executive Board would be taken under a non-objection procedure, whereby a decision would be deemed adopted unless the Board of Supervisors (BoS) raises an objection within a defined period. Where the BoS seeks to oppose a decision of the Executive Board, the voting arrangements should mirror those applicable to qualified majority voting in the Council. For the EBA, specific arrangements should also take into account the role of the ECB/SSM.

About AFME

The Association for Financial Markets in Europe (AFME) is the voice of the leading banks in Europe's financial markets, providing expertise across a broad range of regulatory and capital markets issues. We represent over 150 leading global and European banks and other significant market players. Our members play a vital role in Europe's financial ecosystem, underwriting around 90% of European corporate and sovereign debt, and 85% of European listed equity capital issuances. Importantly, AFME members are market makers, providing liquidity, which is essential for ensuring financial markets can function efficiently. We also represent law firms and other associate members which advise market participants and support AFME's legal and regulatory initiatives.

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