ECMI Explainer

# Much more than an omnibus – will MISP turn ESMA into the EU's very own SEC?

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## SUMMARY

An upgrade and more centralisation of market supervision is on the table in Brussels. ESMA's role and structure will be strengthened, with a new executive board, modelled on the Anti-Money Laundering Authority (AMLA), and a profound expansion of its supervisory competences. These changes are the most important part of the capital Market Integration and Supervision Package (MISP), which modifies the regimes for infrastructure providers, asset managers and DLTs platforms in the EU.

Given the urgency for more market finance, and the lack of private investments, this package should be welcomed. But given it's a very layered and elaborate proposal – a sort of omnibus – this ECMI Explainer, through analysing the changes affecting market infrastructures, asset management and supervision, puts forward the question that needs to be asked: whether it's not too much a bit of everything all at once?

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## INTRODUCTION

A big legislative package is before the EU's co-legislators with the stated ambition of delivering a more genuine union of EU capital markets. Following Member States' renewed commitment to promote market-based financing, the European Commission proposed to remove barriers across EU-wide trading, post-trading and fund management services, as well as further integrate supervision through its Market Integration and Supervision Package (MISP), which was published in early December 2025.

The MISP amends 19 different legislative acts, packaged as a 'master regulation' (387 pages) amending 14 regulations, a 'master directive' amending three directives (64 pages) and a Settlement Finality Regulation (88 pages), repealing an earlier directive and amending the Financial Collateral Directive. In short, the package focuses on accelerating consolidation in capital market infrastructures and strengthening integrated supervision. It follows the Commission's consultation, which was launched in April 2025, which received 297 responses.

The Commission's diagnosis is clear: rules remain insufficiently harmonised and supervisory practices too divergent, requiring a comprehensive intervention. The package is a game changer for market supervision. Amending 19 pieces of legislation in one go, with the largest parts related to MiFID, followed by the CSDR and ESMA Regulations, is a major endeavour and signals strong political determination.

Yet the question remains whether the draft is sufficiently calibrated, balanced and focused to work, which is an uphill challenge to analyse given the sheer complexity of the texts, as it's likely there will be thousands of amendments to existing legislation.

At the same time, the risk of uneven progress is real. Different amendments attract diverse levels of attention, create different distributional effects and trigger a variety of national or corporatist sensitivities. The package also revives familiar questions about the need for strong enforcement, about the balance between high-level principles and details left to implementing acts. The recent compromise on the Retail Investment Strategy (RIS), which amends MiFID II, is a reminder of how quickly good intentions can be diluted in practice.

More broadly, one can wonder why several of the identified barriers weren't addressed earlier through stricter enforcement – or by pushing back more decisively against Member State gold-plating. Or which barriers won't be addressed by this package. Ultimately, the relevant test is whether implementation will translate into more market financing and deeper capital market activity, rather than simply more or better rulemaking.

This ECMI Explainer analyses the package by reviewing the changes affecting market infrastructures, asset management and supervision.

*Table 1: Proposed new supervisory tasks for ESMA in MISP*

| Entities/activities | New ESMA supervisory tasks |
|---|---|
| Trading platforms and investment firms (regulated markets, MTFs and OTFs) | Significant platforms (PEMOs), significant market operators and investment firms owning significant trading venues (Art 38fa) |
| Clearing (CCPs) | Significant central counterparties |
| Settlement (CSDs and ICSDs) | Significant CSDs |
| DLT Pilot Regime | Close involvement |
| Green bond issuers | Supervise external reviewers |
| ESG rating providers | Horizontal supervision |
| Asset management | Group wide reviews of supervisory approach for large entities, delegation arrangements |
| European depositary passport | Oversight |
| MICA | Full supervision of CASPs |

*Source: Author's own elaboration.*

## MARKET INFRASTRUCTURES: CONSOLIDATION, INTEROPERABILITY AND ESMA SUPERVISION

MISP addresses market infrastructure from three angles: the consolidation of trading and post-trading groups, stronger interoperability across infrastructures, and more centralised ESMA supervision of significant entities. The challenge is whether the package addresses the underlying causes of fragmented infrastructures or mainly adds new supervisory machinery.

### PERSISTENT FRAGMENTATION IN POST-TRADE INFRASTRUCTURE

Europe's trading and post-trading infrastructures remain highly fragmented. These infrastructures are foundational for capital markets. Fast, reliable and cost-efficient settlement supports liquidity, reduces frictions and improves access. Yet fragmentation and cross-border inefficiencies have been on the agenda for more than two decades. Many barriers persist, price differences remain large and EU rules are unevenly enforced. In short, effective competition among Europe's many CSDs has not delivered a single market outcome.

European CSDs are highly profitable, often more so than their US counterparts. But profitability isn't the same as competitiveness for end-users. Settlement and custody fees in Europe remain significantly higher than in North America, with international CSD services typically more expensive. Moreover, evidence points to a counterintuitive pattern: larger CSDs often charge materially higher fees than smaller ones, suggesting that scale economies aren't being passed through and competition isn't at play.

EU policymakers have long tried to address this problem. The Giovannini reports (2001-03) identified 15 barriers to integration and highlighted the excessive costs of cross-border settlement. In 2007, the ECB launched TARGET2-Securities (T2S) to connect European CSDs and facilitate cross-border settlement. In 2014, the Central Securities Depositories Regulation (CSDR) introduced an EU-wide regulatory framework with a single licence for CSDs intended to foster a more integrated market.

Yet 25 years on, several Giovannini barriers remain. T2S hasn't delivered the expected price convergence or consolidation benefits. According to a recent AFME report, a number of CSDs connected to T2S continue to apply additional transaction processing fees on top of the T2S pricing. In the MISP Communication, the Commission requests that the Eurosystem examines 'whether changes to T2S pricing and governance could increase usage and foster efficiency and innovation', a clear critique. It also invited the Eurosystem to continue with its efforts towards harmonising standards for securities settlement and asset servicing.

Publicly available and transparent fee schedules and notification of fee changes, as mandated by the CSDR's Article 34, are badly implemented, with no action taken by regulators. Consequently, clients aren't fairly treated. Interoperability between CSDs (foreseen in CSDR) hasn't worked as intended, as also reported by ESMA. The result is limited price competition and a persistent cost penalty for users; AFME estimates this places an additional annual cost at around EUR 1 billion.

The Draghi report argued for a single CSD in Europe, like the US, and a single CCP. These proposals raise legitimate questions about concentration, resilience and governance, but they also force a harder discussion on the value of 'competition' post-trade. Importantly, consolidation has occurred across trading and post-trading over the last 25 years, yet it hasn't delivered integration in the sense of converging prices and services. This points to a structural enforcement and incentive problem, not only a market-structure problem.

The package seeks to improve CSD passporting to support effective interoperability, and includes changes related to DLT-based infrastructures and settlement finality, through amendments to the CSDR, the DLT pilot regime and the Settlement Finality Directive.

### THE EU TRADING VENUES SCENE AND THE PEMOS CONCEPT

On the trading side, fragmentation is arguably even more visible, with a multiple of regulated markets, multilateral trading facilities (MTFs), organised trading facilities (OTFs) and systematic internalisers. Market participants usually view this as less problematic than post-trade fragmentation. It fragments liquidity and weakens price discovery, but it also reflects a degree of dynamism and innovation in European market structure.

The package proposes to remove barriers to cross-border group structures, passporting and interconnectedness, with the aim to facilitate consolidation among infrastructures. For trading venues, it introduces the concept of Pan-European Market Operators (PEMOs), through amending MiFID II, to move towards a more genuine single licence for exchange and trading platform groups.

A PEMO would operate by freely providing services or through operating a branch, which underscores that the statute will need to be applied consistently across the EU. Historical differences in the structure of European equity markets should not lead to comparable market operators being treated differently. If the objective is simplification and consolidated supervision, a group or a PEMO should face similar requirements. At the same time, the PEMO model's effectiveness will depend on how far the single authorisation can operate in areas that remain only partly harmonised. The proposal appears to leave certain matters, including areas that aren't yet or only partially harmonised, to the law of the Member State where the trading venue is situated.

### ESMA SUPERVISION OF SIGNIFICANT INFRASTRUCTURES

For all market infrastructures, the package introduces direct supervision by ESMA in a form of a two-tier structure, as is the case with AMLA and 'obliged entities', with ESMA being responsible for central authorisation and supervising large systemically important infrastructures, with smaller ones remaining decentralised. Specifically:

- In changes to EMIR 3, for significant CCPs. This wasn't yet the case within the EU, whereas it was outside the EU for Tier 2 CCPs (mainly the UK). The CCP Supervisory Board will be abolished and assigned to ESMA's new executive board. Existing (duplicative) supervisory colleges will be abolished.
- In changes to MiFID II, supervisory competences for PEMOs and significant trading venues will be handed over to ESMA, which will set operational requirements for regulated markets to allow for a truly single authorisation. Also, the operation of significant MTFs and OTFs will be transferred to ESMA. Group arrangements for trading venues should be simplified. Pre-trade transparency for quotes by systematic internalisers (SIs) will be enhanced.
- In changes to the CSDR, ESMA will now supervise significant CSDs. The Colleges of supervisors for significant CSDs will be abolished. The term 'CSD hubs' is being introduced, which are required to establish reciprocal links.

The proposal raises an important implementation question: will ESMA be able to supervise PEMOs and significant post trade infrastructures sufficiently on its own, or will the model still depend heavily on national authorities and national legal frameworks? Will the PEMO concept withstand the test of time or will it require recalibration in the next decade to better reflect market realities of vertical and horizontal integration, and more broadly trends in trading and post-trading, data-driven business models?

### CLEARING, SETTLEMENT AND DLT: OPEN IMPLEMENTATION QUESTIONS

The clearing part of the proposal is relatively straightforward. Bringing significant EU-based CCPs under ESMA supervision is a logical extension of ESMA's existing role in supervising systemically important third-country CCPs. However, this doesn't remove the need for close cooperation with central banks, given the systemic role of CCPs and their links to liquidity arrangements.

The settlement side is more complex. CSD integration is affected not only by supervisory fragmentation but also by T2S, national securities laws, asset-servicing practices and legal differences across Member States. The proposed 'CSD hub' model aims to address interoperability by requiring significant CSDs to establish reciprocal links. Yet if the CSDR already contains a single licence and access provisions, the key issue may be less the absence of legal tools but rather weak enforcement, incentives and competition discipline.

We also shouldn't overlook competition policy. Interoperability problems within a T2S environment suggest that market structure, pricing practices and access conditions cannot only be treated as supervisory questions. If scale doesn't translate into lower end-user costs, ESMA supervision will need to be accompanied by stronger scrutiny by competition authorities over pricing, access and fee transparency.

For CSDs with a banking licence, the package creates dual supervision, by the SSM of national competent authorities (NCAs) on the banking side, and ESMA or the NCAs on the capital markets side - so not necessarily resulting in simplification.

Finally, the package devotes considerable attention to DLT-based infrastructures. This is understandable from an innovation perspective, but the limited use of the DLT Pilot Regime thus far, and of DLT solutions in the back office in general, suggests that the business case remains uncertain.

The policy question is whether these amendments address a genuine short-term market barrier or whether they absorb legislative attention that could be better focused on the persistent problems of CSD interoperability, pricing and enforcement.

## ASSET MANAGEMENT: PASSPORTING, GROUPS AND DEPOSITORIES

MISP addresses three main elements on the asset management side: facilitating cross-border distribution and marketing, introducing an EU asset management group concept, and creating a European depository passport. Additionally, it transfers the authorisation, monitoring and supervision of crypto-asset service providers (CASPs) from national competent authorities to ESMA.

### CROSS-BORDER DISTRIBUTION AND MARKETING

For funds, the package seeks to strengthen the passport and facilitate the cross-border distribution framework for UCITS and AIFs. Amendments aim to streamline marketing notifications, abolish *ex-ante* notification procedures and reduce frictions in cross-border marketing. Many provisions that allowed for national discretion are removed. The Regulation on the cross-border distribution of funds is complemented to further facilitate the marketing of funds in Member States other than the home Member State. ESMA is also given a stronger role in addressing diverging, duplicative, redundant or deficient supervisory practices that hinder cross-border distribution, supported by new data collection powers.

These changes should be welcomed. They address a concrete barrier to market integration, namely host-state practices that weaken the fund passport in practice. If properly implemented, they should reduce unnecessary frictions in cross-border distribution and make the single market for funds more effective.

### EU ASSET MANAGEMENT GROUPS

To address the diversity in asset management structures and the related challenges for oversight, the notion of an EU group for asset managers has been introduced. This should also ensure that they are no longer required to provide information on the delegation and sub-delegation of functions to other EU entities. ESMA will maintain a list of the largest asset management groups based on net asset values and cross-border operations. It has also been proposed that a supervisory framework should be established where ESMA, in cooperation with the relevant competent authorities, carries out (at least) annual reviews to address NCAs' duplicative, redundant and deficient supervisory practices.

The EU group concept should facilitate oversight by giving ESMA a more complete view of large cross-border asset management structures – including delegation arrangements. However, the framework should cover the full spectrum of asset management models. The exclusion of

insurance companies and pension funds, which fall under EIOPA, may limit the usefulness of the group approach where investment management, fund distribution and insurance-based investment products are closely linked.

### A EUROPEAN DEPOSITARY PASSPORT

The MISP proposes to create a European depositary passport (in changes to Article 21(2) of the AIFM Directive and Article 23(1) of the UCITS V Directive). This is to allow depositaries to offer their services on a cross-border basis, exploit scale and remove host-country restrictions. This passport would apply to depositaries already authorised as either banks or investment firms.

This is a step towards a more integrated custody and depositary market. It should support a more consistent home-country approach, while preserving ESMA's role in oversight. However, its impact will depend on whether it genuinely opens the market to cross-border competition or merely formalises existing group structures and relationships.

### CONSOLIDATED TAPE AMENDMENTS

Other changes to MiFID II concern the consolidated tape project. Further granularity is required for users to check whether the correct pricing and best execution were applied. These amendments have already been proposed even if the single data feed isn't in place yet.

### CRYPTO-ASSET SERVICE PROVIDERS

Finally, the package gives ESMA authorisation, monitoring and supervision responsibility for all crypto-asset service providers (CASPs). This is a significant centralisation of supervisory responsibility under MiCA and fits MISP's broader logic: moving activities with clear cross-border relevance away from fragmented national supervision.

## ESMA'S NEW SUPERVISORY STRUCTURE

The crucial part of MISP is the reform of ESMA's governance, tasks and powers. This represents a fundamental change to the 2010 ESMA Regulation. ESMA's tasks have already been extended in several areas, including direct supervision over certain third-country CCPs. MISP goes further by changing both ESMA's internal governance structure, the scope of its direct supervisory responsibilities and its powers.

- Governance: ESMA will become an AMLA (or SRB)-like six-person board, composed of a chair and five executive board members. This board will replace and take over the tasks of the current management board and reduce the role of the board of supervisors.

- Powers: ESMA's powers will be streamlined and expanded to support its direct supervisory responsibilities. New powers will allow ESMA to advance supervisory convergence and take 'prompt and effective corrective actions' to address supervisory shortcomings. The package sets a duty of cooperation between the NCAs and ESMA, with a series of principles and an obligation to exchange information (Article 8a in the 'master regulation'). ESMA will be permitted to instruct NCAs. It can charge supervisory fees and impose penalty payments.

- **Staffing**: ESMA is expected to need around 400 additional staff by 2030, roughly doubling its current size.

*Box 1: Main new ESMA powers*

The package would give ESMA a broad set of new or reinforced powers, including:

- Market surveillance powers for PEMOs and for MTFs and OTFs operated by significant investment firms;
- Supervision of significant CCPs and CSDs;
- Definition and application of criteria for significant operators;
- Licence withdrawal powers for PEMOs, MTFs and OTFs under ESMA supervision;
- fit-and-proper assessment powers for managers of market operators under ESMA supervision;
- Investigation powers;
- Powers to overrule national authorities in certain supervisory tasks;
- Powers to charge supervisory fees, impose fines and apply sanctions;
- Powers to suspend operations and voting rights;
- Oversight of interoperability and access provisions for infrastructures;
- Supervision of cross-border distribution of asset management products;
- Operation of centralised databases.

### CENTRALISATION AND THE LIMITS OF THE SSM ANALOGY

The direction of travel is clear: MISP moves ESMA closer to a central supervisory authority for significant parts of EU capital markets. However, the comparison with the SSM shouldn't be pushed too far. Unlike banking, capital markets remain highly diverse in size, depth and structure across the EU. They depend heavily on local ecosystems, national legal frameworks and market practices. Primary government bond markets remain largely national and operate under non-harmonised rules. Public equity markets are shaped by differences in company law, listing standards and tax rules, even if accounting standards are largely harmonised. Private debt and equity markets are even more local and depend heavily on local knowledge.

This matters for how centralised supervision is designed. ESMA supervision may reduce divergence and strengthen enforcement but it cannot by itself remove the legal, fiscal and market-structure differences that shape European capital markets. Centralisation should therefore be designed to replace fragmentation where it is genuinely cross-border or systemic – and not to simply add another layer above national supervision.

Compared to the SSM, the basis for the changes is different. In the SSM's case, it's an EU Treaty article which allowed the ECB to supervise all banks licensed in the 21 monetary union member countries, under a unanimity vote by the Council of the EU. The ECB decided to keep supervision of less significant institutions (LSIs) at national level with a '*droit de regard*'.

For ESMA, the split between the two groups will be decided through a vote on the package between the co-legislators, based on a generic Treaty article for the freedom to provide services. The criteria for determining what constitutes significant institutions will be set in implementing legislation.

### IMPLEMENTATION RISKS AND INSTITUTIONAL DESIGN

The supervisory changes also raise practical implementation questions. MISP appears to take two steps at once. First, strengthening the single licence or home-country control for platforms, and second, moving significant platforms and infrastructures to centralised ESMA supervision. This may be justified, but the sequencing needs to be clear. Otherwise, there's a risk that centralisation is introduced before the underlying market and reporting structures are sufficiently integrated.

Avoiding duplication will be critical. ESMA's new role should clarify, not complicate, the division of responsibilities between ESMA and NCAs. This is particularly important for reporting entities, data feeds, market surveillance and supervisory interventions. Transitional issues also shouldn't be underestimated. If ESMA is to supervise significant entities across Member States, its operational model will need to be defined. This could involve virtual supervisory teams, local liaison structures, branches or a more formal network structure involving national authorities.

Additionally, the reforms may change ESMA's current functions. The transfer could disrupt ESMA's successful peer review tasks. This begs the question, how could ESMA continue this role if it's becoming itself a supervisor of functions that it was monitoring at national level? ESMA would also become more of a supervisor/regulator hybrid, which creates conflicts of interest. This then raises accountability matters, and the question over whether the current arrangements are sufficient.

The governance reform raises a related concern. The current structure has often been criticised for giving national authorities too much influence, including smaller and mid-sized Member States. The proposed executive board may correct this but it could also move too far in the other direction if it weakens national market knowledge. One possible intermediate route would be to have ESMA enforce full and effective home-country control more forcefully, while reserving direct centralised supervision for genuinely significant or cross-border entities.

### A BROADER ESAS QUESTION

A key institutional omission is that MISP is focused almost entirely on ESMA. This is understandable given the package's focus on capital markets but it leaves unresolved questions about how ESMA would interact with EIOPA and EBA. EIOPA is relevant where asset management overlaps with insurance-based investment products and insurance groups. EBA remains relevant for banks, prudential issues and parts of the crypto-asset framework under MiCA.

By focusing almost exclusively on ESMA, the package misses an opportunity to have a broader discussion on the future architecture of European financial supervision and how to avoid new boundary problems between authorities.

## OVERALL ASSESSMENT: AMBITION, COMPLEXITY AND IMPLEMENTATION RISK

An overall assessment of the MISP is difficult, as different angles can be taken: political, legislative and market impact. How will the package be perceived by the co-legislators, and in the Member States? What about the impact of the Commission's strategy of changing so many files at once, justifying it with the argument of urgency and simplicity? How will the changes impact the different market segments under scrutiny? And what about the changes in how these markets are supervised?

**Politically**, packaging so many diverse changes in one set of legislative amendments is risky. As a *de facto* 'omnibus', the Commission wants to push this through urgently, and for the entire package to be taken as one, while it actually concerns a wide diversity of matters: supervision, market structure, conduct rules for asset managers and more. It's of course a part of the wider simplification agenda, whereas this diversity of issues at stake makes it very complex to take a clear position.

Horse trading or package deals may be the outcome of negotiations in the Council, leading to very suboptimal outcomes. For the European Parliament, channelling the views of a wide variety of parties will colour the outcome. Some may be very outspoken, and have views all across the package, whilst most will focus only on elements, leading to unbalanced outcomes.

**From a legislative perspective**, changing EU supervisory structures and governance, capital market infrastructure regulation and/or how business rules are conducted, all in one package, requires different forms of discussion and analysis. Is it opportune to have this all in one package considering the very different in-depth discussions required in the co-legislators' specialised working groups or committees? From a market perspective, the most urgent matters are the EU securities market rules, as contained in MiFID and EMIR, to overcome barriers and allow for an effective single licence. Conduct rules for asset managers come second, while more integrated supervision could be phased-in gradually, depending on the urgency and preparedness of the supervisors.

The rules for the securities market should have the biggest **market impact**, in two ways. Forcing the consolidation of exchange platforms may lead to a more liquid European capital market, at least for equity markets. Further consolidation of CSDs may also happen, although the market is already fairly concentrated, not by legal entity, but by groups. Two groups, Euroclear and Clearstream control three quarters of the market, even if above all the first one regroups many different legal entities. The question is whether the proposed changes go far enough for effective 'entity' consolidation to happen, with clear benefits for end users, and why this didn't happen before.

The same groups may be also the biggest losers from the package and oppose consolidation efforts. More platform consolidation means more liquidity and lower spreads. It means more open competition and more fee transparency. Exchanges have reacted against the proposals arguing that the enormous fragmentation of trading venues should be addressed and for a more effective level playing field between on-exchange and off-exchange trading. They argue that the steady dispersion of liquidity across different channels and a gradual decline in the proportion of equity turnover executed on lit multilateral venues reduces the price discovery process. Lit trading turnover continued to decline compared to in-house matching over systemic internalisers (SIs) and auctions over the last five years. Exchanges, through FESE, have also argued that post-trade reporting requirements to OTFs and SIs should be increased.

In the same vein, post-trade entities have reacted that the internalisation of settlement, rather than of CSDs, needs to be tackled. This process raises operational and custody risk, beyond the watchful eye of supervisors.

Further amendments to the consolidated tape are welcomed by users, i.e. the asset management industry, as it should ease price discovery and facilitate the best execution. Exchanges will, however, resist, as it will reduce the attractiveness of their market data.

## CONCLUSIONS

Creating more efficient and harmonised supervision to integrate EU capital markets is a commendable initiative. It should tackle the problems that have prevented EU capital markets from functioning as one, including fragmentation, goldplating and home bias.

Yet the MISP is a very far-reaching and complex legislative package, that changes many pieces of existing financial regulation, but also undertakes a deep re-design of the existing EU supervisory model for securities markets. Given the urgent need for more market financing in the EU, a radical approach is appropriate. It should bring about more consolidation among market infrastructures and more clarity in the asset management sector. It will also bring a profound change in market supervision, tackling local bias and introduce a more European approach.

But this package is far too important to be pushed through rapidly. Some elements may be seen as urgent, to demonstrate determination, but not all of them are and shouldn't be treated as such. That's why an in-depth debate is needed. It's better to have good (and slower) lawmaking to allow for a well-balanced outcome, rather than sprinting too quickly. The following questions can be raised:

- This package is presented as a simplification exercise but is packed because of its length, structure, the issues addressed and the enormous number of amendments. It's a challenge for lawmakers to assess, given the depth of the changes regarding centralised supervision and the feasibility of the new structure. Other options for the supervisory structure were considered, as outlined in the impact assessment, but the analysis remains fairly rudimentary. Market supervision is a complex task, which encompasses many different actors – issuers, investors and intermediaries – and infrastructures, and at different levels.

- ESMA powers are expanded considerably, which should facilitate market supervision. But this remains a big change for the organisation, as existing supervisory powers grew incrementally and built on experience. Will national layers be replaced, or will duplication and additional layers appear? Will there be a level playing field between ESMA and locally supervised entities? Will reporting be sufficiently integrated? Are the accountability arrangements sufficient?

- The package hesitates between more centralised supervision, limited oversight and better home country control. For the new depositary passport, home country control is applied, with ESMA oversight, whereas for other items, such as significant infrastructures and CASPs, ESMA is the unique supervisor. For asset managers, there are group-wide reviews, and for green bond issuers, supervision of external reviewers. A more consistent approach and more clarity on ESMA's different roles is required.

- A notable absentee from the package is initial public offerings (IPOs), which are still not possible EU-wide. Why not propose an EU-wide model under ESMA control?

- Fiscal risk with the supervision of significant infrastructures, above all CCPs, but also CSDs, have not been addressed. Will this remain part of the residual competences of the home country?

- Why only ESMA? Does the EU need a more fundamental supervisory redesign beyond incremental consolidation and supervisory centralisation in securities markets?
- For asset management, the full spectrum – from standalone managers to those within large bancassurance/pension groups – must be examined. Will the asset management supervisory review be sufficiently comprehensive? What about third country providers?
- Will increased supervisory powers for ESMA materially improve enforcement and reduce supervisory divergence? A clear transition plan is needed to ensure no time is lost and urgent issues are addressed as soon as possible, and not lost in long debates.

ESMA isn't yet becoming a European SEC but it's a big step forward in this direction, especially with direct supervision powers for significant market entities, and with the duty of cooperation with the national supervisors, where ESMA has pre-eminence as the 'federal' supervisor. The enormous challenge for the co-legislators is to make sure the outcome of their deliberations over this vast package is consistent and clear-cut.

## ANNEX: THE MISP PROPOSALS

The **'master regulation'** proposes to amend **14** existing EU regulations:

- Article 1 amending Regulation (EU) No 1095/2010 establishing the European Securities and Markets Authority (ESMA Regulation),
- Article 2 amending Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR, aka as the Derivatives Regulation),
- Article 3 amending Regulation (EU) No 600/2014 Markets in Financial Instruments (MiFIR),
- Article 4 amending Regulation (EU) No 909/2014 on improving securities settlement in the European Union and on central securities depositories (CSDR),
- Article 5 amending Regulation (EU) 2015/2365 on transparency of securities financing transactions (SFTR),
- Article 6 amending Regulation (EU) 2019/1156 on facilitating cross-border distribution of collective investment undertaking (CBDR),
- Article 7 amending Regulation (EU) 2021/23 on a framework for the recovery and resolution of central counterparties (CCPRRR),
- Article 8 amending Regulation (EU) 2022/858 on a pilot regime for market infrastructures based on distributed ledger technology (DLTPR),
- Article 9 amending Regulation (EU) 2023/1114 on Markets in Crypto-Assets (MiCAR),
- Article 10 amending Regulation (EC) No 1060/2009 on credit rating agencies (CRA Regulation),
- Article 11 amending Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (Benchmarks Regulation),
- Article 12 amending Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation (Securitisation Regulation),
- Article 13 amending Regulation (EU) 2023/2631 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds (European Green Bonds Regulation),
- Article 14 amending Regulation (EU) 2024/3005 on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities (ESG Ratings Regulation).

The **'master directive'** proposes to amend **three** existing EU directives:

- Article 1 amending Directive 2009/65/EC of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS),

- Article 2 amending Directive 2011/61/EU of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010,
- Article 3 amending Directive 2014/65/EU of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

The proposal for a **Settlement Finality Regulation** changes **two** existing directives:

- Repeals Directive 98/26/EC,
- Amends Directive 2002/47/EC on financial collateral arrangements.

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