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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Further development of capital market integration and supervision within the Union

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1. European Union competitiveness and capital-market integration

In a rapidly evolving global landscape, the European Union must sharpen its competitive edge to unlock widespread benefits to people and businesses across the EU. This can be achieved by tapping the full benefits of the EU's diverse and skilled workforce, its innovative companies, its strength in many key strategic industries, and its commitment to decarbonise and to make the economy more sustainable. Despite many reasons to be optimistic, the EU economy has been underperforming in recent years due to structural weaknesses that hold it back compared to international competitors and constrain its strategic autonomy. Compounding the issue is the peculiar fact that moving money to non-EU countries is often easier than transferring it within EU Member States. As stated in the Draghi and Letta reports and in the 2024-2029 Commission political guidelines[1], urgent action is required to improve economic performance and to equip the EU with the tools to shape its own future[2].

Reviving the EU's economy and strengthening its international position are central to the European Commission's mandate. The Competitiveness Compass[3] sets out a comprehensive plan to strengthen the EU's economy and harness its potential, with the strategy for a Savings and Investments Union (SIU)[4] acting as a key enabler of this plan. The European Council (EUCO) agrees that, to tackle the challenges to the EU's competitiveness, it is vital to create truly integrated and deeper European capital markets that are accessible to all people and businesses across the EU[5]. To this end, the EUCO also called on the Commission to improve the convergence and efficiency of capital market supervision across the EU and reduce fragmentation[6]. In addition, the European Parliament has adopted a report welcoming the Commission's announcement of an ambitious package of legislative proposals to strengthen the trading and post-trading ecosystem in the European Union, to remove barriers to cross-border activity and make the framework fit for new technologies[7].

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[1] Europe's choice Political guidelines for the next European Commission 2024−2029; e6cd4328-673c-4e7a-8683-f63ffb2cf648_en

[2] Integrating and deepening EU capital markets will bring benefits for investors, businesses and the broader EU economy, by providing access to a wider array of financial opportunities and effectively mobilising savings for productive investments. The IMF indicates that for financial services alone, internal barriers within the single market resemble a tariff exceeding 100%. Holste and Bergström (2025) suggest that a fully unified capital market over the past decades could have increased EU GDP by EUR 7.8-8 trillion in 2024. Additionally, IMF simulations imply that a robust capital markets union could contribute to one-third of the single market's total benefits, potentially raising GDP levels by one percentage point.

[3] https://commission.europa.eu/topics/eu-competitiveness/competitiveness-compass_en

[4] Savings and investments union strategy to enhance financial opportunities for EU citizens and businesses - Finance. The initiatives included in the SIU strategy cover citizen and savings, investments and financing, integration and scale, efficient supervision in the single market as well competitiveness and integration of the banking sector. They are designed to reinforce each other. For instance, the proposed financial literacy strategy, the recommendation on savings and investment accounts and the measures on supplementary pensions aim to give Europeans more opportunities to build their wealth by investing in capital markets. However, these measures will not be effective if barriers to EU capital market integration are not removed, as these barriers continue to result in high costs and lower returns for investors.

[5] https://www.consilium.europa.eu/media/viyhc2m4/20250320-european-council-conclusions-en.pdf

[6] The European Council calls on the Commission: (i) to ensure convergent supervisory practices; (ii) to complete the assessment of and the work on the conditions for enabling the European Supervisory Authorities to effectively supervise the most systemic relevant cross-border capital and financial market actors, and, on the basis of that assessment, to put forward, as appropriate, a proposal on supervision; (iii) to swiftly remove barriers to market-led consolidation of market infrastructure and to cross-border investment; (iv) to streamline existing rules and eliminate duplication, clarify regulatory provisions and reduce the cost of compliance and reporting.

[7] Report on facilitating the financing of investments and reforms to boost European competitiveness and creating a Capital Markets Union (Draghi Report) | A10-0124/2025 | European Parliament, points 26 and 29. The report

Despite past integration efforts[8], the EU's capital markets remain too fragmented and inefficient to mobilise the vast pool of EU savings to meet the EU's significant investment needs, notably in key strategic sectors. Given the pressing need to tackle inefficiencies in EU capital markets, the Commission recognises that it must substantially revisit certain pieces of legislation, including those recently closed. This is essential to remove persistent barriers and ensure that reforms align with the evolving financial landscape.

Furthermore, initiatives to integrate capital markets will prove beneficial for the EU economy, including for companies which contribute to the EU's strategic priorities. Public resources alone are insufficient to address the financing gap that many companies, in particular SMEs, startups and scaleups, are confronted with. The EU has introduced a range of financial instruments (such as Invest EU and the EIC Fund) and programs under the auspices of the European Investment Bank and European Investment Fund, to mobilise more private capital. Alongside these public initiatives, achieving true progresses in the development of well-functioning and well-integrated EU capital markets is the best way to attract private investors, and private capital, towards EU projects and priorities.

Barriers to the cross-border provision and use of financial services, also linked to divergence in national supervisory practices, continue to hinder the creation of a true single market for capital, preventing the formation of large liquidity pools and limiting the potential for economies of scale. There is a need for greater ambition in promoting market integration, requiring a combination of policy actions at Member-State and EU levels. These actions, as set out in the SIU strategy, aim to make it easier for people across the EU to grow their wealth by participating in more integrated capital markets while at the same time increasing the investment capacity of the EU.

The European Commission is therefore putting forward an ambitious and forward-looking set of legislative proposals[9] to remove these barriers, with the objective of facilitating investors' access to a wide range of investment opportunities and enabling companies to raise capital across borders. The delivery of this very substantial legislative package, only nine months after its announcement in the SIU strategy, underscores the political importance and urgency of the initiative. The package focuses on proposals to remove barriers that fragment the single market, in a number of key market segments including trading, post-trading and asset management, while also driving innovation and enhancing supervision in these areas.

The Commission acknowledges the need to tackle barriers to market integration elsewhere, such as divergences in the legal frameworks governing tax, corporate law, insolvency, and securities, or the exercise of shareholders rights across borders. The Commission will propose a 28[th] regime for companies operating across the single market and may consider additional initiatives in these areas. The Commission will also publish in 2026 a comprehensive report on

expects that such a proposal could help overcome market fragmentation in the EU. It supports the Commission's intention to propose measures to strengthen supervisory convergence tools and make them more effective, and to achieve more unified direct supervision of capital markets by transferring certain tasks to the EU level.

[8] The Savings and Investments Union builds on progress already made under two Capital Markets Union Action plans and parallel efforts to develop the Banking Union: European Commission, 'Action Plan on Building a Capital Markets Union,' COM(2015) 468 final, 30 September 2015 and 'A Capital Markets Union for People and Businesses – New Action Plan,' COM(2020) 590 final, 24 September 2020 .

[9] For more details on the list of proposals, see Appendix.

the state of the banking system in the Single Market, including an evaluation of the sector's competitiveness, which will inform a positive and forward-looking reform agenda for the banking sector as well. This package is consistent with the Single Market Roadmap to 2028 announced in the 2025 State of the Union address by President von der Leyen and the broader efforts of the Commission to develop European markets by reducing the barriers affecting goods, services, people and capital[10].

2. Achieving a true single market for capital: removing barriers to integrated markets and simplifying access for businesses and people across the EU

Barriers to integrated capital markets arise from differences in regulatory approaches, often reflecting the use of discretions in transposing and interpreting EU directives and varying approaches to supervision. These barriers unnecessarily complicate the cross-border operations of financial market participants. This legislative package seeks to remove such barriers in the key capital-market segments, enabling companies to more easily raise capital and provide greater access for investors to a wide range of investments and services. Removing barriers to market integration must be a joint effort involving both the EU and national levels and should ultimately be market-driven. Integration must be achieved while also maintaining financial stability, market integrity, and investor protection, thereby ensuring that the EU financial market remains safe and resilient.

Simplification, in particular administrative burden reduction, is crucial for businesses and investors. Accordingly, this package also focuses on streamlining regulatory requirements to make cross-border activities more cost-effective. Simplification will be achieved in a number of ways: transitioning certain provisions from directives to regulations; eliminating scope for nationally imposed ‘gold-plating’ measures; refining Level 2 empowerments; streamlining overlapping, costly and inefficient supervisory arrangements; and more generally removing barriers in EU and national frameworks for market operators and investors. Importantly, a genuine single market for capital – free from barriers and bolstered by efficient, harmonised supervision – would of itself be a significant simplification that can be delivered to people and businesses across the EU.

This package focuses on removing the barriers[11] that stem from rules and supervisory approaches across the capital market ecosystem. Financial market infrastructures are essential for the free movement of capital and services but continue to work largely in silos, limiting synergies and implying costly duplications. The asset management industry remains highly fragmented, with many national funds lacking the scale necessary to compete with much larger funds operating in the EU but based in third countries. This comprehensive approach ensures that the package covers the backbone of capital-market financing, serving as essential channels that link investors with businesses seeking financing.

2.1. Comprehensive action towards capital market integration

***Actions to remove barriers for groups* -** In all the sectors covered by this package, groups operating across Member States often face duplicative regulatory requirements, predominantly due to insufficiently harmonised rules. This fragmented regulatory landscape is inefficient, as it requires firms to invest considerable resources in navigating different legal frameworks, often

[10] COM(2025) 500 final - The Single Market: our European home market in an uncertain world A Strategy for making the Single Market simple, seamless and strong.
[11] For more details, please see the Impact assessment on market integration and supervision.

duplicating efforts and compliance measures for each Member States in which they operate. These inefficiencies hinder optimal resource allocation and synergies within groups. Many resources that financial services firms could dedicate to value creation, growth and innovation, are diverted to manage regulatory complexities, resulting in increased operational costs, which are ultimately passed on to end clients and investors. This package seeks to remedy these issues by eliminating unnecessary regulatory duplications and divergences without weakening the financial soundness of financial services groups or investor protection. This will result in making markets more efficient, drive down operational costs, and allowing financial services firms to offer more competitive services and products to EU investors.

Actions to remove barriers to passporting **-** This package also seeks to ensure that passporting functions effectively to facilitate operations across Member States. Based on the principles of freedom to provide services and freedom of establishment, passporting should allow investment funds and financial services firms authorised in one EU Member State to seamlessly market their products and offer their services across the single market without needing to comply with additional national rules or authorisations in each Member State. This aims to simplify processes and improve market access, amplifying opportunities for companies and investors across the EU. However, in practice, the current passporting framework does not operate as efficiently as intended, leaving room for improvement. Inconsistent application of rules by national authorities and unjustified additional national requirements still make passporting a theoretical possibility rather than a functional tool for many businesses. This issue is particularly acute for regulated markets, central securities depositories (CSDs), undertakings for collective investment in transferable securities (UCITS) funds and alternative investment fund managers (AIFMs) that market alternative investment funds (AIFs) across the EU. The lack of a fully functional EU passport is a missed opportunity. Measures to implement effective passporting and facilitate cross-border operation include clearer rules for passporting for trading venues and CSDs, the new pan-European market operator licence[12], the new passporting upon authorisation regime for UCITS funds and AIFMs[13], and the possibility for companies to issue securities across-borders[14]. These measures will simplify single market entry, reduce operational costs, and make it easier for investors and companies to capitalise on a truly unified single market.

Actions to remove barriers to interconnection - The package aims to simplify EU-level requirements and enhance interconnectedness. It will do so by harmonising rules related to authorisation, operations, communication and marketing for trading venues, central securities depositories and asset managers. The current settlement tools will be improved, and EU settlement infrastructures will need to be able to settle in TARGET 2-Securities (T2S[15]) for those currencies that it offers settlement in. In addition, the package will strengthen open access measures and simplify brokers' direct access to trading venues. Simplified and harmonised requirements will reduce compliance costs and enable market participants to operate more efficiently across the EU.

[12] A new licence for 'Pan-European Market Operators' will be introduced for cross-border market operators to allow for the operation of trading venues in multiple Member States on the basis of a single licence.
[13] A new "passporting upon authorisation" regime will grant UCITS funds and AIFs (through their AIFMs) immediate single market access to their chosen Member States upon authorisation.
[14] To improve freedom of issuance, the possibility of Member States to impose additional requirements on issuers that act as a barrier to cross-border issuance will be limited.
[15] T2S is a platform launched in 2015 and operated by the Eurosystem that offers harmonised and streamlined securities settlement in central bank money to facilitate cross-CSD settlement.

Actions to remove barriers to DLT innovation **-** This package also emphasises the importance of innovation in the financial sector, specifically through Distributed Ledger Technology ('DLT'). These innovations have the potential to improve financial services for people and businesses across the EU. Therefore, the package amends existing legislation to remove barriers and complexities hindering DLT uptake in the EU financial sector. The revised DLT Pilot regime will help with widespread experimentation with DLT while yielding valuable learnings for future policy making. In addition to expanding the scope and flexibility of the DLT Pilot Regime, the package will modernise post-trade legislation to better accommodate new technologies.

By tackling these inefficiencies, ensuring that passporting operates as intended, enabling groups active in several Member States to streamline their operations and build synergies, improving interconnection and promoting DLT innovation, this package seeks to unlock these potential benefits, thus providing a real boost to EU capital markets.

2.2. Enhancing EU supervision: a cornerstone for market integration and scale

An integrated EU architecture for supervision is essential to support a single market for financial services. Financial services firms active in the same areas should be able to provide their services and activities across the EU without the barrier of divergent supervisory approaches that fragment the market. Currently, supervisory actions are not equally predictable across the EU and do not holistically assess providers' cross-border activities. Coupled with insufficient use of the existing supervisory convergence tools available to the European Securities and Markets Authority (ESMA), such supervisory barriers add to the costs of doing business across borders, create legal uncertainty and an unlevel playing field, and make investing in the EU more difficult and more expensive overall.

New areas for ESMA supervision **-** As market integration deepens, the EU supervisory framework must evolve accordingly. Pooling supervisory powers at EU level will promote deeper market integration and contribute to the smooth and efficient functioning of capital markets, as barriers are lifted and cross-border activity increases. Supervisory reform will include transferring direct supervisory responsibilities to ESMA for certain significant and cross-border entities in trading and post-trading[16], as well as for entities in new areas like crypto-asset service providers. National authorities should support ESMA in performing its direct supervisory tasks. ESMA will also play a stronger role in the convergence and coordination of the supervision of large asset managers' groups and investment funds[17] in the single market. This reform of supervisory arrangements will facilitate the enforcement of the single rulebook, ensure a comprehensive view, facilitate informed decision-making and allow the most efficient use of resources. Revisiting ESMA's governance, including with a newly

[16] To identify which entities fall under direct supervision, a set of clear criteria has been drawn up, taking into account size/systemic importance, and the cross-border activity or pan-European group dimension of CCPs, CSDs and trading venues. Additionally, to ensure a level playing field, CSDs and CCPs that are part of a group with at least one member subject to ESMA supervision would also be subject to ESMA supervision. Similarly, all trading venues operated within a group subject to ESMA supervision would be subject to ESMA supervision.

[17] New tools and mechanisms at ESMA's disposal to tackle barriers to cross-border activities include the mandates to organise, together with NCAs, joint assessment at group level of asset managers and the creation of collaboration platforms, whilst strengthening ESMA's binding mediation role that it could also exercise on its own initiative. In addition to having this power at its disposal, ESMA is also required to initiate mediation in clearly defined cases, ensuring its effective use.

created Executive Board[18], and developing a sustainable, fair, and adaptable funding model are necessary to cater for its expanded role.

ESMA supervisory convergence tools - The package also seeks to enhance the use and effectiveness of existing ESMA supervisory convergence tools, such as the breach of Union law procedure, no-action letters, peer reviews, settlement of disagreement between competent authorities, and the delegation of tasks and responsibilities. It proposes to introduce new horizontal tools, such as collaboration platforms and a mechanism for mutual assistance between national supervisors to facilitate the cross-border recovery of fines. Furthermore, ESMA is being equipped with new convergence powers to ensure effective supervision of cross-border financial services and increase trust in the passporting system. The new powers will allow ESMA to require competent authorities to seek its opinion and require corrective actions in case of serious supervisory shortcomings and to suspend the rights of an entity to provide services on a cross-border basis if it has committed a serious infringement of EU law.

Macroprudential oversight and risk monitoring - Finally, to build trust in the non-bank financial sectors, the Commission recognises the need for holistic, simpler and well-coordinated macroprudential oversight and risk monitoring across the financial system. The Commission consulted stakeholders[19] on the adequacy of the existing framework in detecting and managing systemic risks stemming from non-bank financial intermediation activities, amid growing complexity and interconnectedness across banks and non-banks. As a result, and beyond this package, the Commission is considering targeted actions for 2026 to strengthen macroprudential oversight and enhance the EU financial system's resilience.

The market integration and supervision package focuses on the role of ESMA as the authority responsible for securities and markets, which is the EU's most urgent priority at this stage. However, the Savings and Investments Union also covers other sectors of the EU's financial system, which may require further reforms to enhance the roles of the other European Supervisory Authorities, to further strengthen financial supervision in the EU.

3. Need for action by all stakeholders

The SIU is a shared responsibility of EU institutions, Member States and market participants and requires commitment and sustained joint actions by all stakeholders. While EU-level measures are needed to remove barriers in the single market, these should be complemented by actions at national level. The European Commission is determined to take decisive action against illegal practices and national rules that unduly hinder market integration and cross-border activity. By enforcing EU law and the EU's fundamental freedoms in particular, the Commission will ensure that all rules that underpin a fair and open internal market for capital are fully implemented and respected.

The Eurosystem also has a significant role to play, especially in the area of post-trading. This is particularly the case regarding the promotion of the use of Target2-Securities (T2S) for securities settlement. Further harmonisation and integration efforts building on the use of that common platform could significantly contribute to the development of the Savings and Investments Union. This could also be supported by increasing the number of currencies that

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[18] Supervisory decisions would be taken by a newly created Executive Board composed of independent members with a non-objection procedure by the Board of Supervisors.
[19] https://finance.ec.europa.eu/document/download/db0e482b-12b8-43d5-ad8d-b54e6af4b315_en?filename=2024-non-bank-financial-intermediation-summary-of-responses_en.pdf.

T2S serves with the cooperation of the central banks of issue of those currencies, and by ensuring the compatibility of central bank money settlement with the use of new technologies, such as DLT. At the same time, the Commission calls on the Eurosystem to explore whether changes to the pricing of T2S services and governance of T2S could increase the use of that platform and foster greater efficiency and innovation. The Commission invites the Eurosystem, and the ESCB more generally, to continue with their efforts towards harmonising standards for securities settlement and asset servicing, as well as for market participants to implement such agreed harmonised standards as swiftly as possible.

Finally, the financial industry must also play its role by ensuring the timely uptake of proposed actions and encourage market-driven initiatives that support the objectives of the SIU.

4. Conclusion

The European Commission has responded decisively to calls from the highest political levels to take ambitious measures to fully enhance the EU's competitiveness and global standing. The SIU will be crucial in creating further opportunities for EU citizens to invest seamlessly in capital markets, boosting competitiveness, allowing market forces to drive the process of financial-market development and integration and thereby create deeper pools of capital to support the financing of the EU's economy. This package of legislative initiatives in the areas of securities trading and post-trading, asset management and supervision will be critical to the overall success of the SIU strategy. The measures proposed are complementary and it will be important to maintain the integrity and coherence of the package. The package combines the modernisation of the EU legal and supervisory framework with action to ensure compliance with that framework. This is a shared responsibility that calls for joint actions of EU institutions, Member States and private sector stakeholders.

Seizing the current political momentum to dismantle longstanding barriers to capital market integration is crucial. The Commission calls on the European Parliament and the Member States to negotiate this package swiftly and effectively and to maintain its integrity, coherence and ambition. By doing so, this package will deliver much needed and tangible benefits to all people and businesses across the EU.

Appendix – Legislative package

The legislative package on market integration and supervision comprises three legislative proposals, namely:

1) **Master Regulation**

The Master Regulation amends the following existing pieces of EU capital market legislation:

- Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority);

- Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories;

- Regulation (EU) No 600/2014 as regards the harmonisation of rules applicable to the functioning of trading venues, the facilitation of the cross-border provision of services by operators of trading venues, the further development of the consolidated tapes and the removal of barriers to mutual access between trading and post-trading infrastructures;

- Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories;

- Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse;

- Regulation 2019/1156/EU as regards the cross-border marketing of investment funds;

- Regulation (EU) 2021/23 of the European Parliament and of the Council of on a framework for the recovery and resolution of central counterparties;

- Regulation (EU) 2022/858 of the European Parliament and of the Council on a pilot regime for market infrastructures based on distributed ledger technology;

- Regulation (EU) 2023/1114 as regards the authorisation and supervision of crypto-asset service providers in the single market;

- Regulation (EC) 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies;

- Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds;

- Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation;

-Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds; and

- Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024 on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities.

2) Master Directive

The Master Directive amends the following pieces of EU capital market legislation:

- Directive 2009/65/EC and Directive 2011/61/EU as regards market integration and supervision of UCITS, management companies and AIFMs and the provision of depository services; and

- Directive 2014/65/EC as regards the harmonisation of rules applicable to the authorisation of regulated markets and to the functioning of trading venues.

3) Settlement Finality Regulation

- Proposal for a Regulation of the European Parliament and of the Council on settlement finality and repealing Directive 98/26/EC and amending Directive 2002/47/EC on financial collateral arrangements.