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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
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Subject:	COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT Accompanying the documents Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE amending Regulations (EU) No 1095/2010, No 648/2012, No 600/2014, No 909/2014, 2015/2365, 2019/1156, 2021/23, 2022/858, 2023/1114, No 1060/2009, 2016/1011, 2017/2402, 2023/2631 and 2024/3005 as regards the further development of capital market integration and supervision within the Union Proposal for DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directives 2009/65/EC, 2011/61/EU and 2014/65/EU as regards the further development of capital market integration and supervision within the Union 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

Delegations will find attached document SWD(2025) 944 final.

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COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the documents

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE amending Regulations (EU) No 1095/2010, No 648/2012, No 600/2014, No 909/2014, 2015/2365, 2019/1156, 2021/23, 2022/858, 2023/1114, No 1060/2009, 2016/1011, 2017/2402, 2023/2631 and 2024/3005 as regards the further development of capital market integration and supervision within the Union

Proposal for DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directives 2009/65/EC, 2011/61/EU and 2014/65/EU as regards the further development of capital market integration and supervision within the Union

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

{COM(2025) 941 final} - {COM(2025) 942 final} - {COM(2025) 943 final} - {SEC(2025) 943 final} - {SWD(2025) 943 final}

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Need for action

EU capital markets remain under-developed compared to other major economies and fragmented along national lines. In her State of the Union address, Commission President Ursula von der Leyen highlighted finance as a critical area where persistent barriers are holding back progress towards the Single Market. In this regard, she emphasized the need to build a Savings and Investments Union (SIU).

This initiative focuses on two core pillars of the Commission's SIU strategy: 'integration and scale', and 'efficient supervision in the single market'. It has a very broad scope and encompasses key sectors that are the backbone of capital markets, the trading, post-trading and asset management sectors. They provide essential infrastructure for offering and investing in financial instruments and assets, and enable crucial intermediation between investors and entities seeking financing. The initiative covers also innovation, in particular distributed ledger technologies.

Currently, effective solutions to ensure cross-border provision of services in these sectors are either absent or hindered by varying national rules implementing EU legal acts. Non-aligned supervisory practices and weak supervisory convergence tools and powers at EU level exacerbate these issues. These barriers to the cross-border provision of services hinder the establishment of a genuine Single Market for capital. They lead to market inefficiencies, limited economies of scale, reduced liquidity in capital markets, increased costs for investors, restricted access to a broader investor base across borders, and higher cost of capital for EU companies, ultimately undermining the productivity and competitiveness of the EU economy. Moreover, EU rules need updating to better facilitate financial services provision using new technologies, in particular distributed ledged technologies (DLT), which can further enhance capital market efficiency.

What is this initiative expected to achieve?
This initiative aims to address these barriers. This will improve the functioning of EU capital markets for the benefit of investors, businesses and the wider EU economy and facilitate investors' access to a wide range of investment opportunities while enabling companies to raise capital across borders.

In particular, it aims at:

1. *Enabling further market integration and scale effects* by improving the ability of market actors in those sectors to operate more seamlessly across Member States. As a result, cross-border transactions are expected to increase and become cheaper.

2. *Enabling integrated supervision* by tackling inconsistencies and complexities arising from fragmented national supervisory approaches. Integrated supervision is crucial to promote market integration, and this initiative aims to make supervision more effective, more conducive to cross-border activities, and more responsive to emerging risks, while reducing unnecessary burdens on firms.

3. *Facilitate innovation and in particular the take up of digital-ledger technologies.* This would stimulate competition in the area of trading and post-trading services, leading to improved market outcomes.

Action at EU level is required to remove those barriers, enhance market integration and facilitate market integration. Action at national level alone cannot resolve these challenges because they would not deliver the necessary convergence of regulatory and supervisory standards and market practices given the diversity of Member States' legal frameworks, supervisory traditions and market structures.

Possible solutions

Beyond the option of no EU action, two packages of policy options were identified based on a call for evidence, a targeted consultation, stakeholder engagements, a study on fragmentation in EU trading and post-trading infrastructures, a study on barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies in the EU, literature reviews, and previous initiatives documenting the most significant remaining outstanding barriers to EU capital market integration.

Option 1 is the baseline option of no policy action. Option 2 involves a broad review of the trading, post-trading and asset management rulebooks to harmonise and streamline requirements for business operations, including easing some requirements within groups and for services provided on a cross-border basis, under a single license. In the post-trading area, interconnectedness between central securities depositories (CSDs) would also be improved. Option 2 would also include amendments to post-trade legislation —to make it more technologically neutral— as well as to the DLT pilot regime (DLTPR) to expand its scope and scale. Investment funds would gain immediate and full single market access upon authorisation to their chosen Member States, thereby reducing time and costs associated with the current notification regimes, and asset management groups would be able to operate more efficiently in the single market by utilising and sharing resources across EU entities of the same group without being subject to stringent delegation requirements. On supervision, Option 2 aims to strengthen the use and effectiveness of supervisory convergence tools and powers, focusing on the European Securities and Markets Authorities (ESMA) and its governance. This option also involves transferring supervisory powers to ESMA for the most significant infrastructures (central counterparties, CSDs and trading venues) and for all the crypto-asset service providers (CASPs), and to have ESMA coordinating the supervision of large asset managers and investment funds.

Option 3 builds on Option 2 but is more far-reaching with additional elements to establish an integrated market, such as, for instance, mandatory connection between significant trading venues, mandating links between CSDs, creating group-level authorisation for asset managers, full flexibility in the DLTPR, ESMA direct supervision of all infrastructures, asset managers and CASPs.

The analysis assesses the options in relation to three objectives: (i) enabling further market integration and scale effects by increasing cross-border activity; (ii) improving supervision by reducing fragmentation; and (iii) facilitating innovation by removing regulatory obstacles. It shows that the potential benefits associated with the additional actions in Option 3 would not outweigh the incremental costs. Option 3 is also less coherent with other EU policy initiatives and may have unintended competition and financial stability consequences.

Other options, such as fully converting all Directives in the trading, post-trading and asset management sectors into Regulations, or mandating bi-directional links between all CSDs, were discarded due to excessive cost, complexity or legal concerns. The option of improving supervisory convergence while keeping supervision at national level was also discarded as it would not address the problems identified.

Impacts of the preferred option

The assessment concludes that Option 2 is the preferred policy package as it delivers significant integration benefits while remaining proportionate in terms of costs and subsidiarity. It combines extensive harmonisation of requirements in the relevant trading, post-trading and asset management frameworks and removal of barriers to cross-border activities, with stronger supervisory convergence tools and powers and EU-level supervision of the most significant infrastructures. These aspects reinforce each other. The harmonisation of rules in this package would facilitate the transfer of supervision of some operators and markets to the EU level and, in the case of CASPs, for all entities, and allow better enforcement of the single rulebook.

The measures under this option would ease regulatory burdens and operational complexity, thereby improving the efficiency of providing services across borders and fostering market-integration. Implementation costs would fall mainly on infrastructures and national authorities. This option would also require significant resources and infrastructure development at ESMA, the majority of it would be fee funded. But all these costs are expected to be outweighed by efficiency gains and simplification in the medium term. The initiative would reduce legal uncertainty for issuers and investors, lower compliance costs and improve predictability. Increased flexibility in the DLT-pilot regime and changes in sectoral legislation would encourage greater uptake of this technology. Stronger supervisory convergence and a more integrated supervisory framework would level the playing field, limit regulatory arbitrage and reduce the administrative burden related to cross-border activities.

The initiative will facilitate investors' access to a wide range of investment opportunities and enable companies to raise capital across borders. It will therefore contribute to improve how we mobilise capital in Europe and allow the right financing ecosystem to emerge in order to support EU strategic priorities and make our economy stronger, more competitive.

Although not specifically targeted at SMEs, the initiative could also bring about positive impacts for SMEs. Similar to larger firms, smaller market participants in the financial sector will benefit from reduced costs and administrative burden for cross-border provision of services. Given lower volumes and revenue base, these cost savings can be more impactful for SMEs. While less efficient SMEs could be pushed out of the market due to increased cross-border competition, SMEs with viable business models will be able to grow more easily.

Ex-post evaluation of all new legislative measures is a priority for the Commission. The Commission services will review the outputs, results and impacts of this initiative once the legal instrument has entered into force. After five years, the Commission will carry out the evaluation of the amendments contained in this proposal, in line with the Commission's Better Regulation Guidelines.