

MARKET INTEGRATION AND SUPERVISION PACKAGE

EUROPEAN COMMISSION'S CALL FOR FEEDBACK

AMAFI's answer

AMAFI is the trade association representing financial markets' participants of the sell-side industry located in France. It has a wide and diverse membership of more than 170 global and local institutions notably investment firms, credit institutions, broker-dealers, exchanges and private banks. They operate in all market segments, such as equities, bonds and derivatives including commodities derivatives. AMAFI represents and supports its members at national, European and international levels, from the drafting of the legislation to its implementation. Through our work, we seek to promote a regulatory framework that enables the development of sound, efficient and competitive capital markets for the benefit of investors, businesses and the economy in general.

As the post-1945 international order erodes and a new one has yet to emerge, the Union is facing simultaneous crises of various kinds – incl. military, geopolitical and commercial – that fundamentally call into question its functioning as established by the EU Treaties¹.

Ursula von der Leyen, President of the European Commission (EC), highlighted in her 2025 State of the Union address, that Europe finds itself in a position where it must:

*"be able to take care of {...} defence and security. To take control over the technologies and energies that will fuel our economies. To decide what kind of society and democracy we want to live in. To be open to the world and choose partnerships with allies - old and new."*²

While strengthening the Union's strategic independence is essential to maintaining its relevance on the international stage, progress must be achieved within the constraints of the existing institutional framework. The length of the legislative process and the unanimity voting in the European Council on sensitive matters (incl. taxation, EU membership, common foreign and security policy) significantly limit the ability for meaningful and rapid actions. Moreover, the current political situations across Member States renders strategic reforms of the EU Treaties politically unfeasible and reforms of the institutional framework unlikely.

¹ [Treaty](#) on the European Union & [Treaty](#) on the functioning of the European Union

² 2025 State of the Union Address by President Von der Leyen; [link](#)

In the current geoeconomics, making Europe's Independence Moment³ a reality requires, inter alia, growing EU capital market and advance the EC competitiveness agenda. As highlighted by Mario Draghi in his 2024 report on the future of European Competitiveness⁴, capital markets should complement bank-based financing, which is insufficient on its own to meet overall funding needs and ill-suited to finance innovation. Market-based financing is also critical to ensure that strategic sectors, notably defence, energy, digital and pharmaceutical, are financed primarily by European capital, reinforcing the Union's strategic independence and its long-term growth prospects.

To reach that objective, key reforms envisaged as part of the Savings and Investment Union (SIU) Strategy⁵ need to be delivered, i.e. securitisation, Banking Union, national reforms of pension systems and eventually the creation of an EU safe asset to finance strategic sectors.

Reducing internal barriers and reducing the fragmentation of EU financial markets is also necessary, as this will notably reduce costs⁶. It is also key to make EU capital markets significantly more attractive⁷ and its market participants more competitive, including vis-à-vis third countries competitors.

In this respect, AMAFI supports the proposals in the Market Integration and Supervision package (MISP)⁸ to reduce fragmentation. The MISP has a strong transformative potential comparable to that of MiFID/MiFIR in 2007 and could be instrumental in particular in enabling the emergence of EU "champions" in market infrastructure. The Association fully supports this level of ambition and calls on co-legislators to swiftly reach a political agreement while preserving a high level of ambition in the final text.

In this regard, AMAFI calls for the MISP to explicitly and consistently:

- (i) **Make competitiveness a core objective throughout the entire legislative process**, ensuring the objective is preserved during Level 1 negotiations, and effectively reflected in the adoption and implementation of Level 2 and 3 texts.

Such objective is all the more necessary given the complexity of EU legislation. It should enable a better articulation between the different levels of legislation as per the hierarchy set by the Lamfalussy process:

- Level 1 should be principle-based and objective driven
- Level 2 should define the modalities for the implementation of such principles and notably define the minimum set of parameters to achieve effective implementation.
- Level 3 should set the level of parameters defined at level 2 and should remain optional (i.e. through, where applicable, a "comply or explain mechanism").

³ 2025 State of the Union Address by President Von der Leyen; [link](#).

⁴ The Draghi report: A competitiveness strategy for Europe, Mario Draghi, [link](#).

⁵ Saving and Investment Union Strategy, [link](#).

⁶ Intra-EU trade barriers remain exceptionally high, reaching the equivalent of tariffs amounting 110% for services, How can Europe pay for things it cannot afford, Alfred Kammer, November, 2025, [link](#).

⁷ A competitiveness compass for the EU, [link](#).

⁸ Market Integration and Supervision Package, [link](#).

Considering the different stages and actors involved in the EU legislative process, the responsibility for delivering on this objective cannot rest with the EC alone. The absence of a consistent and shared focus on competitiveness amongst EU institutions will continue to exert a detrimental impact on the Union’s economic growth.

ESMAs’ mandate should therefore explicitly integrate competitiveness as a regulatory objective and the MISP offers a unique opportunity to anchor this objective in the ESAs regulation. This shift in perspective is necessary for ESMA to effectively fulfil an enhanced role as a central supervisor.

- (ii) **Simplify the existing regulatory framework**, without undermining the core objectives of financial stability, consumer protection and market integrity. In this regard, the MISP should be an opportunity to deliver on the EC’s burden-reduction objective. Simplification should entail legal simplification⁹, but it should also go beyond legislative adjustments and result in tangible reduction of the compliance burden and cost base for investment firms.¹⁰

In parallel of EU-27 legislative reforms, we strongly support the development of “coalitions of the willing” as illustrated by the EU Competitiveness Lab launched by Spain. This is a pragmatic and effective means to deliver tangible progress on clearly defined priorities (e.g. insolvency law, a label for savings and investment account). As laid out in the SIU Strategy, it is necessary to combine bottom-up with top-down initiatives to enable the development of and to preserve resilient and dynamic domestic capital markets.

Our response to the call for feedback is structured around four sections outlining what we support and consider as necessary changes for trading (I.), post-trading (II.), supervision (III.) and the review of the DLT pilot regime (IV.).

In the table below we highlight our priorities for the MISP.

Executive summary

Trading

Extraterritoriality of EU law: post-trade transparency for MiFIR instruments

- **Remove the duplication of reporting for all MiFIR instruments across UK and EU transparency regimes and across UK and EU Consolidated Tapes. This means exempt from post-trade transparency all MiFIR instruments’ transactions executed:**
 - (i) On third-country trading venues (TCTV); and
 - (ii) Bilaterally with non-EU clients and reported through a third-country Approved Publication Arrangement (TCAPA).

⁹The EU rulebook is made of 1600 separate documents, more than 95000 pages and over 38 million words. A focus on market outcomes: reforming EU financial regulation, New Financial, October 2025, [link](#).

¹⁰ For a concrete example of simplification proposal, please refer to AMAFI’s answer to ESMA’s call for feedback on transaction reporting simplification ([AMAFI / 25-67](#)).

- **Remove the extraterritoriality of EU law** as regards investor protection and market integrity in MiFID/MiFIR. As such, we have welcomed the amendments to the EU DTO rules for non-EU clients that are permitted by the review of MiFIR and are looking forward to the operationalisation of this modification.

Calibrate deferrals for bonds and derivatives dynamically

- Mandate ESMA to continuously monitor the impacts of MiFIR transparency on liquidity and market structure and to calibrate bond and derivative deferrals up or down within days, bypassing the 12-18 month review. This is essential to avoid UK-EU liquidity imbalances.

Consolidated Tape (CT) for shares and ETFs

- **Call for a targeted review of the relevant articles in Delegated Regulations 2017/587 (RTS1), and EU 2025/1155 to tackle existing data quality issues** for the CT to provide a comprehensive view of trading activity in the Union.
- **A vast majority of AMAFI members view favourably the proposal to establish a CT for shares and ETFs** covering the five best bid and offer prices, with volumes available at those prices, on an attributed basis¹¹.
- **Question the rationale and benefits for SIs to contribute the five best bid and offer quotes and to add quotes for “retail-originated orders” at an “improved price”.**
- **Oppose the introduction of competing auctions for each security as it may weaken the reliability of the closing price benchmark, that has a critical role in valuation processes.**
- **Call for a competitive assessment with a view to broaden of the scope of the Reasonable Commercial Basis principle** as foreseen under the Delegated Regulation (2025/1156)¹² to scope in market data aggregators.

Post-trading

- **Support many of the proposals aimed at lowering barriers to entry across jurisdictions and enhancing interoperability.**
- **Call for harmonising the supervisory and regulatory landscape for the depository activity across the Union** before considering the creation of an EU depository passport.

Supervision

- **Support the proposal to expand ESMA’s prerogatives by placing “significant” TVs, CCPs, CSDs and all CASPs under ESMA’s direct supervision but considers it requires a significant change of mindset articulated around:**
 - **Integrating competitiveness as a secondary regulatory objective.** The example of the FCA should be closely examined by the EC and co-legislators. It should be a secondary regulatory objective. Key metrics should be built and monitored to

¹¹ On this topic, it should be noted that AMAFI’s membership includes both sell side firms and trading venues. This diversity of profiles may give rise to differing views and there is therefore no full consensus amongst AMAFI members on this topic. One member in particular considers that the scope of the consolidated tape equity should not be reopened before an impact assessment is realised.

¹² Delegated Regulation, Reasonable Commercial Basis, [link](#).

review progress towards that objective and ESMA's accountability on this topic should be strengthened vis-à-vis the EC and co-legislators with a dedicated section in the annual report and an annual hearing of the Chair before Council representatives and MEPs of the ECON Committee.

- **Complementing the existing recruitment process with a dedicated recruitment scheme** to foster a certain turn-over between ESMA and the private sector (and vice versa) while maintaining robust conflict of interest standards.
- **Welcome the establishment of an independent Executive Board** and considers that **its scope should be extended to cover ESMA's regulatory work.**
- **Call for a revision of the voting modalities of the Board of Supervisors (BoS)** in order to better reflect the heterogeneous weight of EU financial markets as well as the different areas of expertise of NCAs.
- **Call for a reduction in supervisory costs for directly supervised entities through economies of scale and transfer of NCAs budget to the ESAs.** ESMA should report annually on the increase of its costs of supervision, highlighting the transfer of costs from NCAs.
- **Ensure a level-playing field in supervision between infrastructures offering comparable services** is of paramount importance from a competitiveness perspective.
- **Call for deeper and more regular dialogue with the industry by:**
 - **A systematic engagement with market participants** at an early stage of policy development (including before the first draft of such policy).
 - **Ensuring Standing Committees meet more frequently and issue public written contributions on key issues.**
- **Support the extension of the scope of the no action letter, the introduction of the possibility for the EC to suspend RTS and ITS in certain circumstances. We also call for further flexibility** to notably ensure a level playing field between 3rd country firms and EU firms and for greater legal certainty by allowing supervisory deprioritisation of the relevant legislation when a no-action letter is issued or when an RTS/ITS is suspended by the EC.

DLT Pilot Regime

- **Call for the removal of the EUR 100 billion threshold** or, if it is maintained, for a substantial increase, combined with a mandate given to ESMA for a flexible and swift threshold adjustment mechanism.
- **While central bank money remains the best solution for the tokenized cash leg for DvP, in the specific context of the Pilot Regime to foster innovation, alternative solutions should be considered without a hierarchy.**

I. TRADING

Overall, most AMAFI members welcome the EC's decision not to pursue radical changes to the EU's equity market structure recognising that the current framework is delivering positive outcomes for investors, even if targeted amendments could be considered, after a thorough assessment. A stable regulatory environment, alongside efforts to boost investors' demand, remains the most effective way to enhance the EU's competitiveness.

AMAFI broadly supports the proposed reforms, in particular the creation of the status of pan-European market operator (PEMO) under the direct supervision of ESMA.

With regards to intermediaries in particular, the MISP should be an opportunity to reopen targeted aspects of the MiFID II/MiFIR review framework that need improvements, with a view in particular to make the transparency framework more adjustable in light of international competition.

A. POST-TRADE TRANSPARENCY FOR MiFIR INSTRUMENTS : REMOVING THE EXTRATERRITORIALITY OF EU LAW

Under ESMA 2020 Opinion¹³, EU investment firms trading on UK multilateral platforms are currently not required to report their transactions, for all MiFIR financial instruments.

Considering that the new definition of OTC derivatives could affect the applicability of the Opinion, the EC proposes to integrate the exemption in Level 1 for OTC derivatives only.

It is crucial to ensure that the exemption provided by the Opinion is preserved for other MiFIR instruments including bonds. Singling out OTC derivatives in the Level 1 may put at risk the Opinion for other MiFIR instruments.

This is all the more necessary as, from March 2026, when the revised MiFIR rules for bonds will enter into application, the divergence between EU and UK deferral regimes will further increase to the detriment of the competitiveness of EU market participants should they be required to report under EU rules their transactions on non-EU platforms or with non-EU clients.

Against this background, AMAFI calls for the MISP to address and remove the duplication of reporting for MiFIR instruments across UK and EU transparency regimes and across UK and EU Consolidated Tapes. This means exempt from post-trade transparency:

- Transactions executed on third-country trading venues (TCTV), alongside OTC derivatives, and
- Transactions executed bilaterally with non-EU clients and reported through a third-country Approved Publication Arrangement (TCAPA) and for those APA to be added to the ESMA transparency opinion.

¹³ Opinion, ESMA, Determining 3rd country trading venues for the purpose of transparency under MiFID II/ MiFIR, [link](#).

More broadly, the issue of post-trade transparency **highlights a wider concern related to the extraterritoriality of EU legislation**. This puts EU firms at a structural competitive disadvantage vis-à-vis third country financial institutions operating from countries with no or limited EU like protections for clients. This is further illustrated below by the example of the Derivative Trading Obligation (DTO) under MiFIR.

The example of the Derivative Trading Obligation

Since 1 January 2021, the uncoordinated application of the EU and UK DTOs has led to significant upheavals in the liquidity of instruments subject to the trading obligations, both in the inter-dealer (D2D) and in the dealer-to-client (D2C) markets. This situation has reduced the overall global competitiveness of EU-27 financial institutions, especially EU firms' UK branches trading with non-EU clients. Despite the targeted transfer of some transactions to EU venues, US SEFs appear to be the ultimate beneficiaries of the current overhaul of on-venue liquidity and are likely to become even more attractive in the medium to long term.

AMAFI therefore welcomed the EC's proposal, subsequently retained in the final text of the MiFIR review, to allow for the suspension of the DTO for EU market makers, at the request of Member States, and in specific circumstances when trading with non-EU clients.

To date, almost two years after the MiFIR review came into force, the suspension of the DTO has not yet been implemented. As a result, EU market participants continue to face a competitive disadvantage vis-à-vis their UK competitors. Nevertheless, we have reasons to be optimistic it will be implemented in the coming months.

More fundamentally, should the EU DTO requirements have been considered not applicable to non-EU branches of EU institutions when trading on non-EU clients from the outset, such competitive distortion would not have arisen.

EU legislation should not have extra-territorial application as regards investor protection and market integrity: EU market participants should be able to apply local rules when they operate outside the Union with non-EU clients. The MISP is an opportunity to clarify this principle in MiFID and MiFIR, consistent with the EU Treaties¹⁴.

B. CALIBRATE DEFERRALS FOR BONDS AND DERIVATIVES DYNAMICALLY

AMAFI considers that ESMA should be mandated to:

- **Continuously monitor the impact of MiFIR transparency on liquidity and market structure, in the EU and in the UK** - using quantitative or qualitative methods as appropriate – rather than the current yearly review.

¹⁴ Pursuant to Article 52 of the Treaty of the European Union and Article 355 of the Treaty on the Functioning of the European Union, the Treaties, and the legal acts adopted on their basis, apply within the territory of the Member States, subject only to the specific extensions and derogations expressly provided for therein. MiFID is applicable to investment firms authorised to provide investment services across the Union, aligning with the broader territoriality principle set out in the Treaties.

- **Calibrate deferrals for bonds and derivatives both upward and downward (instead of downward only as currently required), and do so dynamically**, i.e. enable a response within days to any adverse liquidity shift, instead of waiting for the yearly review cycle as currently required and the subsequent lengthy legislative process (analysis, consultation, final report and draft RTS, RTS promulgation), a sequence that often spans 12-18 months.

This is crucial to prevent liquidity imbalances between the UK and EU markets, given that the same instruments are traded by identical market participants within the same trading window¹⁵.

C. CONSOLIDATED TAPE FOR SHARES: IMPROVING MARKET TRANSPARENCY

AMAFI members stress that the ability of the CT to fully fulfil its objective of providing a comprehensive view of trading activity in the Union¹⁶ will notably depend on the accuracy of the data it aggregates and disseminates. As such, **a comprehensive review of the relevant articles in existing Regulations¹⁷ is required to address the existing data quality issues currently observed on trade reports**. This review should be conducted with due consideration to the importance to enhance alignment between EU and UK transparency frameworks, with the aim to defining a consistent approach, identifying for instance duplicative or missing reporting for post-trade, and ultimately supporting an accurate view of market liquidity. AMAFI members also believe it is essential for ESMA and the EC to review, in a targeted manner, post-trade data quality and flagging in order to adjust the framework as market practices evolve. This is particularly important in the context of progressive integration of AI into the trading workflow.

In this context, **AMAFI would welcome a bottom-up approach, with the creation of a working group¹⁸ gathering infrastructures, market experts and representatives from ESMA and the EC to agree on a common market understanding of the reporting requirements and act as an advisory committee for recommending changes to the regulatory framework**. This would ensure reported data are fit for purpose and can be adjusted in a timely and consistent manner.

While it was not initially identified as a priority in AMAFI's response to the 2025 EC's consultation on market integration, a majority of AMAFI members view favourably the extension of the CT pre-trade data to the five best bid and offer prices, together with the volumes available at those prices, on an attributed basis, providing it does not incur significant cost increase for the data distributed¹⁹. They consider that although such data would not be usable for trading purposes due to latency constraints, they would benefit from such increased informational value of the data and controls, including for best execution. Still, two AMAFI members underline that the CT is currently under construction and there would be merit in first fully assessing the benefits envisaged and impacts on market structure before considering any potential changes.

¹⁵ MiFIR Art 11(4) and 11a(3), [link](#).

¹⁶ Regulation (EU) 2024/791, recital 1, [link](#).

¹⁷ Delegated Regulations (EU) 2025/1155, [link](#), and (EU) 2017/587 (RTS1), [link](#).

¹⁸ Similar to MIFIR Article 22b, paragraph 2 related to the establishment of an "expert stakeholder group to provide advice on the quality and the substance of data".

¹⁹ AMAFI's response to the EC's consultation on the integration of EU capital markets ([AMAFI / 25-48](#)).

The proposals related to the computation and publication of a Volume Weighted closing price, and even more importantly, the intention marked to favour competition in the closing auction segment, raise serious concerns. **AMAFI members fear that introducing competing auctions for each security may weaken the reliability of the closing price benchmark, that has a critical role in valuation processes and will not address the identified risk of the closing price determination in case of outage.**

With regards to systematic internalisers' contribution to the CT, **AMAFI members operating an SI have concerns about the rationale and benefits to contribute the five best bid and offer quotes** (as they only operate one quote level) **and to add quotes for "retail-originated orders" at an "improved price"**. Whereas it could be considered that this could translate in market transparency benefits, and harmonisation of the level playing field with other data contributions, **AMAFI members operating an SI consider that implementing such a framework would entail a significant effort for a need not substantiated at this stage**. As such, we call for an impact assessment before taking any decision and a clarification of requirements envisaged, as it could necessitate operational modifications of existing systems that must be budgeted and prioritised.

Additionally, we see **the MISP as an opportunity to tackle the oligopoly of market data aggregators which to the exception of DORA fall outside the EU regulatory framework for financial services**. In recent years, such oligopolistic structure has contributed to a significant **increase of the cost of market data to the detriment of the competitiveness of EU actors** and the attractiveness of EU markets. AMAFI members **call for a competition assessment with a view to considering scoping market data aggregators in the Reasonable Commercial Basis principle** as foreseen under the Delegated Regulation (2025/1156)²⁰.

II. POST-TRADING

Overall, **AMAFI supports many of the proposals aimed at lowering barriers to entry across jurisdictions and enhancing interoperability**. These measures (that rightly excludes ETDs from the scope of open access provisions for optimal risk management) should ultimately foster greater consolidation, thereby contributing to a reduction in post-trade costs.

A. REDUCING THE COST OF POST-TRADE OPERATIONS

AMAFI members consider the following to be important for enhancing cross-border settlement access, improving market integration and reducing EU settlement costs²¹:

- Enabling market participants to choose any CSD for settlement and delivery.
- Requiring CSDs to operate as hubs, including by establishing connections with the largest CSDs and connecting to T2S platform in order to facilitate the settlement of securities issued within the Union. In addition, T2S should also be systematically leveraged on for settlement of non-

²⁰ Delegated Regulation, Reasonable Commercial Basis, [link](#).

²¹ AFME estimates that EU settlement costs are 65% higher than in the US, financial market updates, October 2025, [link](#).

euro currencies in commercial bank money. While this proposal is a step in the right direction, the ultimate goal should be to increase competition and reduce fragmentation. Facilitating further consolidation and enabling CSDs to compete for services across borders should be prioritised.

- Strengthening open access provisions under MiFIR between CCPs & TVs, i.e. allowing a TV to request clearing services from any CCP, and conversely enabling CCPs to clear transactions executed on any TV subject to careful assessment to maintain a robust risk management system within the EU.
- The proposal mandates ESMA to draft ITSs to create standard templates and fee structures for CSDs but does not give specific prominence or detail. We consider that standardization is critical in order to be able to compare services between providers.

B. HARMONIZING SUPERVISORY PRACTICES FOR DEPOSITARY ACROSS THE UNION

The proposal for an EU depositary passport, allowing any fund (UCITS/AIFM) in a Member State to engage with a depositary in any other state, raises investor protection concerns, in particular as the current regulatory and supervisory landscape remains too fragmented.

While we support the MISP ambition to enable the development of EU champions including in the post-trading sphere, we believe that increasing competition by creating a depositary passporting regime might not be the best approach, as long as supervisory practices and regulation is not fully harmonised between Member States.

The creation of an EU depositary passport could be considered, but only once supervisory convergence has significantly increased, and certain safeguards introduced regarding investor protection, insolvency and securities laws. These safeguards should be implemented consistently across all Member States. Furthermore, an impact assessment should be carried through before implementing such a structural reform.

III. SUPERVISION

AMAFI supports the EC proposal to expand ESMA's prerogatives by placing "significant" TVs, CCPs, CSDs and all CASPs under the Authority's direct supervision **but considers that this requires a significant change of mindset within the Authority.**

For ESMA to fulfil this role effectively, the following should be in place: **a competitiveness mandate for regulatory purposes (A.) and a more open recruitment scheme, enabling the recruitment of more staff from the private sector (B.).**

A. EMBEDDING COMPETITIVENESS AS A SECONDARY REGULATORY OBJECTIVE

The integration of such competitiveness mandate appears critical given the proposed move towards direct supervision and the central role played by the Authority in providing technical support to the EC's work on legislative proposals as well as in the drafting of level 2 and 3 texts. **It should be a secondary objective to the Authority's primary objectives of financial stability, market integrity and investor protection** thereby ensuring that any new rule does not unnecessarily impact EU market participants' ability to compete effectively within the Union and on the global stage.

Given that the UK, one of the Union's main competitors, has granted the FCA (and the PRA) a secondary objective relating to competitiveness, **AMAFI calls on the EC and EU co-legislators to closely examine how this mandate operates in practice.**

Drawing on the FCA model, transposing such a mandate to ESMA would entail, in practical terms:

- (i) **Defining competitiveness as a secondary regulatory objective²²**, such an objective would complement ESMA's primary objectives in alignment with existing EU and international regulatory standards. The scope would be limited only to the regulatory functions of ESMA (rule-making, general guidance, policy setting) but not to the individual decision making, supervision and enforcement responsibilities. ESMA's approach to competitiveness should entail both enhancing the growth and attractiveness of EU markets and creating stronger EU-based firms that can compete effectively in international markets. EU legislation under its responsibility should not unduly either damage EU markets' attractiveness or threaten the fair competition between EU investment firms and their third country competitors
- (ii) **Building and monitoring key metrics²³**, measuring progress with regards for instance to the number of new entrants and firms exits to the Union's market, the percentage of wholesale firms confident that ESMA meets its primary objectives, the effectiveness of ESMA as a regulator, the quality and consistency of ESMA's interaction with the industry, the attractiveness of EU markets with regards to digital innovations, the growth of EU capital markets and their actors. These key metrics should also ensure that new regulatory initiatives are introduced only after sufficient time has been allowed to implement, absorb and assess previous reforms.
- (iii) **Strengthening ESMA's accountability vis-à-vis the EC and co-legislators**, notably by integrating in the annual report on the activities of the Authority a dedicated section, measuring and reporting progress on how its actions embed competitiveness and contribute to the growth of the Union's economy. Moreover, hearings of the Authority's Chair before Council representatives and MEPs sitting in the ECON committee shall take place annually to report notably on competitiveness related issues.

²² The FCA's definition is available on its website, [link](#).

²³ Metrics used by the FCA are available on its website, [link](#).

The proposed amendment to ESMA's mandate should be accompanied by a review of its internal governance and decision-making process. In this regard, **AMAFI welcomes the establishment of an independent Executive Board** and considers that **its mandate should be extended to cover ESMA's regulatory work**.

In addition, **AMAFI calls for a revision of the voting modalities of the Board of Supervisors (BoS)** in order to better reflect the heterogeneous weight of EU financial markets as well as the different areas of expertise of NCAs. This reform is all the more necessary given that the BoS retains a veto right over decisions taken by the independent Executive Board, within 10 days or 48 hours in urgent cases.

B. DIRECT SUPERVISION AND ITS IMPLEMENTATION

AMAFI considers essential that infrastructures which are critical to EU capital markets be supervised independently from domestic considerations and benefit from a supervisory framework that is not fragmented across multiple NCAs. At the same time, **this evolution must avoid the creation of duplicative supervisory layers that would generate additional costs**. From a competitiveness perspective, ensuring a level-playing field in supervision between infrastructures offering comparable services is of paramount importance.

It is also important to ensure a clear division of competences between ESMA and NCAs to avoid arbitrage or double reporting. We share the view that there are areas (e.g. market abuse, market surveillance and trading halts) which should continue to be handled by NCAs rather than ESMA.

AMAFI supports the move towards direct supervision, but this has significant implications including in terms of staffing, associated costs borne by supervised entities and the organisation of supervisory teams:

- **A substantial volume of recruitments, which should come in particular from the private sector**. The impact assessment²⁴ accompanying the legislative proposal estimates that the direct supervision of "significant" TVIs, CCPs, CSDs and of all CASPs **would require about 240 to 400 additional full-time equivalents (FTEs)**. Given that ESMA currently employs 416 FTEs²⁵, this would represent an increase between 58% and 96%. Even if implemented progressively, such an expansion could only partially rely on staff seconded or definitely transferred from NCAs. **It therefore represents an opportunity to strengthen recruitment from the private sector in order to support the cultural shift implied by the broadening of ESMA's supervisory mandate**. The existing recruitment process should be complemented by a dedicated recruitment scheme designed to foster a certain turn-over between ESMA and the private sector (and vice versa), while maintaining robust conflict of interest management standards, in line with best practices observed at NCAs level and in other jurisdictions, notably the UK. This is all the more necessary to ensure a deeper and broader understanding of how the private sector operates, as well as its regulatory and supervisory constraints (and vice versa).

²⁴ Impact assessment accompanying the MISP, Appendix 11, [link](#).

²⁵ ESMA Statement of revenue and expenditure for the 2025 financial year, [link](#).

- **A reduction in supervisory costs for supervised entities through economies of scale and a transfer of NCAs budgets to the ESAs.** It is worth recalling that such objective has not been achieved in other contexts, notably for significant benchmark providers and for the SSM. On this matter, transparency is of utmost importance. ESMA should report annually on the increase of its costs of supervision, highlighting the transfer of costs from NCAs. The part of supervisory costs dedicated to CASPs could be specifically identified as corresponding to a new activity.
- **The internal organisation of supervisory teams** and, in particular, whether they should remain under the authority of ESMA's Chair. By way of comparison, the SSM is independent from the EBA.

Finally, in order to ensure that ESMA's policy making is firmly anchored in the operational realities of market participants, **AMAFI calls for a deeper and more systematic dialogue with the industry.** This is essential to building the trust necessary for a future shift towards centralised supervision. To this end, the existing consultation process should be strengthened by:

- **Systematically engaging with market participants at an early stage of policy development, ideally before the publication of the first draft.**
- **Ensuring that Standing Committees meet more frequently and issue written and public contributions on key issues** where industry expertise would provide meaningful added value.

C. SUPERVISORY CONVERGENCE TOOLS

The proposed reforms go in the right direction as they seek to strengthen existing supervisory convergence tools, notably in relations to the breach of Union law, peer reviews and no action letter.

AMAFI welcomes the extension of the scope of the latter given their critical role in situations where existing rules prove inadequate or misaligned with rapidly evolving market conditions or regulatory developments. Such flexibility is essential to enhance the attractiveness of EU capital markets and to strengthen the competitiveness of EU market participants.

AMAFI calls to further increase the flexibility to issue no action letter to guarantee a regulatory level playing field between third country firms and EU firms. In order to remove legal uncertainty, the requirement to establish the existence of "unforeseen circumstances" should be deleted. Moreover, NCAs should be allowed to request no-action letters, with an obligation for ESMA to provide reasons in the event of a refusal.

AMAFI also supports the possibility for the EC to suspend RTSs or ITSs in specific circumstances. This would contribute to bringing more agility to the EU regulatory framework.

During the duration of a no action letter or the suspension of an RTS or ITS, **AMAFI considers ESMA should be empowered to invite NCAs to temporarily deprioritize supervisory and enforcement actions in relation to the relevant legislation.** Additionally, **no-action letters should be published on the websites of the NCAs.** This would represent a major step forward in bringing greater legal certainty for financial actors.

IV. DLT PILOT REGIME

AMAFI welcomes the extension of the DLT Pilot Regime to all financial instruments authorised under MiFID. It is a positive step towards fostering innovation and the development of market infrastructures based on DLT that are critical for the competitiveness of the Union when other jurisdictions are progressing fast.

However, AMAFI considers that the threshold of EUR 100 billion applicable to the aggregate market value of all DLT financial instruments that are admitted to trading or are recorded on DLT market infrastructures **remains a significant limiting factor for market development and investments.** This cap constrains scalability and is not aligned with international approaches, notably in the United States where no such constraints apply²⁶.

AMAFI therefore calls for the removal of this threshold or, if it is maintained, for a substantial increase, combined with a mandate given to ESMA for a flexible and swift threshold adjustment mechanism, knowing that NCAs still have the capacity to set lower threshold if necessary.

Regarding settlement arrangements, **while Central bank money remains the best solution** to provide the secure and trusted settlement asset needed for large-value transactions and capital-market tokenization, acting as the risk-free anchor that neutralizes counterparty risk, **alternative payments methods, such as commercial bank money, and alternative solutions such as e-money tokens, including in tokenised form, in the specific context of the Pilot Regime, should be considered without a hierarchy** at this stage to foster innovation. In addition, the use of alternative payment methods should not be subject to any justification requirement imposed on DLT market infrastructure operators.

AMAFI is also supportive of the establishment of an industry group tasked with developing industry standards to support interoperability between DLT market infrastructures. Given the technical complexity, the diversity of DLT use cases and the rapidly evolving nature of the underlying technologies, a market-led approach with participants having a direct operational and technological expertise is the most appropriate way to define and develop interoperability standards. As such, ESMA's role should remain at a high-level, focusing on oversight, coordination and the assessment of outcomes.



²⁶ Conclusions of the [President Working Group on Digital Asset Markets](#), showing American ambition in digital finance technology.