

# INTEGRATION OF CAPITAL MARKETS

## EUROPEAN COMMISSION'S CONSULTATION

### 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.*

## GENERAL COMMENTS

Since its inception in 2015, the initiative to establish a Capital Markets Union has been a core priority for AMAFI. Developing deeper and more liquid capital markets is critical for the financing of EU economy as highlighted by the Letta and Draghi reports<sup>1</sup> with the latter estimating additional investment needs **at €750-800 billion per year by 2030**, on top of which the European Commission estimates that investments in defence could reach **at least € 800 billion over the next four years**<sup>2</sup>.

In this context, the Association welcomes the recent political momentum on a renewed CMU through the Savings and Investment Union Strategy<sup>3</sup>. However, delivering on this ambition requires tackling long-standing structural issues with deep political roots. Political commitment of the Member States now needs to materialise into decisive actions in order to overcome national political hurdles.

Against this background, AMAFI encourages the European Commission to limit regulatory initiatives to what is strictly necessary to achieve tangible progress and to adopt an outcome-driven approach, one that is firmly aligned with the sense of urgency and the objectives set out in the Letta and Draghi reports. In particular, this entails systematically **assessing policy proposals with a cost benefit analysis that demonstrate their ability to grow EU financial markets, enhance their attractiveness to both institutional and retail investors, including those from outside the Union, and strengthen the global**

<sup>1</sup> The future of European Competitiveness, M. Draghi, [link](#) ; Much more than a market, E. Letta, [link](#)

<sup>2</sup> European Defence Readiness 2030, European Commission, White Paper, [link](#)

<sup>3</sup> Savings and Investments Union Strategy, European Commission, [link](#)

**competitiveness of their core participants.** Importantly, policy options must address the needs of **both retail and institutional investors**, combining a **consumer-oriented perspective** with an **industrial policy approach** aimed at fostering the competitiveness of EU financial ecosystem.

We note that the questions in this consultation appear to focus primarily on equity and equity-like instruments. We would respectfully emphasise that the SIU, while aiming to channel capital towards companies, should also seek to promote the development of a broad spectrum of financing instruments and their corresponding risk management products. It is therefore essential to avoid the indiscriminate extension of equity-based principles to other financial markets. Legislative initiatives must be carefully calibrated to reflect the specific characteristics of each market and product type, which cannot be simplistically divided into "equities" and "non-equities", in order to avoid regulatory mismatches and adverse consequences.

AMAFI's response to this consultation focuses on the sections and questions most relevant to the activities represented by the Association. Our key messages are summarised below. We begin by clarifying our understanding of "integrated markets" (1.), before detailing the main adjustments we believe are needed in the areas of trading (2.), post-trading (3.), and supervision (4.).

## 1. MAIN FEATURES OF INTEGRATED EU CAPITAL MARKETS

AMAFI considers that integrated capital markets in the context of the SIU hinge on four main characteristics:

- (i) **Deep liquidity pools that EU companies can tap in, supported by a diverse ecosystem of firms operating under various business models, able to accommodate the needs of a broad spectrum of investors.**

This dimension is closely tied to the challenge of attracting not only retail but also institutional investors to commit funds to EU companies, in which we do not dwell in the present paper (for earlier proposals on this matter, please refer to [AMAFI / 23-88](#)).

It is also contingent on capital markets' ability to meet the financial needs of all types of companies and investors. Achieving this requires a rich and resilient ecosystem of market professionals, whether local or global, small or large, capable of serving this diversity and of developing sustainable, profitable business models that allow them to grow and scale over time.

- (ii) **Wholesale markets governed by fully harmonised rules and a bottom-up approach for local markets to enable them to grow.**

While the top-down harmonisation of EU wholesale markets has delivered important benefits, particularly for large corporates and international investors, it must be complemented by a bottom-up approach to support the development of efficient local markets. The needs of some economic players such as SMEs can only truly be addressed by a national offer. The local markets who are central to such an offer should hence operate under an adequate regulatory framework, co-existing with the more standardised features of a larger pan-European wholesale market. Local best practices should be encouraged and disseminated for potential wider adoption.

**(iii) Interoperability, i.e. the ability of different systems and platforms to work together seamlessly.**

Due to the diversity of Member States' securities laws, tax regimes and overall strategic interest, an effective interoperability of clearing and settlement systems is needed.

**(iv) Efficient and consistent regulatory processes along with strengthened supervision.**

Increasing the agility and efficiency of the EU legislative process is essential for the competitiveness of its markets and market players vis-à-vis third-country jurisdictions. Equally important is avoiding unnecessary regulatory constraints on EU actors. AMAFI supports in this respect the proposals made in the "Less is more" [report](#).

Consistent supervision across the EU is also essential to ensure the effective application of EU regulations and to secure a genuine level playing field. While enhanced convergence can support this objective, some form of centralised supervision is necessary in the longer term. Such a development needs however to be accompanied by a fundamental reform of ESMA's governance framework.

## 2. AN EFFICIENT AND COMPETITIVE TRADING LANDSCAPE

In the post MiFID context of competing trading venues, the **existing best execution rules ensure fair and competitive access** to European markets for all types of investors:

- **Fair:** Where market participation remains limited, this is primarily due to insufficient **demand**, stemming notably from the current allocation of EU savings, **rather than to structural barriers**. Lower return expectations, with EU stocks underperforming US equities or arguably crypto assets, and the lack of readily available information on small and mid-cap stocks, largely due to insufficient research coverage, are more plausible explanations than infrastructure issues. Claims of insufficient interconnection between investment firms or trading venues do not, in our view, reflect the reality of current market conditions.
- **Competitive:** EU capital markets today offer a variety of business models through which investors can access all trading venues, each with its own cost structure. Some intermediaries are tailored to retail clients, focusing on cost minimisation and streamlined access; others operate on an institutional model, where retail flows are integrated but not central. The choice to connect directly to a trading venue or to route orders through a broker is a strategic decision aligned with the intermediary's model. **In a competitive environment, this should not be forced upon financial market participants.** Importantly, the current structure of market intermediaries does not preclude investors from accessing a given market, albeit at different costs depending notably on the chosen broker (and its trading volume).

In this context, AMAFI **does not support imposing interconnection obligations** between trading venues or intermediaries as a remedy to limited demand or as a way to reduce **transaction costs**. **Execution costs represent only a small fraction of total transaction costs, the bulk of which stems from settlement (60 to 80% depending on the market).**

Mandating interconnections would create new barriers for investment firms due to the significant costs this will generate, which would anyway be ultimately borne by end-investors. Without addressing

the underlying sources of post-trade costs, such measures would fail to reduce overall transaction costs.

However, AMAFI considers that **the supervision** of the best execution principle, as well as the rules on market transparency, **should be reinforced** to ensure that the same rules are consistently applied to the same types of services.

### 3. POST-TRADE ENVIRONMENT: COMMON PROCESSES AND INTEROPERABILITY

Unlike in the trading environment, AMAFI considers that **the post-trade landscape in Europe** remains a barrier to the development of an integrated capital market due to the cost and operational complexities it creates. Addressing these obstacles is essential to achieving more **efficient, seamless post-trade processes** across the EU.

Given that the post-trade fragmentation stems from deeply rooted differences, notably in domestic securities laws, tax regimes and considerations of national sovereignty, **consolidation in the hands of a few actors is neither realistic nor desirable from a competition viewpoint**. Instead, the focus should be on **promoting standardisation** and **operational efficiency** across existing infrastructures, with specific emphasis on the ones which are lagging behind.

AMAFI identifies three priority areas where such a **bottom-up approach** could deliver tangible improvements and, over time, drive structural transformation of the post-trade environment:

- **Market practices:** Diverging operational standards and settlement conventions, as recently highlighted in [ESMA's consultation on amendments to the RTS on settlement discipline](#), remain a key obstacle. Harmonising those practices that are key for efficient post-trade processes (e.g. recalls, partial settlements, etc.) would be a step forward.
- **Common tools:** To support the development of a unified post-trade ecosystem, priority should be given to the **full adoption of an improved T2S** and to **enhancing interoperability** between clearing and settlement systems, with a specific focus on settlement, an area where there are more opportunities to reduce costs than in clearing of cash transactions.
- **Withholding tax:** WHT creates significant uncertainty for investors regarding the actual income they will receive from investments made outside their domestic markets. This uncertainty acts as a strong disincentive to cross-border investment and has a financial impact that far exceeds that of transaction costs.

As a first and essential step, WHT should at least be made effectively neutral and seamless for retail investors, meaning they should not be exposed to its complexity and be discouraged from receiving the income they are rightfully owed. This requires a fully harmonised, simplified and digital relief-at-source framework for WHT. However, the FASTER directive falls short of delivering this level of simplification by leaving too many implementation options to Member States and prioritising anti-abuse measures.

To truly remove this tax barrier, the most effective solution would be the full abolition of WHT within the EU. In addition to being fully consistent with the logic of the Single Market, it would

eliminate the need for refund or relief mechanisms (which are currently lengthy, costly and burdensome), thereby improving the competitiveness of EU capital markets and reducing compliance costs for both taxpayers and administrations.

Removing these obstacles would **pave the way for a common set of practices and interoperable tools**, enhancing both **market efficiency and attractiveness** across the European post-trade environment.

## 2. REFORMING ESMA'S GOVERNANCE AND SUPERVISORY MANDATE

**Increasing ESMA's direct supervision** is not central to achieve the integration of EU capital markets and should not divert efforts to simplify the financial services regulatory framework. However, in the longer term, a form of centralised supervision if properly designed would bring benefits.

We believe structural reforms of the governance of ESMA and of the supervision of markets should be undertaken to contribute to enhancing the attractiveness and competitiveness of EU capital markets:

- **Embedding competitiveness in ESMA's regulatory mandate**, given the central role played by the Authority in shaping and implementing EU regulation. Comparable authorities, such as the CFTC and SEC in the United States or the PRA and FCA in the United Kingdom, already integrate this dimension into their regulatory approach. A change of mandate of ESMA EU would provide the necessary impetus for a broader **cultural shift** that is essential to adapting to today's rapidly evolving and competitive geopolitical environment. If such a transformation cannot be achieved through a formal revision of ESMA's mandate, **operational changes** must nonetheless be introduced to embed this cultural shift into the Authority's working methods and decision-making processes.
- **Reforming ESMA's governance by:**
  - Changing the **voting modalities of the Board of Supervisors** to reflect the heterogeneous weight of financial markets as well as the different areas of expertise of NCAs.
  - **Establishing an Executive Board**, based on the design of the one designed for the AMLA, replacing the existing Management Board. This would enhance **independence** and **agility** in ESMA's decision-making process.

It should be underlined that **ESMA's governance should encompass both its regulatory and supervisory functions**, while acknowledging that the modalities for exercising these roles may differ.

- **Moving towards a unique supervision for market infrastructures (CCPs, TVs, CSDs) that are significant at EU level or have pan-European activities.** It is important that such actors who are key to EU capital markets be supervised independently from domestic considerations and that they can benefit from a supervision not fragmented across multiple NCAs. This evolution should avoid creating a duplicative supervisory layer generating additional costs. From

a competitiveness perspective, it is essential to ensure a level-playing field in supervision between infrastructures offering the same services.

While we would not recommend a specific supervisory model at this stage, the expertise of NCAs in their daily supervision of market actors and proximity with the industry should be considered fundamental in its future design. Supervisory models, which are distinct from governance, should be decided later and may differ slightly depending on the type of actor supervised, but this should not hinder progress towards direct supervision of market infrastructures at EU level. In the longer term, a central supervision of investment service providers could be envisaged depending on the progress made on several aspects (governance, skills building, proximity with market participants, etc.).

- **Enhancing supervisory convergence** through more effective use of **existing tools, such as the breach of Union law procedure**. To that end, reforming ESMA's governance is a key prerequisite to overcome national interests and reinforce ESMA's capacity to act in the general interest of the Union.

We also note that supervision is not only about ensuring financial market participants' compliance with regulation but also safeguarding market integrity. In this respect, the role of ESMA in market monitoring and the structure and use of transaction reporting should be reconsidered to ensure consistency and an efficient allocation of resources across the Union.

- **Broadening the scope of the no-action letter**, which is a critical tool given the length and rigidity of the EU legislative process. No-action letters are essential in situations where existing rules prove inadequate or misaligned with rapidly evolving market conditions or regulatory developments. More generally, **AMAFI also supports the proposals made by the "Less is more" [report](#) aiming at improving the EU regulatory processes**.
- **Ensuring ESMA's policy making is firmly anchored in the operational realities of market participants**, with a deeper and more systematic dialogue. This is essential to build the trust necessary for any future shift towards more centralised supervision. To this end, the existing consultation process should be enhanced by (i) systematically engaging with the industry ahead of policy development (Level 2 and 3 texts), (ii) ensuring that Standing Committees meet more frequently and issue written and public contributions on key issues where industry expertise would provide meaningful value. Moreover, dedicated recruitment schemes should be put in place to not only facilitate the secondment and transfer of staff from NCAs but also to establish a certain turn-over between ESMA and the private sector, while maintaining high conflict of interest management standards, following best practices observed in jurisdictions such as the UK and the US.

## PART 1

### 1. Simplification and burden reduction

1) Is there a need for greater proportionality in the EU regulatory framework related to the trade, post-trade, asset management and funds sectors? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If yes, please explain and provide suggestion on what form it should take.

1	2	3	4	5	No opinion
		X			

Please, explain

For AMAFI, the concept of proportionality may be understood in two distinct ways:

- The first reflects its use in European regulation, where it serves to **take into account the size, nature, and complexity of market participants when defining their regulatory obligations**. This approach theoretically ensures that requirements are appropriately calibrated and do not impose disproportionate burdens on smaller entities or on those with simpler business models. However, its application is often minimal in practice. The specific challenges faced by smaller FMPs in doing business are rarely addressed in a comprehensive manner when setting the objectives of a new regulation and tend instead to be considered through narrow, low-impact adjustments.

When it comes to rules governing market structure though and trading, proportionality as such has limited application by design, as market integrity and investor protection demand that core rules be applied uniformly to all participants. However, even in this context, it remains essential to regulate in a proportionate manner, which is the second meaning of the term.

- This second meaning refers to **regulation that is proportionate to the objectives pursued**, avoiding unnecessary or excessive regulatory constraints on EU market participants. This principle should be at the core of any piece of regulation, regardless of the size and nature of the activities of the firms concerned, meaning that any regulatory initiative should be undertaken only when strictly necessary and in a measured, targeted manner.

In the trading space for e.g., this principle would need to be applied to matters like transaction reporting (making it more cost efficient), maintenance of registers of critical technology providers (DORA), establishment of insiders' lists ([AMAFI / 25-47](#)), etc.

Too often, regulation creates barriers to entry and operation by generating additional costs, especially difficult to absorb for smaller FMPs. This dynamic has contributed to a wave of consolidation, leading to a gradual erosion of the ecosystem and to a drag on the competitiveness of larger actors. The resulting decline in market diversity is particularly



detrimental to the financing of local and mid-sized companies, whose needs are best served by smaller, specialised actors.

### The derivatives trading obligation – a case of regulation hurting EU competitiveness

EU institutions established in countries that impose a domestic trading obligation for derivatives (or an equivalent venue), which is notably the case of the United Kingdom, are also subject to the EU trading obligation for the most liquid derivatives (on an EU trading venue or an equivalent third-country venue).

In the absence of mutual recognition, EU investment firms are forced to execute their transactions with UK counterparties on US trading venues, the only venues recognised as equivalent by both jurisdictions. As a result, the market share of EU institutions based in the UK has continuously declined in favour of their non-European competitors, who are not subject to the EU trading obligation (DTO).

It was agreed that applications for individual exemptions granted by the revised MiFIR (article 32 a new) could begin to be processed before MiFIR came into force on March 28, 2024, so that they could be effective on that date. In this context, individual requests from investment firms have been forwarded by NCAs to the European Commission. More than one year later, response from the Commission is still pending, with no calendar provided.

This need for proportionate regulation would be addressed, at least partially, through the inclusion of a competitiveness objective in ESMA's mandate, alongside the systematic implementation of a competitiveness test for any new legislative proposal. This test, to be carried out by an independent body, should assess:

- (i) the impact of the proposal on the competitiveness of EU financial institutions, both within the EU and globally; and
- (ii) the burden imposed on FMPs in proportion to the expected benefits for the broader economy.

**4) Are there any barriers that could be addressed by turning (certain provisions of) the Alternative Investment Fund Managers Directive (AIFMD), Financial Collateral Directive (FCD), Markets in Financial Instruments Directive (MiFID), Undertakings for Collective Investment in Transferable Securities Directive (UCITS), Settlement Finality Directive (SFD) into a Regulation? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If you agree, please explain which barriers and how a Regulation could remove the barrier.**

1	2	3	4	5	No opinion
		X			



Generally speaking, regulations are preferable over directives as they ensure a higher degree of harmonisation of rules across the Union. Using regulations instead of directives could thus be a first step to greater harmonisation.

However more will be needed to eliminate the unlevel playing field resulting from divergent national transpositions or interpretations:

- Even in the case of regulations, national supervisory authorities often resort to domestic soft law to provide guidance or fill perceived gaps. This is notably the case in France, where such soft law, though lacking formal legal force, is treated de facto as mandatory by financial market participants. Indeed, firms typically comply with these guidelines, as they are concerned that non-compliance could lead to supervisory action, especially when the soft law is used to interpret broad regulatory principles.
- When regulations are used, significant inconsistencies remain. The complexity of the EU regulatory framework, combined with the diversity of instruments through which it is enacted, such as regulatory technical standards, implementing technical standards, Q&As, guidelines and recommendations, makes it extremely difficult for national authorities to fully master the entire body of rules. This difficulty, together with cultural differences that create biases in the interpretation and prioritisation of certain regulatory objectives, explain many of the divergences observed across Member States.
- Supervision plays a critical role in ensuring that regulation is effectively implemented. Greater emphasis, along with increased resources, should be devoted to ensuring that the existing regulatory framework is applied in a consistent and effective manner. In this regard, enhancing supervisory convergence across Member States is essential, as further developed in our response to Questions 1 and 2 in section 6.1.

**5) Are there areas that would benefit from simplification in the interplay between different EU regulatory frameworks (e.g. between asset management framework and MiFID)? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If you agree, please explain and provide suggestions for simplification. Also if possible present estimates of the resulting cost savings.**

1	2	3	4	5	No opinion
X					

**Please explain**

Yes, we have identified several areas where the interplay between different regulatory frameworks could be improved (see [AMAFI / 25-19](#) – Annex). For example:

- **Cost disclosures**  
To enhance client understanding, cost and performance disclosure requirements should be better aligned across MiFID II, the IDD, and the PRIIPs Regulation, particularly with regard to calculation methodologies and the time periods used for cost projection and reporting.
- **EMIR and MiFID transaction reporting**  
There is unnecessary duplication between EMIR and MiFIR transaction reporting, especially for derivatives, adding operational burden without supervisory benefit. EMIR should focus on OTC derivatives, consistent with its original purpose, leaving exchange-traded ones to MiFIR, in line with OTC derivatives reporting practices in place in most non-EU jurisdictions (e.g. USA, Singapore). Additionally, inconsistent identifiers further fragment data and increases operational complexity. More broadly, the transaction reporting framework across different regulations should be restructured holistically to improve efficiency and reduce costs, ideally through the creation of a single data repository accessible to all relevant authorities.
- **Sustainable Finance regulation**  
Full interoperability and consistency across the different pieces of sustainable finance regulation is essential. SFDR and MiFID II should be better aligned to ensure ESG preferences can be matched with any MiFID product, including those outside SFDR's scope. The reduced scope of CSRD and Taxonomy reporting restricts data availability, which the SFDR review should address to avoid weaker disclosures and reliance on costly estimates. A harmonised, delta-based approach is also needed to resolve inconsistencies in the treatment of derivatives in SFDR, counted in adverse impacts but excluded from positive KPIs, and accurately reflect their role in ESG strategies.

6) **Would the key information documents for packaged retail and insurance-based investment products (PRIIPs KID) benefit from being streamlined and simplified? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If you agree, please explain and provide suggestions for simplification. Also indicate what should be prioritised and if possible present estimates of the resulting cost savings.**

1	2	3	4	5	No opinion
				X	

**Please explain**

Since the implementation of the PRIIPs framework in 2018, its successive evolutions have led to a format that is now sufficiently intelligible across the various asset classes. The work undertaken to shape these changes has demonstrated that excessive simplification compromises both the accuracy and the comparability of the information provided to retail investors.

Given that the regulatory framework has already undergone several substantial revisions in recent years, we now strongly support a period of regulatory stability. Frequent amendments are not only

costly for the industry but also disruptive for clients, ultimately reducing the effectiveness of the regime.

At the very least, before considering any further changes to the content or format of the KID, it is essential to demonstrate that such modifications would result in a material improvement in the quality of the information provided to retail investors. This should be substantiated by comprehensive consumer tests and industry consultation, covering a representative and sufficiently diverse sample of products.

It is also worth noting that implementation costs associated with the PRIIPs KID since 2018 have been significant, while client complaints regarding the KID have, in our experience, been extremely rare.

**7) Do you have other recommendations on possible streamlining and simplification of EU law, national law or supervisory practices and going beyond cross-border provision?**

Yes

**If yes, please list your recommendation and suggested solutions. Please rank them as high, medium or low priority.**

**Please explain**

AMAFI supports the detailed and comprehensive proposals made in the “Less is more” [report](#) to improve EU regulatory processes and recommends to consider these in defining means to streamline and simplify EU law, national law or supervisory practices.

As an example of national diverging regulatory practices in France, the AMF has long developed a broad body of soft law, some of which it considers legally binding, particularly on the marketing of financial instruments in areas it deems not fully covered by MiFID. This includes [Position-Recommendation DOC-2020-03](#), which specifies the ESG-related disclosures required in regulatory documents (KIIDs, prospectuses) and marketing materials for funds marketed in France.

While this national guidance applies to both French funds and foreign UCITS marketed in France, it imposes disproportionate obligations on French distributors. Given that both fund products and distribution are already subject to detailed EU-level requirements, such additional national rules amount to gold-plating, leading to regulatory fragmentation across Member States. These requirements are even more superfluous given ESMA’s recent Guidelines on ESG funds naming and the ongoing review of SFDR.

**8) Does the EU trade, post-trade, asset management or funds framework apply disproportionate burdens or restrictions on the use of new technologies and innovation in these sectors? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. Please explain and provide examples.**

1	2	3	4	5	No opinion
		X			

**Please explain**

As a general principle, EU regulation should take care not to discourage innovation, but rather support it, notably by enabling experimentation — for example, through a broader use of regulatory sandboxes. The EU tends to regulate emerging trends ahead of other jurisdictions (as seen with sustainable finance and MiCA), which can at times hinder local market development. When other jurisdictions eventually regulate, the relevant market participants have had more time to mature and are therefore more robust than their EU counterparts. Moreover, this delayed approach often results in better-calibrated regulation, as the market has had time to evolve and legislators have been able to more accurately assess the actual risks that regulation should address.

In our view, legislation should not restrict innovation and technology: we are supportive of a technology neutral approach.

As regards new technologies and DLT in particular, and more specifically its use by CSDs, AMAFI believes that there are no regulatory limitations: a CSD may use DLT technology to provide its services, provided it fulfils its obligations and liabilities. If it chooses to make use of the Pilot Regime, which offers temporary regulatory adjustments but is restricted to certain types and volumes of securities, these limitations do apply. The challenges here is rather to lift some of the constraints of the Regime to enable FMPs to invest further on the basis of a true business plan, not limited to a few years.

**9) Would more EU level supervision contribute to the aim of simplification and burden reduction? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion' and explain.**

1	2	3	4	5	No opinion
			X		

As a general principle, increased supervision at EU level would not necessarily result in simplification or a reduction in regulatory burdens. This is illustrated by the current framework, where systemic banks fall under the centralised supervision of the Single Supervisory Mechanism (SSM) but face increased administrative burden and rigidity as a result.

However, it is a fact that market actors operating under the jurisdiction of several national competent authorities face diverging regulatory and supervisory practices, which creates detrimental complexity

and operational burdens. In the longer term, a form of centralised supervision if properly designed would bring benefits.

We believe in the short-term focus should be put on unique supervision of market infrastructures (CCPs, TVS, CSDs) that are significant at EU level or have pan-European activities. From a competitiveness perspective, it is essential to ensure a level-playing field in supervision between infrastructures offering similar services. It is important that such actors who are key to EU capital markets be supervised independently from domestic considerations and, when they are cross-border, that they can benefit from a supervision not fragmented across multiple NCAs. This evolution should avoid creating a duplicative supervisory layer generating additional costs.

For further details please see our answers to Sections 6 and 7.

## 2. Trading

### i. Nature of barriers to integration, modernisation of liquidity pools

1) On a scale from 1 (absent) to 5 (efficient), what is your assessment of the current level of integration of liquidity pools across the EU?

1	2	3	4	5	No opinion
			X		

If you responded 4 or below to the previous question, what are the barriers that limit the level of integration of liquidity pools in the EU? Please select the relevant items.

	Please select the relevant items
Legal/regulatory barriers at EU level;	
Legal/regulatory barriers at domestic level (including also insolvency law, tax, etc., and including barriers resulting from goldplating of EU law);	
Non-regulatory barriers (market practices);	X
Supervisory practices;	X
Other barriers (please specify)	X

Please explain

Based on the questions of this consultation, we understand that it is mainly focused on equity instruments and equity like instruments. AMAFI's responses therefore do not apply to other financial instruments, such as bonds and most derivatives, which operate under entirely different market structures compared to equities.

As regards equities, it is appropriate to distinguish between two key categories of investment firms: those facing institutional clients and those acting on behalf of retail investors.

#### - Institutional activities

Institutional clients account for the vast majority of volumes on regulated markets (over 85% in France). Their service providers have both the technical infrastructure and regulatory capacity to access EU markets with open accessibility, thanks to the use of Order Management Systems connected to all sources of liquidity, trading algorithms that split client orders to carry out execution strategies and Smart Order Routing tools that select of the appropriate source of liquidity for each order. Hence, from a trading standpoint, geographic fragmentation is not a concern. However, it does raise issues in the post-trade space, i.e. clearing and settlement, which are addressed in Part 3 of this consultation.

#### - Retail activities

In France, retail investors have full access, via their brokers, to securities listed on the domestic market, as well as to cross-border instruments (such as US or other European securities) where there is sufficient retail demand, and generally at competitive prices. Execution costs may vary from one online broker to another, depending on their business model and market positioning. In practice, the limited access observed to cross-border securities is mainly due to investors' geographical proximity to issuers and their level of familiarity with them. In this context, the lack of research coverage—particularly for EU small and mid-cap companies—continues to be a major obstacle to broader cross-border retail investment.

In summary, AMAFI considers that market participants already benefit from satisfactory access to liquidity across integrated markets. Any remaining access gaps are primarily due to a lack of demand rather than structural barriers and could be easily addressed using existing technologies (such as FIX-based market connectivity or Smart Order Routing systems) should that demand arise.

The forthcoming introduction of consolidated tapes for EU bonds and EU shares will further facilitate integrated access to EU liquidity pools by providing — albeit currently on an almost exclusively post-trade basis — a consolidated view of available liquidity sources across the Union.

### b. Regulatory barriers to cross-border operations in the trading space

3) On a scale from 1 to 5 (1 being “insufficient” and 5 being “fully harmonised”), what is your assessment of the current level of harmonisation of EU rules applicable to:

	1	2	3	4	5	No opinion
<b>Regulated markets and their operators.</b>					X	
<b>Other trading venues and their operators.</b>					X	
<b>The provision of execution of orders on behalf of clients.</b>					X	
<b>The provision of reception and transmission of orders.</b>					X	

**4) For which areas do you believe that further harmonisation would be beneficial (multiple choices possible)?**

- Rules of trading venues (i.e. exchange rulebook);
- Approval of rules of trading venues and oversight over their implementation/changes;
- Governance of the market operator;
- Open/fair access provisions;
- Other areas (please specify) X

AMAFI considers that the rules of trading venues are broadly harmonised at the EU level, although differing interpretations by national competent authorities (NCAs) can lead to inconsistencies in their application.

**AMAFI's position on cross-border trading and market access**

The underlying assumption of this question, and indeed of the entire section, that regulatory, technical or cost barriers impede cross-border trading is fundamentally flawed. AMAFI firmly opposes this notion.

Today's market infrastructure enables investors to access any shares or ETFs listed within the EU. This is made possible through a broad network of intermediaries with diverse business models, serving various client types. Crucially, access is underpinned by the best execution principle, which requires intermediaries to seek the best total cost for clients by connecting to the most liquid trading venues, including a single domestic trading venue where this is the only place where an instrument is traded. AMAFI hence strongly supports rigorous supervision of the best execution requirement, and its corollary, market transparency.

The limited volume of cross-border retail investment is primarily driven by strong home biases. Investors tend to shy away from unfamiliar shares, and the lack of financial research beyond blue-chip stocks hinders the visibility of smaller companies. MiFID II disrupted the traditional model where trading revenues subsidised research on such issuers. New mechanisms are needed to support investment in these stocks. While sponsored research can play a role, it is not sufficient in itself. More fundamentally, attracting investment requires performance, which must not be eroded by withholding taxes, and should ideally be supported by targeted tax incentives. When such conditions are met, trading activity will naturally follow, including cross-border if this is where the performance lies.

Furthermore, AMAFI stresses that spontaneous retail investment, even if it were to increase substantially, is unlikely to meet the financing needs of the EU economy. The bulk of retail savings are channeled into capital markets through intermediated investment schemes, such as pension funds or life insurance. These are managed by professionals with full access to the necessary infrastructure to seize investment opportunities across the EU.

In such a context, AMAFI strongly opposes any obligation to mandate interconnections between intermediaries and venues, or between venues themselves: such a measure would not address the root causes of limited cross-border investment and would disrupt the existing ecosystem while ultimately harming investors, by increasing trading costs.



5) Please explain and provide concrete examples of areas where a lack of harmonisation might hamper the full harnessing of the benefits of the single market and, where relevant, differentiate between regulated markets and other trading venues (notably, multilateral trading facilities (MTFs), small and medium enterprises (SME) growth markets and organised trading facilities (OTFs)). Please provide an estimate of costs and benefits of greater harmonisation in each specific case, where possible.

Regulated markets and MTFs shall comply with the same set of rules, but there may be differences in the interpretation of regulation by the various Member States such as for instance on PFOF (Payment for Order Flow).

### c. Non-regulatory barriers (market practices) to liquidity aggregation and deepening

#### i. Integrating liquidity pools across the Union

6) Can the use of new digital technology solutions contribute to integrating liquidity pools or connecting different pools across the EU? What barriers do you face in implementing such technology-based solutions? Please explain.

No opinion

AMAFI considers that the existing barriers are primarily organisational and historical, rather than technological. Therefore, new technologies, particularly DLT, which is frequently mentioned in the consultation, should not be seen as a silver bullet for addressing current issues, even though they could, in specific cases yet to be identified, help streamline certain processes.

#### *Intermediaries and venues interconnections*

7) What is your overall assessment of the level of direct connection (i.e., ability to directly execute orders) of EU investment firms to execution venues across the Union, especially to execution venues located in a different Member State than that of the investment firm? Please rate it from 1 (absent) to 5 (efficient) and provide an explanation.

1	2	3	4	5	No opinion
				X	

Please explain

In line with its response to Question 1, AMAFI does not consider there to be any current barriers to cross-border execution. The limitations observed in the range of securities traded outside domestic markets for retail clients are mainly due to a lack of demand for those instruments, rather than technology or connectivity issues. We also believe that if such demand were to arise, it will easily be addressed by retail brokers, given that cross-border connections to exchanges (through a direct

membership or through a local broker) are largely facilitated by the widespread use of the FIX (Financial Information eXchange) protocol.

**8) What is your overall assessment of the level of indirect connection (i.e., ability to execute orders via another intermediary) of EU investment firms to execution venues across the Union, especially to execution venues located in a different Member State than that of the investment firm? Please rate it from 1 (absent) to 5 (efficient) and provide an explanation. Please provide a comparison of cost efficiency of direct and indirect connection.**

1	2	3	4	5	No opinion
				X	

**9) Are there any barriers to the use of technology-based solutions that contribute to achieving higher levels of connection? Yes/no/don't know**

No

Please refer to our answer to Q7.

**10) Are you aware of instances where intermediaries charge their clients higher fees for executing clients' orders on a trading venue in a Member State that is different from the Member State of the intermediary?**

Yes

**Please specify where any of this could also be relevant in the context of the same Member State with multiple trading venues. Please provide detail on costs incurred by intermediaries of establishing multiple connections to trading venues.**

AMAFI is not aware of any cases where an intermediary would apply a pricing policy based on the client's country of residence. However, this does not mean that overall execution costs are identical across all countries and for all types of clients.

For institutional clients, pricing typically depends on the following factors:

- the type of execution requested (e.g. care, algorithmic, or DMA),
- the execution venue (as different markets apply different transaction costs, including notably different post-trade costs),
- the executed volumes.

For retail clients, the execution costs typically depend on the following factors:

- The nature of the connection – direct or indirect: A direct market connection can be cheaper for large volumes, despite involving fixed costs, whereas using a third-party broker generally entails higher variable costs due to markups, but reduces fixed costs.

- Executed volumes: brokers typically consolidate settlement for all trades on a given stock. The higher the number of trades on the same security, the lower the average settlement cost per trade.
- Post trade costs; which vary depending on the country of execution and its associated post trade cost structure.

11) Are there any barriers that may limit the possibility for trading venues to offer trading in financial instruments that have been initially admitted to trading on another trading venue? Please reply differentiating by type of trading venue.

	Yes	No	No opinion
Regulated markets		X	
MTF		X	
SME Growth Markets		X	

#### Focus on ETFs

12) How would you rate the impact of multiple ETF listings in the EU on the attractiveness of the market in comparison to other third-country markets, from 1 (very negative) to 5 (very positive)?

1	2	3	4	5	No opinion
	X				

13) In your view, which of the following are the most relevant drivers for multiple listings of ETFs in the EU? Please explain. In case of legal barriers to a more integrated trading landscape for ETFs leading to necessary multiple listings, please indicate the relevant provisions and what legislative measures you would recommend to solve this issue.

	Please select the relevant items.
Market practices pertaining to investment firms (e.g. lack of direct connection to venues situated in a different Member State than the one where the investment firm is located)	
Market practices pertaining to trading venues	X
Market practices pertaining to CSDs	X
Barriers linked to interoperability between CCPs	
Supervisory practices	
Other barriers (including legal barriers at EU level, legal barriers at national level, tax)	X

Please, explain and provide concrete examples, and where possible estimates of costs.

AMAFI has identified two factors that may hinder the attractiveness of ETFs:

- Multi-listing, which contributes to execution fragmentation and reduces market depth;
- Different settlement places depending on the venues where the ETF is listed, which creates fragmentation of positions and operational complexities, thus delays.

These are market practice issues, rather than regulatory barriers, particularly for retail investors, who are often more comfortable with ETFs listed domestically: as such, an ETF on a European index for instance, will be listed several markets, to meet retail domestic demand. We do not see the need for regulatory action on this matter, but more client education.

These factors undermine ETF market liquidity and help explain the absence of a mature securities lending and borrowing market in Europe. Because ETF settlement is complex—partly due to Standard Settlement Instructions (SSIs) not containing all the required information—settlement errors are frequent. As a result, funds show limited interest in lending ETFs.

***Means to improve the consolidation of liquidity through better interconnections***

**14) In your view, should any intermediary offer its clients the possibility to trade, on any EU regulated market, MTF and SME growth market, in all shares and ETFs admitted to trading in the EU?**

No

**Please explain your reasoning and provide where possible estimates of costs and benefits.**

AMAFI considers that it would be neither realistic nor desirable to require all investment firms and brokers to provide access to all shares and ETFs admitted to trading in the EU across all platforms.

The main reasons against this proposal are as follows:

- Best Execution / Best Selection Principle: The guiding principle should be best selection by investment firms based on different factors, not a blanket rule of universal access. Each intermediary must be able to define its own access policy (i.e. commercial offer), based on the needs of its clients — who remain free to choose the intermediary that best suits them.
- Excessive Costs: Such an obligation would result in very high technical and operational costs for intermediaries, especially difficult to bear by smaller ones, and would increase market concentration. It would also raise execution costs, which would ultimately be passed on to end clients.
- Conceptual clarity: The proposal lacks a clearly identified problem that it seeks to address. It appears to be driven by a theoretical perspective, disconnected from the operational realities of today's trading environment, where investors already have access to any EU trading venue of their choice.

It should be noted that the arguments above apply equally to institutional and retail clients (Please refer to our answer to Q1).

**14.1) If you responded “No” to the previous question, please specify whether your answer would change if:**

	Please select the relevant items.
the scope of instruments was limited to only a subset of all shares and ETFs admitted to trading in the EU, based on certain characteristics (e.g. market capitalisation above a certain threshold).	No
the scope of trading venues was limited to only a subset of trading venues (e.g. only EU regulated markets and MTFs having a significant cross-border dimension).	No

**Please explain**

Please refer to our answer to Q14.

**14.2) If you replied “No” to question 14, do you believe any intermediary should ensure, in relation to those shares and ETFs it offers for trading to its clients, the possibility to trade such shares and ETFs on any EU regulated market, MTF and SME growth market? To note, while the previous question concerned all shares and ETFs admitted to trading in the EU, this question limits the scope of instruments considered to those the intermediary decides to offer for trading to its clients.**

No

**Please explain your reasoning and provide where possible estimates of costs and benefits.**

A reduction in the scope of instruments made available to clients will not address the underlying issues outlined in our answer to Q14.

**14.2.1) If you responded “No” to the previous question, please specify if your answer would change if:**

	Please select the relevant items.
the scope of instruments was limited to only a subset of those shares and ETFs that an intermediary offers for trading to its clients, based on certain characteristics (e.g. market capitalisation above a certain threshold).	No
the scope of trading venues was limited to only a subset of trading venues (e.g. only EU regulated markets and MTFs having a significant cross-border dimension).	No

**Please explain**

A reduction in the scope of instruments or scope of trading venues made available to clients will not address the underlying issues outlined in our answer to Q14.

**15) Do you believe that intermediaries could improve clients' access to liquidity across the EU by using Smart Order Routing or other similar technologies? What would be the potential costs associated with it and what are the most useful/promising technologies in your view?**

No

In line with its response to Question 14, AMAFI considers that the principle of best execution must continue to apply. When a same stock is available for trading on multiple platforms to which an intermediary has access, it is the intermediary's responsibility to ensure optimal execution, generally by using its Smart Order Routing (SOR) system.

Should the intermediary not be connected to a significant pool of liquidity, it is its responsibility to select it to comply with the best execution principle.

Since this principle has already been in place since MiFID I and has proven its efficiency, as both institutional and retail investors have access to the pools of liquidity they are in demand of, AMAFI considers that there is no further need to improve clients' access to liquidity across the EU. Should additional demand from investors to access other liquidity pools materialise, this will be easily fulfilled through the existing technology, i.e. connectivity by using FIX protocol and Smart Order Routing for order routing.

**16) Beyond membership and execution fees, trading venues may charge connection fees. To the extent this information is available to you, could you provide figures on the amounts charged by individual trading venues or types of trading venues (e.g. regulated markets, MTFs, etc.)?**

This question requires a comprehensive and in-depth study, thus AMAFI is not in a position to answer to.

**17) Increased access to financial instruments on a cross-border basis can also be ensured by improving the interconnection between all relevant EU regulated markets and MTFs. To that end, would you consider important to ensure an increased level of interconnection between trading venues in the EU?**

No

Before addressing the issue, it is important to clarify what is meant by "increased access" and to which client category and need this concept applies (see our response to Question 14).

- Institutional clients: We believe they already have sufficient access to the relevant liquidity pools, thanks to the best execution principle applicable to intermediaries.
- Retail clients: In our view, there is currently no significant demand for broader access. The market offering, in particular that of retail brokers would naturally evolve if such demand were to emerge in the future.

AMAFI does not consider that access to liquidity is currently a limiting factor for investment in the EU. Even if one were to consider enhancing access to financial instruments necessary, which, in AMAFI's view, is not the case at this stage, this can be done within the framework of the existing best execution principles. Allowing the trading of any instrument on any platform would generate additional costs, which would inevitably be passed on to the end client.

It also important to note that establishing interconnection between all relevant EU regulated markets and MTFs will not solve the challenges related to post-trade fragmentation, which will persist anyhow.

**18) Which of the options referred to in questions 14 and 14.1 (better access to trading venues by intermediaries, option A) and question 17 (increased interconnection between trading venues, option B) would better achieve the following objectives:**

For each line, select the most appropriate option.	Option A (better access to trading venues by intermediaries)	Option B (increased interconnection between trading venues)	Don't know / No opinion
Increasing the level of liquidity for shares and ETFs			X
Improving the quality of execution			X
Increasing the speed of execution			X
Reducing the cost of execution for clients			X
Delivering a more efficient EU trading landscape			X

Neither Option A nor Option B are appropriate (hence our answer "No Opinion," as no option to reject both options was provided).

AMAFI recommends maintaining the current system, as outlined in our answers to Q1 and Q14.

**19) In other jurisdictions, notably the US, an increased level of interconnection at the level of trading venues resulted from the application of the 'order protection rule' (Rule 611 of the Regulation National Market System) that established intermarket protection against trade-throughs for certain shares. Do you have any experience with this rule?**

Yes

The European approach to Best Execution, which takes into account the total cost to the investor including clearing and settlement, is fundamentally different from the U.S. model, which focuses solely on execution price.



AMAFI believes that applying the RegMNS model as is in the European Union could have unintended and adverse effects, including:

- Increased liquidity fragmentation, as each platform would be able to offer trading in any instrument (see our response to Q14);
- Higher connectivity costs for trading venues (both initial and running), which would inevitably be passed on to end clients;
- Significant “harmonisation cost” as currently every regulated market / MTF has its own rule books. Routing of orders between venues would require to define and implement a “common language” leading to significant costs;
- Undermining of the significant investments made since 2007 in Smart Order Routing systems, which would become obsolete and need to be entirely redeveloped at the venue level, along with all the related operational complexity (order routing, data recovery, latency);
- No improvement in post-trade costs, particularly settlement and clearing, which remain a major issue and would not be addressed by this model, as they are not factored into the execution price.

In summary, AMAFI is opposed to the transposition of a model that is not suited to the European market structure.

If so, on a scale from 1 (low) to 5 (high), please assess the effectiveness of this rule in terms of:

	1	2	3	4	5	No opinion
<b>Guaranteeing the best price for clients/investor protection</b>						X
<b>Speed of execution</b>						X
<b>Level of execution fees</b>						X
<b>Split of liquidity</b>						X
<b>Interconnection between trading venues</b>						X
<b>Efficiency of the price formation process</b>						X
<b>Modernising trading protocols (e.g. digitalisation/electronic trading)</b>						X

Are you aware of any issues that can arise from this rule? Please provide specific examples.

No opinion

AMAFI considers that this rule is not suited to the European market structure (please refer to our answer to Q19).

**20) Where implemented, the order protection rules required technological adaptations, so to allow the swift rerouting of the orders. On a scale from 1 (insufficient) to 5 (completely adequate), what is your assessment of the ability of the current state of connections among trading venues in the EU to cater for the rerouting of orders to venues offering the best price, as required by the order protection rule in the US?**

1	2	3	4	5	No opinion
					X

Please refer to our answer to Q19.

**21) Do you consider that geographical dispersion of EU trading venues would pose issues to an effective implementation of similar rules and, if so, are there any means to tackle them.**

Yes

In addition to the trading-related considerations (please refer to our answer to Q19), the geographic fragmentation of the post-trade environment remains a key challenge. It is important to remember that the NMS regime (RegNMS) was implemented in the United States within a market that benefits from a single clearing and settlement chain, the NSCC for clearing and the DTCC for settlement.

**22) If the current set-up does not allow for it, what are in your view the necessary arrangements to allow for sufficiently fast connections, and what would be the associated costs? Please provide cost estimates where possible.**

Please refer to our answer to Q19.

**23) Crypto-markets have seen the emergence of a market architecture whereby retail investors have direct access to a crypto-asset trading venue. Do you see merit in allowing or promoting the direct access of retail participants to trading venues for financial instruments, without an intermediary?**

No

The role of intermediaries is to ensure that, for retail investors, cash or securities are readily available at the time of execution or thereafter, particularly through margin checks for leveraged financial instruments and derivatives. Eliminating these intermediaries would not remove these obligations, but rather shift it onto trading venues, which would then become de facto custodians of client assets in order to verify proper holding of the securities.

**d. Ensuring fair access to market infrastructure to foster deep and liquid EU-wide markets**

**24) What is your assessment of the effect of the removal of exchange-traded derivatives from the so-called 'open access' to CCPs and trading venues provision under Articles 35 and 36 of the reviewed MiFIR? Please include elements in terms of costs of trading and clearing, depth of market, switch to OTC.**

The removal of listed derivatives from the open access regime, not only on clearing but also on indexes usage has had a detrimental effect on Exchange Traded Derivatives (ETD). In practice, this has led to the maintenance or creation of monopolies across the entire chain, to the detriment of competition and costs, ultimately passed on to investors. Moreover, in the case of derivatives, the removal of open access prevents any form of fungibility between similar products, listed on different platforms.

Interoperability between CCPs should become the norm, to allow intermediaries to maximize processing efficiency, providing this does not result in increased risk for market participants at the expense of financial stability.

For equities, this interoperability exists to some extent, but it remains subject to the discretion of trading venues, which limits its scope.

In summary, excluding derivatives from the open access framework hinders the integration of European markets, prevents the emergence of a more competitive landscape, and maintains higher costs for market participants.

**25) On a scale of 1 (not at all functioning) to 5 (perfectly functioning), what is your assessment of the effectiveness of the open access provisions under Articles 35 and 36 of the reviewed MiFIR on other financial instruments, notably equity?**

**Please explain**

1	2	3	4	5	No opinion
	X				

Please refer to our answer to Q24.

**26) Have you identified any barriers to the proper functioning open access provisions under Articles 35 and 36 of the reviewed MiFIR? If so, please specify such barriers and, where appropriate, suggest the necessary legislative amendments to address them.**

No

**27) Have you identified other barriers in terms of fair access relating to trading infrastructure, beyond those addressed under Articles 35 and 36 of the reviewed MiFIR?**

No

No major additional obstacle has been identified regarding fair access, beyond those created by the conditions set in Articles 35 and 36 of the revised MiFIR.

Heavy structural measures — such as mandatory interconnection — can only be justified if they meet a clearly established economic need and should originate from market participants themselves.

Finally, even if some issues affect specific client segments (notably retail), this should not justify a complete redesign of the system. While retail is important, it remains marginal in volume (less than 15%). In our view, the core issue is not a lack of access, but rather the absence of clearly expressed demand from these clients (please refer to our answer to Q1).

#### **e. Enhanced quality of execution through deeper markets**

**28) When the same financial instrument is traded on multiple execution venues, the best execution rule plays a key role. The rule seeks to protect investors, ensuring the best possible result for them, while also enhancing the efficiency of markets by channelling liquidity towards the most efficient venues. On a scale from 1 (insufficient) to 5 (completely efficient), what is your assessment of the effectiveness of the best execution rules in the EU?**

**Please explain**

1	2	3	4	5	No opinion
			X		

The current best execution framework in the EU is broadly effective. It has proven its value over time and may be fine-tuned at the margin, particularly in terms of implementation and supervision, but does not require any structural overhaul.

It is essential to distinguish between the effectiveness of the rules themselves and the way they are enforced. If there are perceived shortcomings, one should ask whether they come from the rules or from supervisory practices, and for which type of clients (retail vs. institutional).

At this stage, there is no compelling evidence that the framework is failing. In fact, ESMA's Final Report on order execution did not propose major changes, which suggests that the framework is working as intended.

29) There are important differences between best execution rules in the EU and in the US. In particular, in the EU, the obligation to obtain the best possible result for the clients lies on the intermediary. In the US, the quality of execution is guaranteed also through the aforementioned “order protection rule” that prevents trading venues from executing orders if a better execution price can be found on another exchange. Which of the following options would most accurately reflect your assessment of the best execution framework in the EU vis-à-vis the US?

Please explain your choice.

	Please select the relevant option
The EU framework is better suited than the US framework to obtain the best results for clients	X
The US framework is better suited than the EU framework to obtain the best results for clients	
Both models are equally effective	
Both models are equally ineffective	

Please explain

Please refer to our answers to Q19 and Q28.

In the EU, the best execution obligation lies with the intermediary, who is responsible for the selection and the routing of orders to the venue offering the best outcome based on the client’s specific objectives (e.g. price for retail clients, market impact for institutional ones). This allows for a more tailored and flexible approach, aligned with the client’s profile.

While nothing prevents EU trading venues from implementing price protection mechanisms similar to the US, we consider that this is not their core function. The EU framework is built around intermediaries' discretion and accountability, enabling them to seek liquidity across venues in a way that best fits their clients’ needs.

**30) For equity instruments, the consolidated tape will disclose the European Best Bid Best Offer (EBBO) in an anonymised form. The tape will allow to have increased and integrated visibility on the different pools of liquidity available. On a scale from 1 (not effective) to 5 (very effective) how effective would lifting the anonymity of the EBBO be in achieving the following objectives? Please explain and provide a cost/benefit assessment.**

	1	2	3	4	5	No opinion
Improving the ability of investment firms to assess the quality of execution			X			
Ensuring a more integrated market whereby investment firms are able to direct their order to the most efficient options						X
Contributing to the efficiency of the price formation mechanism						X
Other (please specify)						

**Please explain and provide a cost/benefit assessment**

AMAFI considers that lifting the anonymity of the EBBO would help to better understand where liquidity lies and may be used as a tool by investment firms, especially smaller professionals, and retail clients to assess, through enhanced transparency, the quality of execution and a better understanding of the relevant pool of liquidity.

However, due to the data aggregation process involved and the resulting latency, the consolidated tape may not be suitable for use in smart order routing or algorithmic trading, and it will not replace the need for direct data feeds from exchanges.

**31) For equity instruments, the consolidated tape will disclose the EBBO only in relation to one layer of quotes (i.e., show only the best bid and offer, but not the second, third, etc.) On a scale from 1 (not needed) to 5 (essential), how important do you deem expanding the depth of the EBBO displayed by the equity tape? Please explain and provide a cost/benefit assessment.**

1	2	3	4	5	No opinion
			X		

**Please explain and provide a cost/benefit assessment**

Expanding the depth of the EBBO displayed by the equity consolidated tape is important to better understand where liquidity lies, particularly for less liquid stocks. Access to multiple layers of quotes helps some investors, notably retail clients, to assess market depth, which is crucial in deciding

whether and how to execute an order, having in mind that algo trading would still need low latency data for decision making.

**32) Under the current MiFIR, the speed at which core market data is disseminated by the equity consolidated tape is not regulated. On a scale from 1 (not needed) to 5 (essential), how important do you deem defining in legislation the speed at which core market data should be disseminated by the equity consolidated tape? What should be the adequate speed? Please explain.**

1	2	3	4	5	No opinion
			X		

**Please explain**

As mentioned in its answer to Q30, AMAFI does not consider that the consolidated tape, which will not be a substitute for market data feeds, will be suitable for use in smart order routing or algo trading. Still, as it will be used by some investors, notably retail clients, legislation should ensure it is made available to all market participants on a fair and equal basis and as much as possible on a near real time basis.

On this point, AMAFI considers additionally that, as the cost of market data having increased over the years, the existing RCB (Reasonable Commercial Basis) provision should be better enforced and also extended to all data vendors providing services in the EU.

**f. Building quality liquidity for EU market participants: impact of recent trends**

**i. Non-transparent ('dark') trading (for equity instruments)**

**35) The EU's trading landscape is witnessing a decrease of lit order book equity trading (i.e. order book trading with pre-trade transparency). In your view, what are the main reasons that explain such a trend? Please select one or more of the options below and explain your reasoning.**

	Please select the relevant options.
Regulation (please specify)	X
Liquidity fragmentation	
Order flow competition (e.g. development of EMS/OMS)	
Technological developments (e.g. algorithmic trading/HFT)	X
Surge in ETFs and passive management	
Other (please explain)	X

**Please explain**



AMAFI considers that the decline in lit order book trading primarily stems from investor demand for lower market impact. Lit venues are often where market impact is highest, particularly for institutional flows spread over several days; adverse selection and signalling effects therefore drive the shift towards dark trading.

In addition, the recent PRIIPs review has heightened EU investors' focus on minimising the market impact of their orders. This shift is linked to changes in the calculation of transaction costs for UCITS: whereas the previous method used half of the bid-offer spread, the new approach (under Delegated Regulation 2021/2268) relies on the "arrival price," which captures the actual slippage between the order's initial and final price. This change has further contributed to diverting volumes away from lit order books.

At the end, this creates a self-reinforcing cycle: the more liquidity is executed outside of lit books, the more impact a trader will face if executing on a lit venue: less volume in lit venues can lead to increased market volatility. In addition, technological developments (latency, HFT, algorithmic detection of patterns) have made strong interests in lit trading easy to spot and to arbitrate.

Still, such an important topic cannot be resolved based on high level decisions, but rather of in-depth academic studies, to assess if dark trading undermines the quality of the price formation process and if the sum of particular interests can be detrimental to the general interest.

**36) On a scale from 1 to 5 (1 being "too low to harm price formation" and 5 being "excessive and very harmful for price formation") what is your assessment of the impact of the current levels of dark trading in the EU on orderly markets and sound price discovery? Please explain your reasoning.**

1	2	3	4	5	No opinion
					X

**Please explain**

As mentioned in our response to Question 35, dark trading highlights the trade-off between individual and collective interests in equity markets:

- collective benefit lies in transparent order competition to ensure accurate price formation
- individual investors seek to minimise the market impact of their own trades, an objective reinforced by the revised PRIIPs framework.

Although dark venues are subject to the same post-trade obligations as lit venues, they benefit from specific pre-trade transparency exemptions (such as the LIS and Reference Price Waiver). Still, only a comprehensive, independent academic study could properly assess if current levels of dark trading in the EU affect market orderliness and price discovery.

Such study should also consider the U.S. example, where dark trading is uncapped and accounts for higher volumes than in Europe and where price formation is not mentioned as an issue.

### *Closing auctions*

**43) In your view, what are the main reasons that explain the rising importance of closing auctions? Please select one or more of the options below and explain your reasoning.**

	Please select the relevant options.
<b>Rise of index investing/passive management</b>	<b>X</b>
<b>Growing use of quantitative investment strategies benchmarked to the close.</b>	
<b>Increased emphasis on best execution under MiFID II.</b>	<b>X</b>
<b>Move away/protection from HFTs</b>	
<b>Other (please explain)</b>	

Several factors explain the growing importance of closing auctions:

- The rise of passive management, where funds managers replicate an index and use the closing auction reference price for Net Asset Value.
- This shift has amplified the volume of ETF-related transactions executed during closing auctions, due to the specificities of the European primary market where ETF share creation/redemption is settled in cash, prompting large end-of-day basket trades based on the closing price.
- The revised PRIIPS framework encourages use of the closing auction to reduce the slippage cost calculated via the “arrival price” method, which is null when execution occurs at the official close.
- Algo trading, such as VWAP strategies, also considers volumes including closing auction: the more volume in auction, the more weight the closing auction price will carry in the VWAP.

Lastly, as mentioned in our answer to Question 35, this creates a self-reinforcing cycle: the more liquidity is executed outside of lit books, the more impact a trader will face if executing on a lit venue, leading to a shift to the closing auction.

The closing auction plays a unique and critical role in providing the reference price used for asset valuation. Unless valuation methodologies are fundamentally revised, this price can only be reliably sourced from a single venue: the primary market.

While some MTFs have introduced their own closing mechanisms, generating a degree of competition, this competition remains inherently limited due to the central role of the primary market in price formation at the close.

In 2024, 25% of the volume done at the closing price are executed outside of trading venues (mainly OBOE and SI) – see [www.bmlitech.com](http://www.bmlitech.com).

**44) On a scale from 1 to 5 (1 being “no competition” and 5 being “very high level of competition”), what is your assessment of the current level of competition on closing auctions, including between trading venues that offer trading for the same financial instrument?**

1	2	3	4	5	No opinion
					X

**45) On a scale from 1 to 5 (1 being “very low” and 5 being “excessive”) what is your assessment of the level of fees charged by trading venues for orders submitted during a closing auction, compared to any other time of the trading day? Please explain your reasoning, in particular as regards the potential impact of these costs on the attractiveness of EU capital markets, should the concentration of trading in closing auctions continue to increase.**

1	2	3	4	5	No opinion
					X

***If you assessed that the level of fees is 4 or above, do you believe that measures should be taken to reduce costs for investors? If so, could you please specify these measures.***

AMAFI notes that some venues apply different fee schedules to continuous trading and auctions. Such differences should be justified.

**46) Have you identified other challenges linked to the raising importance of closing auctions? Have you identified other measures to be taken to address such challenges?**

**Don't know / no opinion / not applicable**

This is a question that has no immediate answer. Does the growth of passive management have counterproductive effects on market structure? Is the increase in volumes handled during the closing auction beneficial or detrimental to the quality of the price formation process?

Here too, academic studies would be very useful.

### 24-hour trading

47) On a scale from 1 to 5 (1 being “not significantly positive”, 5 being “extremely positive”), how positive do you deem extended trading hours / 24-hour trading for the development and competitiveness of EU markets? Please explain your reasoning.

1	2	3	4	5	No opinion
					X

Extended trading hours could help the EU better accommodate international flows, as the region sits between major time zones. For retail investors, especially, the ability to trade later in the evening could be attractive.

However, such developments must be market-driven, not mandated by regulation. There are real operational and settlement constraints (e.g. T+1 deadlines) that limit the feasibility of significantly longer hours. While some retail demand exists, market participants are not aligned on whether there is actual demand for extending trading hours and if there is a positive cost-benefit of doing it.

There may be opportunities to capture additional flows, but they should be evaluated pragmatically, based on participant needs and infrastructure readiness.

48) On a scale from 1 to 5 (1 being “very advantageous”, 5 being “highly risky”), how advantageous or risky do you deem extended trading hours/24-hour trading for the orderly functioning of EU capital markets? If you attribute a score pointing at a risk, please explain these risks and, where relevant, differentiate between different categories of investors (e.g. professional investors and retail investors). If you provide a score pointing at advantages, please explain those advantages.

1	2	3	4	5	No opinion
					X

49) In your view, do the advantages of extended / 24h trading outweigh the potential risks?

Don't know / no opinion / not applicable

Please refer to our answer to Q47.

## **ii. Single market maker venues**

**55) In your view, what are the main benefits and drawbacks associated with so-called “single market maker venues” (i.e. where the venue operator limits market making to one participant)? Please explain your reasoning, in particular when it comes to quality of execution.**

AMAFI considers that single market maker venues should be seen as any other trading venue and should operate on a non-discriminatory basis both in terms of membership (i.e. not filtering other market participants) and execution, which should involve open interaction among all participants.

Important point is also to make sure that existing market rules and supervision are correctly enforced on these trading venues, as they should be on any trading venue.

## **3. Post-trading**

Please refer to our general comments section for Post trading related aspects.

## PART 2

### 4. Horizontal barriers to trading and post-trading infrastructures

#### 4.1 EPTF barriers

1) How do you assess the continuing importance and the urgency of their resolution of the barriers identified by the EPTF report and those put on EPTF watchlist (WL) in 2017?

Please rank each barrier according to the urgency of its resolution for achieving an integrated EU market for post-trade services. Please rank barriers as high/medium/low urgency (max 6 barriers per grading category). Please mark barriers that have been resolved and are no longer relevant.

Barrier	High	Medium	Low	No longer relevant	Do you agree with EPTF recommendations? YES/NO
Fragmented corporate actions and general meeting processes (EPTF 1)					
Lack of convergence and Harmonisation in information messaging standards (EPTF 2)					
Lack of harmonisation and standardisation of ETF processes (EPTF 3)					
Inconsistent application of asset Segregation rules for securities accounts (EPTF 4)					
Lack of harmonisation of registration rules and shareholder identification processes (EPTF 5)					
Complexity of post-trade reporting structure (EPTF 6)					
Unresolved issues regarding reference data and standardised identifier (EPTF 7 (formerly Giovannini Barriers 8 and 9, redefined and combined))					
Uncertainty as to the legal soundness of risk mitigation techniques used by intermediaries and of CCPs' default management procedures (EPTF 8)					

<b>(formerly Giovannini Barrier 14)</b>					
<b>Deficiencies in the protection of client assets as a result of the fragmented EU legal framework for book entry securities (EPTF 9) (formerly Giovannini Barrier 13)</b>					
<b>Shortcomings of EU rules on finality (EPTF 10)</b>					
<b>Legal uncertainty as to ownership rights in book entry securities and third-party effects of assignment of claims (EPTF 11) (formerly Giovannini Barrier 15)</b>					
<b>Inefficient withholding tax collection procedures (the lack of a relief-at-source system) (EPTF 12)</b>	<b>X</b>				<b>YES</b>
<b>National restrictions on the activity of primary dealers and market makers (WL1)</b>					
<b>Obstacles to DvP settlement in foreign currencies at CSDs (WL2)</b>					
<b>WL3: Issues regarding intraday credit to support settlement (WL3)</b>					
<b>Insufficient collateral mobility (WL4)</b>					
<b>Non-harmonised procedures to collect transaction taxes (WL5)</b>			<b>X</b>		

While AMAFI is fully supportive of the objectives laid down in the 2017 EPTF report, many of the policy responses introduced since then fall short of delivering the necessary simplification and harmonisation for an efficient relief-at-source framework for withholding tax.

The FASTER Directive, while well-intentioned, prioritises anti-abuse measures over its original objectives of simplification and harmonisation. It imposes mandatory relief-at-source obligations on financial intermediaries, without providing a clear definition of fundamental concepts (as beneficial ownership). Furthermore, the intended benefits of a harmonised framework are weakened by the numerous options left to Member States, increasing the risk of fragmentation rather than resolving it.

From a capital markets integration perspective, the most effective and future-proof solution would be the full abolition of withholding taxes on cross-border investment income within the EU. This would offer the highest level of simplification, eliminate the need for complex relief mechanisms, and be fully consistent with the principles of the Single Market.



### 4.3. Issuance

General introductory remark: The issues raised in this consultation do not appear to address any concrete dysfunction in market operations. For instance, there were only two IPOs on Euronext Paris in 2024. The fact that certain processes are still manual is not a flaw but a reflection of the limited market activity. Mandating a shift to ISO 20022 or harmonising ISIN allocation procedures would not in itself increase market volumes or solve any pressing structural issues.

Questions	Answers
<p><b>8) Please describe the steps and how long it takes to issue securities (and, if applicable other financial instruments) in your Member State, and indicate which steps could work better, in particular if undertaken cross-border (i.e. CSD and/or trading venue is in another Member State).</b></p>	<p>Issuing securities currently functions well, including if undertaken cross-border. We urge the European legislators to carefully balance benefits from future legislation against cost and burden of yet another legislative reform. Significant progress has been made through the adoption of the Prospectus Regulation (PR), the Market Abuse Regulation (MAR), the Market in Financial Instruments Directive (MiFID II) and Regulation (MiFIR), the Transparency Directive, that have been recently amended within the Listing Act of 2024.</p> <p>Regulatory pause is more urgent than legislative intervention in securities issuance matters.</p> <p>Concerning the steps of securities issuance:</p> <ol style="list-style-type: none"> <li>1. Pre-issuance: key steps include issuance marketing, sometimes via roadshows (although not necessary for most transactions), due diligence.</li> <li>2. Execution: this usually takes place intra-day, over a period of hours. Key steps include deal announcement to the market, book building of orders, final terms confirmation with the issuer, allocation to investors, and pricing with the issuer.</li> <li>3. The process by which newly issued securities are admitted to the CSD consists in the creation of the ISIN code, the LEI, and the CFI (by Euroclear France within 5 to 10 days).</li> <li>4. Settlement: the settlement period (time between execution / pricing and the settlement of the bonds) is</li> </ol>

	<p>typically 3 to 5 days in Europe, during which time participants submit settlement instructions to relevant CSDs, and documentation is finalised.</p> <p>In some Member State's, interference of company law creates differences, e.g. in those where a judge or notary gives its sign-off to new securities issuances, possibly causing the need for prefunding (DE, ES). Again: addressing this administrative difference among Member State is not worth the costs (monetary, legal uncertainty etc) of regulatory change.</p>	
<p><b>9) What are the main barriers to the smooth functioning of processes related to pre-issuance and issuance in an integrated EU market? In answering this question, please consider all of the following, but not limited to this:</b></p> <ul style="list-style-type: none"> <li>- legal requirements;</li> <li>- supervisory practice;</li> <li>- differing or lack of data exchange standards (exchange of non- machine readable data;</li> <li>- market practice;</li> <li>- differences in national requirements;</li> <li>- technical/technological aspects.</li> </ul>	<p>As per our answer to question 8, we see no substantial barriers.</p> <p>We have welcomed the simplification of the market sounding regime within MAR, but we believe it could be further simplified and harmonised (including the different interpretations of national authorities). Such constraints regarding market sounding do not exist in the US market and put the European issuers at disadvantage in a very competitive market.</p> <p>But we consider also that the improvement of the process is now less critical than the need to increase the liquidity pool in Europe and increase the attractiveness of European capital markets, particularly through the development of pension funds.</p>	
	<b>Yes</b>	<b>No</b>
<b>10) Are there barriers related to the settlement period of primary market operations?</b>		<b>X</b>
<b>11) Are there barriers related to ISIN allocation, or relating to the length of ISIN allocation processes? If so, could any of these barriers be addressed through legislative changes?</b>		No, albeit that there are differences in ISIN allocation, namely in terms of the authority that allocates ISINs. This however is transparent for the end client (issuer). This is not related to European legal or regulatory differences.
<b>12) Should the attribution of ISIN be further regulated, e.g. introduction of a 'reasonable commercial basis'</b>		<b>No</b>

<p>clause, or the prohibition of entities active in closely linked activities (e.g. settlement-related activities) from performing tasks as national numbering agencies?</p> <p>13) Should measures be taken to create more competition in the area of ISIN attribution and, if so, please explain what measures?</p>		No
14) Are there barriers related to the lack of a harmonised approach for investor identification and classification?		No
15) Are there barriers related to the lack of automation and straight- through processing along the issuance value chain?		No
16) Are there barriers related to the exchange of data between the stakeholders involved in the issuance?		No
17) Are there any other barriers related to issuance which are not mentioned above?	Yes	

<p>For questions 8 to 11, and 14 to 17, where your reply is 'yes' complete the following fields as appropriate.</p>	<p>Please explain your answer (and clarify the type of barrier (i.e. barrier or a difficulty/challenge)), including</p> <ul style="list-style-type: none"> <li>- the instruments concerned, or for which the concern is most acute;</li> <li>- the specific legal requirement(s) that create(s) the barrier, if relevant (national or EU level);</li> <li>- the supervisory or market practice(s) that create(s) the barrier, if relevant;</li> <li>- the technical aspects related to the barrier, if relevant;</li> <li>-</li> </ul>	
<p>For questions 8 to 11, and 14 to 17, where your reply is 'no'</p>	<p>Please rank the importance of the issue as:</p> <ul style="list-style-type: none"> <li>- high priority;</li> <li>- medium priority;</li> <li>- low priority.</li> </ul>	
	Please provide an estimation of the costs of the barrier.	

justify your reply, in particular identifying potential risks.	Please provide potential solutions and rank them in terms of preference. Suggestions for solutions can include, but are not limited to: <ul style="list-style-type: none"> <li>- legislative changes (specifying which changes are being suggested);</li> <li>- use of supervisory convergence tools (specifying which tools are being suggested);</li> <li>- other.</li> </ul>	
	Please provide data on the potential costs and benefits of the suggested solutions.	

Question	Answer
18) On a scale from 1 (very complex) to 5 (very straightforward), what is your assessment of the current procedures for issuing debt or equity instrument in the EU, in particular for the first time?	5
Please point to the main difficulties you might have identified, if any.	
19) In particular, what is your assessment of the level of competition in the area of underwriting, and of the level of fees for such services? Do you perceive that they can be a significant barrier for those issuers considering issuing financial instruments (debt or equity)?  If so, what are the drivers for such difficulties? Answer/:	<p>Answer: No</p> <p>As mentioned in question 8, we do not view the level of underwriting fees as a barrier for issuers.</p> <p>On the equity side:</p> <p>The US remain the most developed and liquid market in the world, even though they tend to be the most onerous in terms of costs compared to the EU.</p> <p>Fees and commissions charged by investments banks in the EU are half of those incurred/paid in the US (fees and commissions charged by banks represent 3.4% of total IPO cost for Euronext vs. 6.3% for Nasdaq according to Euronext and Dealogic data from 2015 to 2021).</p> <p>On the bond side:</p> <p>We are unaware of any concerns from market participants about the level of</p>

	competition in the provision of underwriting services in Europe. Debt capital markets are mature and well-integrated, providing issuers with access to deep pools of funding and to investors a broad range of financial instruments.
<p>20) On a scale from 1 (very unsatisfactory) to 5 (very satisfactory), what is the level of transparency of fees structures in the area of underwriting satisfactory?</p> <p>If you think the level of transparency of fees structures is unsatisfactory, do you believe transparency on the prices billed to issuers and investors for such services should be provided on an ex post basis (e.g. publication of indicative prices for underwriting services) or on an ex ante basis (standard/average price lists)?</p>	<p>Answer 5</p> <p>There is not transparency problem on fee structures. When there is a prospectus, fees are disclosed therein.</p>
21) Would a front-to-end pan European platform as proposed by the ECB in 2019 (European Distribution of Debt Instruments (EDDI) initiative) solve the barriers and obstacles identified in the previous questions?	No
If yes, should this front-to-end pan European platform focus on debts instruments solely or would this service also contribute to improving equities issuance processes too?	
If no, how should these barriers and obstacles identified be addressed?	
22) Are you satisfied with the current level of digitalisation of the bookbuilding process? Yes, No, don't know.	Yes
If you responded "No" to the previous question, is there any legislative measure that could be taken to support more digitalisation? If yes, please explain.	

#### 4.4. Innovation – DLT Pilot Regime (DLTPR) and asset tokenisation

Questions	Answers	
	Yes	No
<b>23) Do you believe that the DLTPR limit on the value of financial instruments traded or recorded by a DLT market infrastructure should be increased?</b>	<p>We are currently in the contradictory situation where a fully licensed MTF or CSD is subject to thresholds because it is using DLT technology. Fully licenced MTFs or CSDs should have no limitations, irrespective of the technology they use.</p> <p>The current thresholds of the Pilot Regime (DLTPR) significantly limit the scalability and economic viability of projects under the DLTPR. Given the high level of regulatory scrutiny and compliance costs, identical to those borne by Central Securities Depositories (CSDs) and exceeding those of Multilateral Trading Facilities (MTFs), maintaining restrictive thresholds negatively impacts the business models and overall competitiveness of DLT infrastructures. Removing these thresholds is thus essential to enable meaningful innovation, attract substantial investment, and ensure DLT-based solutions can compete equally with traditional market infrastructures.</p> <p>Priority: High</p> <p>Estimation of benefits and risks: Removing the thresholds would</p>	

	attract substantial additional financial activity by enabling economically viable, large-scale projects. Risks associated with removing thresholds are minimal, given the stringent regulatory framework already governing DLT TSS entities, ensuring robust market integrity and investor protection.	
<b>24) Do you believe that the scope of assets eligible within the DLTPR should be extended?</b>	<p>Yes, expanding the eligible scope to encompass structured financial products such as EMTNs, warrants, and derivatives would substantially broaden the applicability and attractiveness of the regime.</p> <p>Priority: High</p> <p>Estimation of benefits and risks: Expanding eligible assets would significantly enhance the diversity and volume of transactions, fostering a more vibrant, innovative market environment. Potential risks associated with the inclusion of complex instruments like derivatives can be effectively mitigated through rigorous regulatory oversight and transparency requirements already established within the DLTPR framework.</p>	
<b>25) Do you believe that the DLTPR should be extended to cover other types of systems, such as clearing systems?</b>	No. One of the primary advantages of the DLTPR and the DLT TSS status is the integrated settlement capability, facilitating instantaneous delivery-versus-payment and eliminating	

	<p>counterparty risk, thereby inherently removing the need for a traditional clearing system. Clearing systems may still be necessary if derivatives are admitted to the Pilot Regime, to handle margin calls. Nevertheless, the integrated nature and direct participant relationships of the DLT TSS would enable it to manage such operations more efficiently than separate clearing entities. It is therefore important to retain the capability within the DLT TSS framework itself, leveraging its inherent efficiencies and technological advantages rather than extending DLTPR to cover external clearing systems.</p> <p>Estimation of benefits and risks: Maintaining the integrated settlement function within DLT TSS significantly enhances operational efficiency and reduces systemic risk. However, careful regulatory oversight will be required to ensure adequate risk management practices for more complex instruments if introduced in the future.</p>	
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For questions 23 to 25, where your reply is 'yes' please complete the following fields	Please provide details on the preferred changes to the DLTPR and explain your reasoning (how limits should be increased, which concrete assets should be eligible and why)	
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as appropriate.	Please provide a ranking of the importance of the issue as: - high priority - medium priority or - low priority	
	Please provide an estimation of the benefits and risks that result implementing the changes to the DLTPR that you propose. For example, if you suggest extending the scope of instruments, or increasing the threshold, you are encouraged to estimate how much additional financial activity would the DLTPR attract, and opine on the associated risks.	
For questions 23 to 25, where your reply is 'no' please explain your reply, in particular identifying potential risks.		

**26) Should the DLT trading and settlement system (DLT TSS), allowing for trading and settlement activities within a single entity, become embedded into the regular framework (CSDR, MiFID)?**

Yes, as identical activities and authorisations should come with identical obligations and responsibilities. A DLT TSS combines trading and settlement within a single regulated entity. As long as it complies with both CSDR and MiFID, there is no reason to make it subject to anything else than laws and regulations applicable to trading and settlement. The DLT TSS model could address certain pain points of current capital markets, such as fragmentation, reconciliation issues, and delayed settlement.

**27) What other changes to the DLTPR are needed to ensure that it remains a framework that is fit for the purpose of allowing new entrants and established financial companies to deploy pioneering innovation with DLT in the EU, while also ensuring appropriate risk mitigation?**

It is essential to provide long-term regulatory visibility by clearly extending or making permanent the Pilot Regime. Accelerating the introduction of a wholesale CBDC is also a priority.

**28) What type of changes to the DLTPR would improve business certainty and planning for businesses that are considering to join the DLTPR?**

**(a) Remove the references in the DLTPR to the limited duration of licenses: (5/5)**  
The current limited duration of licenses significantly hinders long-term strategic investments and creates unnecessary legal uncertainty.

**(b) Size-proportional requirements within the DLTPR (e.g., measured in terms of volumes of transactions traded/settled): (2/5)**

The compliance obligations currently imposed on DLT TSS entities, though stringent, accurately reflect the critical operational resilience and robust market practices required by these market infrastructures. The fundamental challenge does not lie in scaling these compliance requirements but rather in aligning them with commercially viable business models, currently restricted by artificially imposed thresholds. The resilience standards required of DLT TSS infrastructures should not be diluted, as these standards are essential to safeguard market integrity. Therefore, priority should instead focus on revising transaction thresholds (as outlined in option (d)), allowing businesses to benefit from economies of scale without compromising necessary regulatory rigor.

**(c) Other—Allowing a wider range of listed financial instruments and transaction thresholds: (5/5)**

Expanding the eligible financial instruments beyond the current restrictive categories and removing thresholds is paramount. This flexibility directly correlates with the commercial attractiveness and the economic viability of DLT-based market infrastructures. The current restrictions severely limit innovation, scalability, and operational profitability. Expanding instrument eligibility and removing restrictive thresholds would significantly boost business model feasibility, attract broader market participation, and foster innovation and competitiveness of the European market infrastructures compared to global competitors. Jurisdictions such as Switzerland and Singapore offer broader eligibility criteria and fewer constraints, clearly demonstrating the benefits in terms of market activity, innovation, and international competitiveness.

In conclusion, to significantly enhance the DLTPR's attractiveness, changes (a) and (d) are of utmost priority. These amendments would drastically improve business certainty, ensure economic viability, and position the EU's digital market infrastructure on equal footing internationally.

**29) Does the DLTPR create a sufficiently clear and flexible framework for the use of EMTs as a settlement asset?**

No. The current wording under Article 5, point 8 of the DLTPR states that "Services related to 'e-money tokens' that are equivalent to the services listed in Section C, points (b) and (c), of the Annex to Regulation (EU) No 909/2014 shall be provided by the CSD operating the DLT SS in accordance with Title IV of Regulation (EU) No 909/2014 or by a credit institution."

This has been widely interpreted by market participants and regulatory authorities as requiring EMT issuers to be credit institutions. Consequently, the vast majority of EMTs, typically issued by Electronic Money Institutions (EMIs), are effectively excluded from eligibility. This unintended restriction significantly limits the flexibility and practicality of EMT use within the DLTPR framework, undermining the Pilot Regime's objective to foster innovation and broader adoption of digital settlement solutions. Clarification or modification of this provision is essential to explicitly permit EMTs issued by EMIs, thus aligning regulatory intentions with market realities and enhancing the operational scope of the DLTPR.

**30) Do you think that in addition to, or instead of the current derogations-based approach (allowing switching off of certain MIFID and CSDR provisions), the DLTPR should take a principles-based approach whereby high-level provisions govern trading and settlement services, with the purported aim of creating more flexibility for deploying innovative DLT-based projects?**

**Please explain your reply**

No, AMAFI does not agree with the idea of a principle-based approach for DLTPR. Identical activities and services should be subject to identical rules and liability. As institutions authorised under the DLTPR are fully fledged CSDs or MTFs or both, the legislation applies fully and there is no reason why institutions authorised under the DLTPR should be subject to a principle-based piece of legislation.

**What would be the advantages and disadvantages of such an approach and how can the disadvantages be mitigated?**

AMAFI does not agree with the principle-based approach.

Question	Answer	
	Yes	No
<b>31) Do you believe that DLT is a useful technology to support trading services in financial instruments?</b>  <b>Please explain your response.</b>	<p>No. DLT is indeed an exceptional technology for maintaining secure, immutable, and transparent registers. This quality makes it highly suitable for maintaining registers of financial instruments, acting as a foundational ledger or "golden source" within settlement systems such as DLT Settlement Systems (DLT SS) or DLT Trading and Settlement Systems (DLT TSS).</p> <p>However, regarding trading activities specifically, these typically occur off-chain due to performance, scalability, and efficiency requirements. There are, of course, specific use-cases, particularly prevalent in decentralized finance (DeFi), where on-chain trading is essential due to the deliberate absence of intermediaries. This particular scenario, however, differs fundamentally from the framework and objectives of the EU Pilot Regime, which inherently relies on regulated market infrastructures acting as intermediaries. Thus, while DLT has undeniable strengths for registry and settlement purposes, its added value specifically for trading services within the Pilot Regime remains limited.</p>	
<b>32) Do you believe there are regulatory barriers beyond those addressed by the DLTPR that may hinder or prevent DLT-</b>	<p>No. At this stage, AMAFI has not observed additional regulatory barriers, beyond those already addressed within the DLTPR framework, that would specifically hinder or</p>	

based provision of trading services in financial instruments?	prevent the provision of trading services using DLT. The current DLTPR adequately covers the relevant regulatory considerations, and no significant unaddressed obstacles have been identified.
If 'yes': Please specify and explain these regulatory barriers	

**33) For a financial entity using DLT to deploy its services, the distributed ledger is often an external platform on which services are run, and this platform may have a very distributed governance structure. What are the benefits and risks of deploying financial services, including post-trading services, on distributed ledgers external to the financial service provider, and therefore outside its direct control?**

AMAFI disagrees with the analyses that the distributed ledger is often an external platform. In finance, the DLT is used as an internal platform, albeit that possibly, in some businesses, access to nodes may be granted to external parties (partners, infrastructures, clients,...).

We are also of the opinion that, at least at this stage, no permissionless blockchain should be allowed to provide core functions of capital markets.

**34) How should the regulatory perimeter between a technological service provider and a financial service provider, especially a CSD, be drawn in the above described DLT context?**

The existing frameworks provided by the DLTPR and the Digital Operational Resilience Act (DORA) already sufficiently define the boundaries between financial and technological service providers. In our view, technological service providers should remain clearly outside the financial regulatory perimeter. The regulated market infrastructure itself must retain ultimate responsibility for ensuring regulatory compliance, risk management, and oversight, including selecting appropriate technology providers and managing associated risks. This approach maintains clear accountability, allows flexibility in technological choices, and ensures regulatory compliance without unnecessarily extending financial regulation to purely technical service providers.

**35) The Commission recently published a study on the use of permissionless blockchains for enhancing financial services, which set out operational robustness criteria for assessing permissionless blockchains. Do you believe that beyond the Digital Operational Resilience Act (DORA), additional legislative or non-legislative action is needed to ensure appropriate mitigation of risk stemming from decentralised IT systems such as permissionless blockchains?**

**Please explain your reply.**

Yes, AMAFI believes that permissionless blockchains should not be used in capital markets core functions. Same services, same authorisations and same liabilities for clearly identified stakeholders for each of the core services.

**36) Basel prudential standards on crypto exposures applicable to credit institutions assign group 2 status to tokenised assets, including tokenised financial instruments, that are issued and recorded on permissionless distributed ledgers. The transitional prudential treatment of exposures to tokenised assets in the Capital Requirements Regulation currently applicable does not make a distinction based on the type of underlying distributed ledger. Do you believe that prudential rules should differentiate between permissioned and permissionless distributed ledgers?**

**Please explain your reply.**

No. Prudential treatment should be technology neutral. What matters is the effective management of risk, not the underlying ledger structure. Imposing stricter prudential rules solely on permissionless systems risks distorting technological choices and stifling innovation.

**37) Do you believe that risks from permissionless blockchains, in particular operational risks and other risks set out in the BIS Working paper on novel risks, mitigants and uncertainties with permissionless distributed ledger technologies, can be mitigated?**

**Please explain your reply.**

No, we do not believe so. For this reason, AMAFI is against the idea of using permissionless blockchains in capital markets.

Question	Answer	
	Yes	No
39) Should public policy intervene to support interoperability between non- DLT systems and DLT systems?		X
If reply is 'no': Please explain your response.	Public policy intervention will freeze a certain functioning of the market, and hinder future evolutions.	
40) Should public policy intervene to support interoperability between distributed ledgers?		X
If reply is 'no': Please explain your response.		

## 5. Asset management and funds

AMAFI does not answer to this section as it is not relevant to the activity represented by the Association.

## 6. Supervision

### 6.1. Effectiveness of the current framework

1) How effective are current EU supervisory arrangements in achieving the objectives or performing the tasks below? Please rate each objective from 1 to 5, 1 standing for "least effective" and 5 for "most effective":

	1	2	3	4	5	No opinion
Contributing to financial stability				X		
The functioning of the internal market						
The integrity, transparency, efficiency and orderly functioning of financial markets				X		
The enforcement of EU rules			X			
The prevention of regulatory arbitrage and promotion of equal conditions of competition		X				
Supervisory convergence across the internal market		X				
Development of the Single Rule Book						
Consumer and investor protection				X		
Support financial innovation in the market						

Market monitoring			X			
Supervisory data management including data sharing						
Responsiveness, transparency		X				
Stakeholder engagement and involvement		X				
Use of resources						
Proportionality of the fees for direct supervision						

**2) What prevents the ESAs from reaching the objectives or performing the tasks listed in Question 1? Please explain your answer.**

In light of its members' activities, AMAFI focuses its recommendations on ESMA. We see several hurdles that prevent ESMA from reaching the objectives listed in question 1 and we call for the following reforms:

- Including competitiveness in ESMA's regulatory mandate given the central role played by the Authority in shaping and implementing EU regulation. Comparable authorities, such as the CFTC and SEC in the United States or the PRA and FCA in the United Kingdom, already integrate this dimension into their regulatory approach. A change of mandate of ESMA would provide the necessary impetus for a broader cultural shift that is essential to adapting to today's rapidly evolving and competitive geopolitical environment. If such a transformation cannot be achieved through a formal revision of ESMA's mandate, operational changes must nonetheless be introduced to embed this cultural shift into the Authority's working methods and decision-making processes.
- Reforming ESMA's governance by:
  - Changing the voting modalities of the Board of Supervisors to reflect the heterogeneous weight of financial markets as well as the different areas of expertise of NCAs.
  - Establishing an Executive Board, based on the design of the one designed for the AMLA, replacing the existing Management Board. This would enhance independence and agility in ESMA's decision-making process. The selection criteria of the independent members should focus on their professional experience. They must be chosen for their competence, have a very solid background in supervision while not working anymore for their NCA to overcome political difficulties that can be encountered at Council level.

It should be underlined that ESMA's governance should encompass both its regulatory and supervisory functions, while acknowledging that the modalities for exercising these roles may differ.

- Enabling a closer and more systematic dialogue between ESMA and market participants to enable the Authority to have a better understanding of operational realities. This is essential to build the trust necessary for any future shift towards more centralised supervision. To this end, the existing consultation process should be enhanced by (i) systematically engaging with the industry ahead of policy development (Level 2 and 3 texts), (ii) ensuring that Standing Committees meet more frequently and issue written and public contributions on key issues

where industry expertise would provide meaningful value. Moreover, dedicated recruitment schemes should be put in place to not only facilitate the secondment and transfer of staff from NCAs but also to establish a level of turn-over between ESMA and the private sector, while maintaining high conflict of interest management standards, following best practices observed in jurisdictions such as the UK and the US.

- Using more effectively existing tools to increase supervisory convergence and ESMA's responsiveness, such as the "Breach of Union law" procedure. To that end, reforming ESMA's governance is a key prerequisite to overcome national interests and reinforce ESMA's capacity to act in the general interest of the Union.
- Broadening the scope of the no-action letter, which is a critical tool given the length and rigidity of the EU legislative process. No-action letters are essential in situations where existing rules prove inadequate or misaligned with rapidly evolving market conditions or regulatory developments.
- We also note that supervision is not only about ensuring financial market participants' compliance with regulation but also safeguarding market integrity. In this respect, the role of ESMA in market monitoring and the structure and use of transaction reporting should be reconsidered to ensure consistency and an efficient allocation of resources across the Union.

**3) Please assess ESMA's governance model currently in place for the direct supervisory mandates. Currently, the Board of Supervisors adopts supervisory decisions prepared either by ESMA staff (for example for credit rating agencies (CRAs)) or the CCP supervisory committee (for tier 2 third country CCPs).**

**Please rate the effectiveness from 1 to 5 (1 least effective, 5 most effective).**

**You may want to consider elements, such as ability to take decisions swiftly, independent decision in EU public interest, quality of the decisions being taken, ability to take into account supervised entities and other stakeholders.**

AMAFI has no comment.

## **6.2. Specific questions on supervisory arrangements for different sectors**

**4) Do you have ideas how EU-level supervision of financial markets could be structured (for example the whole or part of the sector should be supervised at EU level, supervisory decisions could be taken at EU level or national, etc.)?**

**What broad changes would that involve in terms of**

- **supervisory architecture and supervisors' responsibilities,**
- **supervisors' approach to exercise their mandates and processes,**
- **improved cooperation among supervisors?**

Significant EU market infrastructures or with pan-European activities (TVs, EU CCPs) are natural candidates to direct supervision from ESMA.



It is important that such actors who are key to EU capital markets are supervised independently from domestic considerations and that they can benefit from a supervision not fragmented across multiple NCAs. This evolution should avoid creating a duplicative supervisory layer generating additional costs. From a competitiveness perspective, it is essential to ensure a level-playing field in supervision between infrastructures offering the same services.

While we would not recommend a specific supervisory model at this stage, the expertise of NCAs in their daily supervision of market actors and proximity with the industry should be considered fundamental in its future design. Supervisory models, which are distinct from governance, should be decided later and may differ slightly depending on the type of actor supervised, but this should not hinder progress towards direct supervision of market infrastructures at EU level.

**5) Some national competent authorities (NCAs) have developed advanced expertise or specialisation in supervising certain sectors. What is your view on building on these NCAs and creating EU centres of supervisory expertise by sectors?**

In principle, we would support such an initiative where ESMA would have a central role to play as a hub to share good practices with NCAs across the Union. It is extremely important to build on NCAs expertise as we believe it would certainly contribute to improving supervisory convergence as well as the expertise of supervisory staff both within ESMA and NCAs.

However, it remains to be seen how it would materialise, how EU centres of supervisory expertise would operate and under which financing arrangements. The cost aspect would likely represent a major hurdle whether it would be borne by the public sector and/or market actors.

**6) Do you think supervision of EU financial markets would benefit from pooling together resources and expertise of individual NCAs in regional hubs?**

Please see our answer to the previous question.

**7) What is your view on setting up regional hubs of ESMA to ensure closer interaction with market participants?**

**Please explain your reply highlighting benefits and downsides**

We anticipate operational difficulties, a new layer of supervision between NCAs and ESMA might result in a slower and more complex supervision to the detriment of both NCAs and market actors whose competitiveness would likely be hindered. Besides, we also foresee that this could lead to an increase in costs potentially both for market actors and NCAs.

While we consider that ESMA should build on the knowledge of national supervisors to ensure a better understanding of local practices, we do not believe that building regional hubs will contribute to closer interaction with market participants. It is more a question of supervisory culture that ESMA should develop (please refer to our answer to question 6.1.2 on recommendations to change the supervisory

culture of ESMA and enable ESMA to have a better understanding of market actors' operational concerns).

## 6.5. Questions on the supervision of significant EU trading venues

### 6.5.1. Identifying the pros and cons of the current supervisory framework and possible benefits of a more integrated EU supervision

**28) How would you rate the convergence of supervisory practices across Member States in the area of the supervision of trading venues?**

Please rate from 1 to 5 (1 very convergent, 5 very divergent)

Please provide examples of divergent outcomes of supervisory practices for trading venues in different Member States.

Rating 3. See also our answer to Q29.

**29) To which extent do you agree with the following statement about the pros and cons of the current supervisory framework for trading venues in the EU, compared to a possibly more integrated EU supervisory framework?**

a. The current supervisory framework enables an efficient supervision thanks to the proximity of NCAs with the supervised entities;

b. It results in sufficiently consistent supervision over EU trading venues; **4**

c. It is optimal in terms of regulatory costs for trading venues (i.e. it allows costs to be kept to a minimum);

d. It allows an efficient use of national and EU supervisory resources;

e. It creates an uneven playing field for EU trading venues; **2**

f. It creates legal uncertainty because of different implementation or interpretation of EU legislation in different Member States or by NCAs and ESMA;

g. It does not allow an effective supervision for groups operating across EU-borders;

h. It prevents economies of scale for trading venues with operations cross-border;

i. It makes it more complex and costly for EU trading venues to develop their activities across borders;

j. It makes it more difficult for EU trading venues to attract market participants;

k. Other (please specify in reply to the next question).

**For each point, options to choose from:**

**1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), 6 (no opinion)**

**Please explain your answer providing, where possible, examples and quantitative evidence.**

The current supervision of trading venues is unequal across Member States. For example, in Germany, trading venues, even the biggest ones, are supervised by the stock exchange supervisory authorities of the federal states with limited resources to carry out their mission. These trading venues that are significant at the EU level should be supervised with the highest standards.

Divergences in the way significant infrastructures are supervised in the EU ought to be analysed and remediated where needed.

**30) Please estimate the regulatory compliance costs that arise from engagement with your current supervisor(s) (including administrative costs – such as staff costs, facilities costs, travel, IT technology costs –, professional fees – such as legal, accounting, consulting, etc. –, and applicable fees). Please separate any details on costs into administrative costs, professional and and supervisory fees, and between one-off cost and on-going costs and per supervisor. Please explain your answer providing, where possible, quantitative evidence and examples.**

**In particular, please provide, where possible, details on the regulatory compliance costs that arise from engagement with your current supervisor(s) on the following elements:**

- a. The authorisation to operate an (additional) trading venue;**
- b. The development of or changes to the exchange rulebook, including regulatory approval where relevant;**
- c. Ongoing compliance with MiFIR/MiFID II and national implementing measures; specify which one;**
- d. For groups operating across borders, compliance with different supervisory requirements and procedures;**
- e. Legal uncertainties arising from different implementation or interpretation of EU legislation in different Member States or between NCAs and ESMA;**
- f. Duplicative or conflicting instructions from NCAs and ESMA;**
- g. Duplicative or conflicting reporting obligations towards different supervisors;**
- h. Other (please specify in reply to the next question).**

No comment.

31) To which extent do you agree with the following statements about possible benefits of more integrated EU supervision (please rate from 1 to 5)?

- a. It could reduce EU trading venues' regulatory costs; 4
- b. It could enhance the quality and consistency of supervision over EU trading venues; 1
- c. It could facilitate cross-border activities of trading venues; 1
- d. It could increase the effectiveness of supervision for groups allowing for a comprehensive EU- wide understanding of the activities performed by each individual trading venue;
- e. It could simplify and accelerate the procedure to apply for (additional) authorisation for EU trading venues;
- f. It could simplify and/or accelerate procedures for obtaining supervisory approvals;
- g. It could simplify and/or accelerate the procedure for obtaining the agreement for amendments to the exchange rulebooks;
- h. It could lead to more efficient use of supervisory resources;
- i. It could decrease uncertainties currently arising from different implementation or interpretation of EU legislation in different Member States or by NCAs and ESMA; 4
- j. It could remove the need for market participants to deal with duplicative instructions from more than one supervisory authority; 4
- k. It could create a level playing field between EU trading venues in scope;
- l. It could ensure a harmonised understanding of new technology/new types of instruments (e.g. smart contracts) used by EU trading venues and the novel risks they may bring to the EU trading venues to supervise;
- m. It could reduce the need for detailed regulations, extensive rulebooks, as well as the use of Level 3 tools (e.g. Q&As) to achieve harmonised supervision;
- n. Other (please specify in reply to the next question).

For each point, options to choose from:

1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), 6 (no opinion)

Please explain your answer providing, where possible, examples and quantitative evidence, in particular as regards potential costs and savings/benefits. If you replied 'Other', please indicate what was intended.

No comment.

### 6.5.2. How could more integrated EU supervision function?

32) Please indicate to which extent you support the following possible models of more integrated EU supervision. (Note: the models are not mutually exclusive (e.g. an EU-level supervisor could be responsible for the supervision of all trading venues and have all or only some of the MiFID/R powers):

a. An EU-level supervisor, responsible for the supervision of all EU trading venues.	
b. An EU-level supervisor, responsible for the supervision of certain EU trading venues according to certain criteria described in the next section.	1
c. An EU-level supervisor with all MiFID/R supervisory powers.	
d. An EU-level supervisor with powers in certain key MiFID/R areas.	
e. Joint supervisory colleges with enhanced powers <sup>4</sup>	
f. Other set-up (please explain)	

For each point, options to choose from:

1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), 6 (no opinion)

Please explain your answers providing, where possible, examples and quantitative evidence, including on potential costs and benefits. If you replied 'Other', please indicate what was intended.

Please refer to our answer to question 31 for expected benefits.

33) In the case of a single EU-level supervisor (a, b, c and d in question 32), to which extent would you support the two possible models described below?

- a) ESMA is the direct supervisor, with decisions taken by the ESMA Board of Supervisors and certain tasks delegated to NCAs. 6
- b) Within ESMA, a Supervisory Committee composed of representatives of ESMA, relevant NCAs and possibly independent experts is in charge of the on-going supervision. The ESMA Board of Supervisors could retain decision making powers on a limited number of important MiFID/R issues. 6

For each point, options to choose from:

1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), 6 (no opinion)

<sup>4</sup> Under this model, NCAs would retain supervisory powers. Yet, entity-specific supervisory colleges consisting of representatives of ESMA and the NCAs that are relevant for the trading venue under scrutiny could issue opinions on a pre-defined list of supervisory topics. This would be complemented by the supervisory convergence tools and joint inspections with NCAs and ESMA representatives.

**34) Would joint supervisory teams, composed of experts of NCAs and representatives of ESMA, under ESMA's lead be an efficient tool to achieve a more harmonised and efficient ongoing supervision of trading venues?**

**6**

- Please choose between:
- 1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), 6 (no opinion)

**Please explain your answer**

**If you consider that none of the above presented options would be adequate for (certain) trading venues, which alternative supervisory model would you support?**

**Please explain your answer providing, where possible, examples and quantitative evidence, including on potential costs and benefits.**

While we would not recommend a specific supervisory model at this stage, the expertise of NCAs in their daily supervision of market actors and proximity with the industry should be considered fundamental in its future design. Supervisory models, which are distinct from governance, should be decided later, but this should not hinder progress towards direct EU supervision of significant and pan-European trading venues.

It is important that such actors who are key to EU capital markets be supervised independently from domestic considerations and that they can benefit from a supervision not fragmented across multiple NCAs. This evolution should avoid creating a duplicative supervisory layer generating additional costs. From a competitiveness perspective, it is essential to ensure a level-playing field in supervision between infrastructures offering the same types of services.

**35) How would you expect your regulatory compliance costs arising from engagement with your current supervisor (as defined in question 30) to change if your trading venue(s) would fall under one of the following models of more integrated EU supervision?**

Please explain your answer providing, as much as possible, quantitative evidence (e.g. your calculations of the evolution of your costs, splitting them between administrative costs (staff costs, facilities costs, travel, IT technology costs), professional fees (e.g. legal, accounting, consulting, etc), supervisory fees, etc. Should the estimation of your costs differ depending on the type of single EU-level supervisor (see question 33), please specify.

	Strong increase +20% or more	Increase +5-20%	Neutral +/- 0-5%	Decrease -5-20%	Strong decrease -20% or more
An EU-level supervisor with all MiFID/R powers					
An EU-level supervisor with some MiFID/R powers					
Joint supervisory Colleges with enhanced powers					

No comment.

### 6.5.3. How could the potential scope of a possible EU-level supervision be defined?

**36) Which criteria should be used to define the scope of trading venues that should fall under EU-level supervision?**

- Only trading venues that are deemed significant based on their size or owing to their third country dimension (i.e. trading venues belonging to non-EU groups)
- Only trading venues with a significant cross-border dimension within the EU
- Only trading venues that fulfil both above criteria
- other (please specify)

Trading venues with either criteria i. or ii. should fall under EU-level supervision.

**37) Assuming competences are split between an EU-level supervisor responsible for the supervision of significant relevant trading venues and NCAs responsible for the supervision of less significant institutions ('LSI'), do you believe that the EU-level supervisor should also have any oversight function with respect to LSI supervision?**

Yes

**Please explain**

We consider that the EU-level supervisor should have oversight function with respect to LSI supervision to ensure a level playing field between the different trading venues.

**38) Among the following options to determine if entities belonging to the same group should be in scope of EU-level supervision, please indicate which one you would most support:**

- i. if a trading venue belonging to a group is in scope of EU-level supervision, all trading venues located in the EU and belonging to that group should be in scope, irrespective of whether the quantitative criteria for being in scope are met for each of these individual trading venues;**
- ii. only EU trading venues of a group that individually reach the criteria should be in scope;**
- iii. quantitative criteria should be calculated on the basis of a group and hence all EU trading venues belonging to that group should be in the scope;**
- iv. other (please specify);**
- v. Has no view.**

**Please explain**

We would support "i" to ensure homogenous supervisory treatment within the group.



***Significance criterion based on size***

**39) What should be the appropriate criteria in terms of size to assess the significance of a trading venue(s) for the purpose of EU-level supervision? If you responded (iii) to question 38, the reference to a trading venue should be understood as a reference to a group. Please select any of the following options.**

- i. Trading volume (in EUR) of the trading venue relative to the total volume traded in the EU for all asset classes (e.g. shares, bonds, etc) is equal or higher than a certain percentage**
- ii. Trading volume (in EUR) of the trading venue relative to the total volume traded in the EU for only some but not all asset classes is equal or higher than a certain percentage.**

**If you picked (ii), please specify which asset classes.**

- iii. Trading volume (in EUR) of the trading venue relative to the total volume traded in the EU for at least one asset class is equal or higher than a certain percentage.**

**If you picked (iii), please specify which asset class.**

- iv. Other [please specify].**

No comment.

**40) Depending on your reply to question 39, in your view, what should be the appropriate percentage range (5-10%, 10-30%; 30-50%, other). Please explain your reasoning, providing, where possible, quantitative evidence and examples.**

No comment.

**41) Do you consider that the application of the above criteria could also produce negative side-effects or lead to unintended results?**

***Cross-border criterion***

No comment.

**42) In your view, what would be the appropriate criteria to assess the cross-border dimension of a trading venue for the purpose of EU-level supervision? Please select any of the following options:**

- a) Cross-market activity: More than [X %] of the trading activity on the trading venue occurs in instruments [shares, bonds] whose most relevant market in terms of liquidity is located in another Member State;**

- b) Cross border activity within a group: Trading venues belonging to a group are located in at least [Y] Member States other than the Member State where the headquarters of the group are located;
- c) Cross border members or participants: More than [Z%] of members of or participants in a trading venue are established in Member States other than the Member State where the trading venue is established.
- d) Any of the previous criteria
- e) All of the previous criteria
- f) Other criteria

Please explain your answer and provide quantitative thresholds for your preferred option(s) above, expressed in percentages for X and Z (42 (a) and 42 (c)) and in numbers of Member(s) (States) for Y) (42 (b)). Please also provide quantitative evidence and examples. If you indicated 'Other' under Question 42 (f)), please specify what was intended.

No comment.

43) Should it be possible for a trading venue to opt-in into EU-level supervision even though it does not meet the relevant criteria?

No

44) Please indicate for the following areas of MiFID II to which extent you agree/disagree that EU-level supervision of (certain) trading venues could provide benefits. Certain powers may be logically bundled. A non-exhausting list of relevant articles is provided in brackets:

- Authorisation/withdrawal of authorisation for regulated market/MTF/OTF (e.g. Articles 5, 7, 8 and 44 of MiFID II)
- Requirements on management bodies, shareholders and members with qualifying holdings and those exercising a significant influence (e.g. Articles 9, 10, 11, 12, 13, 44 and 45 of MiFID II)
- General organisational requirements, conflict of interests and ongoing supervision (e.g. Articles 16, 21, 22, 23, 47, 48, 49 and 54 of MiFID II)
- Trading process in MTF, OTF and regulated market, admission of financial instruments to trading (e.g. Articles 18, 19, 20, 51 and 53 of MiFID II)
- Market transparency and integrity (e.g. Articles 31, 32 and 52 of MiFID II)
- SME growth markets (e.g. Article 33 of MiFID II)
- Rights of investment firms (cross-border provision of services) and provisions regarding CCP and clearing and settlement arrangements (e.g. Articles 34, 36, 37, 38 and 55 of MiFID II)
- Commodity derivatives regime (e.g. Articles 57 (8) and 58 of MiFID II)
- Supervisory powers (e.g. Article 69 of MiFID II):

- Sanctions (e.g. Articles 70, 71, 72 and 73 of MiFID II)
- Group level supervision
- Provisions related to prevention or detection of cases of market abuse pursuant to Regulation (EU) 596/2014, e.g. analysing and referring suspicious transactions to NCAs
- Other (please specify)

For each point, options to choose from:  
1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), 6 (no opinion)

Please explain your answers providing, where possible, quantitative evidence and examples. If you replied 'Other', please indicate what was intended.

No comment.

45) Please indicate for the following areas of MiFIR to which extent you agree/disagree that EU-level supervision of (certain) trading venues could provide benefits. This is notwithstanding that certain powers may be logically bundled. A non-exhausting list of indicative relevant articles is provided in brackets:

- Transparency requirements for equity and non-equity instruments (e.g. Articles 4, 7, 9, 11 and 11a of MiFIR)
- Transmission of data, obligation to maintain recording and report transactions (e.g. Articles 22, 22a, 22b, 22c, 25 and 26 of MiFIR)
- Non-discriminatory access to a CCP and to a trading venue (e.g. Articles 35 and 36 of MiFIR)
- Other (please specify)

For each point, options to choose from:  
1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), 6 (no opinion)

Please explain your answers providing, where possible, quantitative evidence and examples. If you replied 'Other', please indicate what was intended.

No comment.

## 7. Horizontal questions on the supervisory framework

### 7.1. New direct supervisory mandates and governance models

1) Would you agree that EU level supervision is beneficial to achieve a more integrated market? Please provide your answer by choosing from 1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), (no opinion)

1	2	3	4	5	No opinion
	X				

Please explain your reply highlighting benefits and downsides.

We consider that increasing ESMA's direct supervision can contribute but is not central to achieve the integration of EU capital markets and should not divert efforts to simplify the financial services regulatory framework. However, in the longer term, a form of centralised supervision if properly designed would bring benefits.

As highlighted in our answer to question 6.1.2 we believe structural reforms of the governance of ESMA and of the supervision of markets should be undertaken to contribute to enhancing the attractiveness and competitiveness of EU capital markets.

2) Are there other sectors of financial services, not covered in the questions on the topic of supervision where granting ESMA new direct supervisory powers should be considered?

No

If the answer to previous question is 'yes', which entities should fall under its remit and which criteria should they meet? Please specify the area(s) and criteria.

3) What should be the key objectives behind a decision to grant direct supervision to the ESMA?

Please provide your answer by choosing from 1 (agree - very important objective), 2 (agree important objective), 3 (neutral), 4 (rather disagree (i.e. less important), 5 (disagree (not important), (no opinion)

	1	2	3	4	5	No opinion
a) Streamlined supervisory process	X					
b) Single supervisory point of contact and efficiency in the engagement with a single supervisor, instead of multiple NCAs	X					

c) Reduced volume of Level 2 legislation (technical standards) and supervisory guidelines			X			
d) Coherent supervisory outcomes for the EU market as a whole	X					
e) more harmonised application of EU rules	X					
f) enhanced pool of expertise and resources						X
g) building synergies and avoiding duplications,	X					
h) ensuring a high level of supervision across EU	X					
i) reduced costs	X					
j) other						

**4) What would be the costs (one off costs and ongoing costs) and savings for your organisation associated with new direct supervisory mandates at the EU level?**

The savings would be linked to the reduction of duplications for market actors operating in different Member States and NCAs incl. reporting obligations.

We also consider it should enable to reduce the time to launch a product and save costs vis-à-vis supervisors of “smaller” Member States.

**5) Which governance do you consider most suitable for a given model of direct supervision?**

a. A Supervisory Committee. It would be composed of a limited number of independent members (employed by ESMA) and representatives of those NCAs in whose jurisdiction directly supervised entities are operating. This committee will guide the supervisory tasks given to the EU level and carried out by ESMA staff and/or joint supervisory teams. The committee could have different formations/configurations for each of the sectors supervised. In terms of decision making, three alternatives could be envisaged:

1. Final decision making by the Supervisory Committee
2. Supervisory Committee in charge but Board of Supervisors (BoS) would have a veto right on certain decisions when a set of pre-defined criteria would be met (e.g. particular political sensitivity/importance)
3. As per the current CCP Supervisory Committee, the new Supervisory Committee would prepare the decisions, but the BoS would be the final decision-making body

b. Establishing an Executive Board composed of the Chair of ESMA and a small number of full-time independent members. It will take all decisions towards individual supervised entities. The BoS would ensure some NCAs involvement, and it would still be able to provide its opinion on any

decision about directly supervised entities. This model would be similar to the one designed for the Anti- Money Laundering Authority (AMLA).

c. A governance model based on the current setting of direct supervision as for example for CRAs. In this model, ESMA would become the sole direct supervisor without any direct participation of NCAs' staff in the authorisation and ongoing supervision. All EU NCAs would remain involved in all supervisory decisions through the BoS approval process, regardless of whether they are home NCA or not. When it comes to day-to-day supervision, this should be performed by ESMA staff. ESMA would be able to decide to delegate certain tasks to NCAs, but would continue to remain responsible for any supervisory decision.

In your view, which governance model is the most suitable and for which reasons (e.g. speed of decision making, inclusiveness of process)? You may differentiate your reply per sector. Please explain your reply.

Governance of the EU authority should be the same for both its regulatory and supervisory powers.

The supervisory models may differ slightly depending on the type of actor supervised, but this should not hinder progress towards direct supervision of market infrastructures at EU level. While we would not recommend a specific supervisory model at this stage, the expertise of NCAs in their daily supervision of market actors and proximity with the industry should be considered fundamental in its future design.

See our answer to Question 2 in section 6.1.

6) Would you envisage a different governance model apart from one of those outlined above? Please explain your reply.

See our previous answer.

## 7.2. Supervisory convergence

Please select the ESA(s) for which you are replying, this selection will apply to all questions included this section.

ESMA

7) Please rate the effectiveness of supervisory convergence tools from 1 to 5 (1 least effective, 5 most effective)

	1	2	3	4	5	No opinion
Breach of Union law	X					
Binding mediation						
Peer reviews						
Emergency powers						
Opinions						
Recommendations						
Product intervention powers						
Inquiries						
No action letters	X					
Guidelines						
Colleges of supervisors						
Coordination groups						
Collaboration platforms						
Warnings						
Questions and Answers						
Supervisory handbooks						
Stress tests						
Union strategic supervisory priorities						
other, please specify						

If you would like to differentiate per areas, please comment.

### 7.3. Increasing the effective use of supervisory convergence tools

Please select the ESA(s) for which you are replying, this selection will apply to all questions included this section.

ESMA

8) Do you think that the current supervisory convergence tools are used effectively and to the extent that is possible?

No

AMAFI believes that supervisory convergence tools could be used more effectively and more often.

In order to overcome national interests and reinforce ESMA's capacity to act in the general interest of the Union, in particular through an efficient use of supervisory convergence tools, we believe that reforming ESMA's governance is a key prerequisite.

AMAFI considers that two tools are of particular importance, the “Breach of Union law” and the “no-action letter”.

Regarding the “Breach of Union law”, we regret that the procedure is never used to its end and the conclusions never made public to avoid pointing out publicly to an NCA. This is unfortunate as we consider that making a case public would help avoid its recurrence.

With regards to the “no-action letter”, its scope is too narrow, which makes its use too restrictive. We consider it is a critical tool given the length and rigidity of the EU legislative process. The use of the no-action letter is essential in situations where existing rules prove inadequate or misaligned with rapidly evolving market conditions or regulatory developments. Its scope should therefore be broadened.

In the case of the Derivative Trading Obligation (MiFIR review), a no-action letter with a broader scope would have been extremely useful to preserve the competitiveness of EU actors.

Since 1 January 2021, EU financial institutions based in countries that require derivatives to be traded on a domestic (or equivalent) platform, as is the case in the UK, have been at a competitive disadvantage. As these institutions are also subject to the European obligation to trade the most liquid derivatives on an EU platform (or an equivalent platform in a third country), they are forced, in the absence of mutual recognition, to conclude their transactions with UK counterparties on US platforms, the only ones recognised as equivalent by the two jurisdictions. As a result, the market share of European institutions based in the UK has steadily declined in favour of their non-European competitors, who do not have to comply with the European DTO.

While the MiFIR review introduces a suspension of the EU DTO, it has still not been implemented. This case highlights that given the length of the EU legislative process, it is of utmost importance to empower ESMA to issue no-action letters to suspend the application of EU rules when appropriate.

**9) Do you think that the current governance and decision-making processes within ESAs provide sufficient incentives for the use of supervisory convergence tools?**

No

**If your answer is no, what governance changes would you propose to increase the usage of supervisory convergence tools as well as the accountability and transparency of ESAs in using these tools?**

- **Move supervisory convergence decision to a Supervisory Committee as described above in the governance section**
- **Move supervisory convergence decisions to an Executive Board as described above in the governance section.**
- **Other (please explain).**

We do not believe that the current governance and decision-making framework within ESMA provide sufficient incentives for the use of supervisory convergence tools.



In taking decisions, the BoS members face two particular challenges: (i) the need to understand issues that are often highly technical and (ii) ensuring that national interests do not unduly interfere. As such and while simple majority voting may appear to be the most “democratic” approach, it does not reflect the reality of financial markets in Member States, which vary widely in size and complexity.

For this reason, we believe that new voting arrangements should be considered that reflect the heterogeneous weight of the financial markets of the Union and the different areas of expertise of each national market authority. We also consider that, as is the case with simple majority voting, abstentions should never count as a vote for or against, regardless of the matter being voted on.

In our view, it is also necessary to replace the existing Management Board by an Executive Board with greater executive power. Similarly to the governance of the Anti-Money Laundering Authority, an Executive Board composed of selected independent members would enable ESMA to take more agile decisions.

With regards to the selection criteria of the independent members, we consider it critical to ensure that they have appropriate professional experience. They must be chosen for their competence, have a very solid background in supervision while not working for their NCA anymore to overcome political difficulties that can be encountered at Council level.

**10) How could the mandate of the Chair and Executive Director of ESAs be modified to allow them to act more independently and effectively in promoting supervisory convergence?**

- Prohibition of re-election
- Longer term.
- Other (please explain).

We do not believe that the proposed changes are relevant. We consider the main issue relates to the nomination process of the Chair and Executive Director.

We regret the lack of transparency on the process (criteria taken into account, etc.) and the fact that it is primarily a political decision between some Member States.

**11) [For NCAs] Did resource constraints ever hinder or prevent the use of supervisory convergence tools? Y/ N**

**Please give examples**

No comment

#### 7.4. Enhancements to existing tools

Please select the ESA(s) for which you are replying, this selection will apply to all questions included this section.

ESMA

12) Do you see limitations or weaknesses in supervisory convergence tools in addressing significant divergences in supervisory practices between NCAs?

Supervisory convergence tool	YES	NO
Breach of Union law	X	
Binding mediation		
Peer reviews		
Emergency powers		
Opinions		
Recommendations		
Product intervention powers		
Inquiries		
No action letters	X	
Guidelines		
Colleges of supervisors		
Coordination groups		
Collaboration platforms		
Warnings		
Questions and Answers		
Supervisory handbook		
Stress tests		
Union Strategic Supervisory Priorities		
other, please specify		

If the answer is yes, please explain why and in which specific areas.

If your answer is yes, what concrete changes would you propose to address the limitations or weaknesses flagged and make these tools more effective?

Supervisory convergence tool	Potential improvements
Breach of Union law	As per our answer to question 7.3.8, we are under the impression that ESMA does not want to fully use this tool to avoid pointing publicly to a Member State. This is highly unfortunate as it could help increase supervisory convergence.
Binding mediation	
Peer reviews	
Emergency powers	
Opinions	
Recommendations	
Product intervention powers	
Inquiries	
No action letters	On the use of no action letter, we call for broadening the scope to facilitate its use as per our answer to question 7.3.8.
Guidelines	
Colleges of supervisors	
Coordination groups	
Collaboration platforms	
Warnings	
Questions and Answers	
Supervisory handbook	
Stress test	
Union Strategic Supervisory Priorities	
other, please specify	

13) ESAs founding regulations and sectoral legislation lay down the requirements to delegate tasks and responsibilities both from NCAs to ESAs or from ESAs to NCAs. This tool has been rarely used. What kind of changes would be warranted to increase its usability?

Please explain, highlighting benefits and downsides

No comment

#### 7.5. Possible new supervisory convergence tools

Please select the ESA(s) for which you are replying, this selection will apply to all questions included this section.

ESMA

**14) Do you see limitations in the current supervisory convergence tools to address home/host issues?**

**Y/N. If the answer is yes, please explain:**

- what potential measures could be introduced to assess and ensure the effectiveness of home and host supervision in a given sector
- for which sectors would you support the new measures
- the cost and expected benefits of these new measures

No comment.

**15) In the context of supervision of products or of conduct of business rules, supervisory convergence powers could be reinforced. The ESAs may identify cases where home supervision is deemed ineffective either through ongoing monitoring or in response to a specific complaint. For example, the ESAs could be given the power to issue an opinion/binding advice regarding ineffective national supervision to avoid that products or entities are granted access to the EU-market without adequate supervision. Do you think that ESAs should be empowered to issue an opinion in cases where national supervision is deemed ineffective?**

**Y/N**

No comment.

**16) Do you think that ESAs should be empowered to issue a binding advice in cases where national supervision is deemed ineffective?**

No

**If your answer is 'no' to the questions above, please explain why. If your answer is yes, please specify in which areas**

ESMA should not be empowered to do so until its governance has been reformed.

**17) What would be the cost and expected benefit of such a system?**

No comment

**18) Are there additional supervisory convergence tools that should be introduced? Please provide an example and explanation.**

We believe that ESMA has sufficient tools available. One should focus on using them effectively and broaden the scope of no-action letters. The effective use of these tools is directly linked to the decision-making process which we consider critical as per our answer to question 7.3.9.

