ICMA

International Capital Market Association

International Capital Market Association comments on European Commission Legislative package on market integration and supervision from 4 December 2025

March 2026

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Introduction

A. General Remarks

ICMA promotes well-functioning cross-border capital markets, which are essential to fund sustainable economic growth. It is a not-for-profit membership association with offices in Zurich, London, Paris, Brussels and Hong Kong, serving around 640 member firms in 71 jurisdictions globally. Its members include private and public sector issuers, banks and securities dealers, asset and fund managers, insurance companies, law firms, capital market infrastructure providers and central banks. ICMA provides industry-driven standards and recommendations, prioritising three core fixed income market areas: primary, secondary and repo and collateral, with cross-cutting themes of sustainable finance and FinTech and digitalisation. ICMA works with regulatory and governmental authorities, helping to ensure that financial regulation supports stable and efficient capital markets.

ICMA's main mission is to contribute to overcoming fragmentation, to foster cross-border market activities, to help harmonising rules and bringing market operators together. As such, ICMA is a strong supporter and promoter of the EU single market.

The present proposal for a Market Integration Package has merits as it aims to eliminate barriers and encourage innovation. Another important principle that should inform the legislation process is simplification.

The practical next steps are (i) that the package successfully passes through the legislative process within a reasonable time frame, and (ii) the European Commission takes in 2026 additional steps, in particular on the 28th regime, SRD3, etc.

Two important considerations are that (i) the entirety of the legislative proposals have been bundled in a package, and (ii) the Union no longer has the luxury of time. This has several consequences. First, complemented by well calibrated Level 2 mandates, measures in the package must be effective as rapidly as possible. By contrast, provisions that create the risk of undesired but predictable consequences must be avoided. Second, because those texts that are modified by the package are unlikely to be reopened quickly thereafter, the review must be large and ambitious enough. Third, competitiveness of EU markets and EU market participants must be at the core of proposals and should typically be integrated in ESMA's mandate. Finally, we believe the package should be negotiated swiftly and as a whole in order to avoid a multi speed approach as far as political discussions are concerned. The point is that positive steps need to be taken at different levels. Taking steps at one level without taking steps at another level may well mean that the steps taken have little impact. To give an example of this point: technical changes at the level of access to market infrastructure (of which the package has several positive proposals) may not have a major impact if there are barriers and sources of fragmentation at other points in the custody chain. For this reason, it is important to tackle restrictions on the provision of custody services.

The Market Integration Package should also be used as an opportunity to implement the Better Regulation Approach, notably through a more stringent application of Lamfalussy process, where Level 1 should be kept principles-based and objective-driven, Level 2 should define the modalities for the implementation of such principles while trying to minimise the impact for market participants and users to reach the set objectives, and Level 3 should be used to calibrate the parameters defined at Level 2. With this in mind, for instance, MiFIR provisions regarding the transparency framework for bonds and OTC derivatives should be drastically simplified at Level 1, and most of current provisions should be moved to Level 2.

In certain market segments, scale and standardisation can enhance operational efficiency and facilitate seamless cross-border interactions. The integration of EU markets under the MISP has the potential to further these advancements, promoting a more cohesive and effective financial ecosystem. To ensure that these developments yield positive outcomes for all market participants, it is essential to prioritize transparency and robust governance practices. This approach will help foster user confidence and support the successful implementation of integrated services across the EU.

Here is a non-exhaustive list of good proposals: (i) ESMA's increased supervisory role (ii) digital (DLT pilot regime), (iii) issuer access to CSDs (CSDR Articles 23 and 49), (iv) trading party access to infrastructure (including choice of settlement location), and (v) conversion of SFD to SFR (and extension of scope).

In the context of **international competitiveness,** third-country items (for example, the third-country recognition and equivalence regimes) should also be considered in reforming ESMA's mandates so that we can get a single voice of the EU capital markets internationally.

On the post-trade domain, ICMA appreciates all points that make the market more coherent without increasing bureaucracy, without gold-plating.

Overall, ICMA strongly supports the objectives of the proposals which aim to reduce fragmentation in the post-trade space and address barriers to a more integrated European post-trade space. In this context, we would stress that these are long-standing and complex issues that a number of subsequent EU-level initiatives have tried to address over the past decades, from the initial Giovannini group to the more recent European Post-Trade Forum (EPTF) which finalised its report in 2017. ICMA has been actively involved in these groups, have been highly supportive of the objectives, and have advocated for political follow-up to address the various barriers that have been identified. So far, progress in tackling those barriers has been limited, including as those relate to issues that require a political solution. The renewed focus through the current MISP initiative is therefore highly welcome and a great opportunity to finally accelerate progress towards a more integrated European post-trade space.

In order to ensure success, it will be important to build on the past work and carefully consider existing proposals. Besides the work by the previous EU-level expert groups, we would highlight the extensive ongoing work of the ECB's AMI-SeCo group on post-trade barriers and in particular the related report on Remaining barriers to integration in securities post-trade services – issues and recommendations which was published in September 2025. The report includes a long list of very concrete proposals and recommendations, many of which require political action. We strongly recommend undertaking a detailed mapping between the MISP proposals and the measures identified in the AMI-SeCo report in order to identify gaps and complement the MISP measures as part of the ongoing legislative process. We note that the AMI-SeCo has already initiated such a review of the MISP proposals in order to identify gaps and would urge policy makers to take any findings from this analysis seriously and consider amending the initial MISP proposals accordingly.

I. Master Regulation

1. ESMA's New Role: From Convergence Coordinator to significant Pan-European Infrastructure Supervision

ICMA wishes (i) to stay at a relatively high-level, and (ii) to be supportive of steps to achieve some of the high-level features of a single market, namely, (a) common rules, (b) a common interpretation of the rules, and (c) a common application of the rules.

Individual market participants may well see an interest in being subject (for interpretation and application of the rules) to just one NCA. But there is also a collective interest in having a single market, and in achieving (a), (b) and (c). It is difficult to argue that the status quo has achieved (a), (b) and (c).

Embedding competitiveness in ESMA's mandate for regulatory purposes

ICMA consider the integration of competitiveness into ESMA's mandate to be of critical importance, given the central role played by the Authority in providing technical support to the Commission's work on legislative proposals as well as for the drafting of level 2 and 3 texts. Competitiveness for regulatory purposes should be a secondary objective to the Authority's primary objective of financial stability, thereby ensuring that any new rule does not unnecessarily impact EU market actors' ability to compete effectively on the global stage.

ESMA would be mandated to take those objectives into account when exercising its tasks and using its powers (as per its Founding Regulation Chapter II). Given that the UK, one of the Union's main partners and competitors, has granted the FCA a secondary objective relating to competitiveness, **ICMA call on the Commission and EU co-legislators to closely examine how this mandate operates in practice.** KPI can be reported to the EU Parliament.

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

(i) **Elaborating ESMA's approach to international competitiveness and growth of the EU in the medium to long term:** this should entail both the growth and attractiveness of EU markets on the global stage and creating stronger EU-based firms to compete effectively in international markets. ESMA would be mandated to take into account those objectives when exercising its primary mandate and ensure that the EU regulation under the responsibility of ESMA does not unduly either damage the EU markets attractiveness or threat the fair competition on global markets between EU investment firms and those based in third countries.

(ii) **Defining competitiveness as a secondary objective:** This means that such an objective would complement ESMA's primary objectives in terms of financial stability, market integrity, investor protection and therefore would be pursued as far as reasonably achievable and in alignment with existing EU and international regulatory standards. It also means that it is scope-limited only to the regulatory functions of ESMA (rule making, general guidance, policy setting) but not to the individual decision making, supervision and enforcement responsibilities.

(iii) **Proactively monitoring key metrics and collect feedback from regulated firms, trade associations or other representative bodies:** in order to compare actual with intended outcomes; using primarily regulatory data already collected or other possible sources of data gathered via stakeholders' feedback/engagement.

(iv) **Strengthening ESMA's accountability vis-à-vis the EC and co-legislators,** notably through the publication of an annual report and the organisation of hearings of the Authority's Chair before Council representatives and MEPs sitting in the ECON committee. ESMA should measure and report progress on how its actions embed growth and competitiveness and contribute to the wider economy.

The proposed adjustment to ESMA's mandate should be accompanied by a review of its internal governance and decision-making process. In this regard, **ICMA welcome the establishment of an independent Executive Board** while believing that its remit should not be limited to supervisory decisions. **It should rather be extended to cover ESMA's regulatory work.**

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

Article 22d provides that relevant NCAs will continue to be involved in the authorization and supervision of significant EU FMIs. Based on the criteria outlined, a significant FMI could be co-authorized and co-supervised by multiple authorities alongside ESMA. This is in addition to the cooperation arrangements with the central banks of issue for the relevant EU currencies. We fully recognise that NCAs and central banks of issue should retain important roles in CCP oversight, and we support broad regulatory input into ESMA's decision making. However, in line with Article 22b – which removes colleges for significant CCPs – we caution against creating a structure that risk undermine the objectives of reducing complexity and strengthening EU competitiveness. It will be essential to ensure that the new supervisory architecture does not unintentionally duplicate existing processes or reintroduce the overlapping arrangements experienced today. We therefore recommend mirroring mechanisms like ESMA's CCP Supervisory Committee, which allows EU CCPs to work with a single interlocutor while still ensuring appropriate involvement from all relevant authorities.

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

- **Systematically engaging with market participants at an early stage of policy development,** including for Level 2 and 3 texts.
- **Ensuring that Standing Committees meet more frequently and issue written and public contributions on key issues** where industry expertise would provide meaningful added value.

Supervisory convergence tools

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

We welcome the extension of the scope of the no action letters given their critical role in situations where existing rules prove inadequate or misaligned with rapidly evolving market conditions or regulatory developments. Such flexibility is essential to enhance the attractiveness of EU capital markets and to strengthen the competitiveness of EU market participants. In order to gain further flexibility with their issuance, we **call for:**

(a) deleting "unforeseen situations" in paragraph 1. in Article 9a of ESAs regulation.

(b) adding the possibility for ESMA to issue a no-action letter to deal with unlevel playing field situations that adversely affect EU firms. This can be achieved by amending the new paragraph (e) of Article 9a as follows *"where significant market developments lead to a disproportionate burden of compliance with a specific requirement set out in one of the legislative acts referred to in Article 1(2),* ***or where such market developments may threaten the fair competition between firms based in the Union and those based in third countries."***

ICMA also support the possibility for the EC to suspend RTSs or ITSs in specific circumstances. This would contribute to bringing more agility to the EU regulatory framework. However, in case of suspension of level-2 texts, we strongly believe that ESMA should be required to consider the implication of such a suspension on existing level-1 texts. After that assessment, ESMA should be able (for example using its new no-action letter powers) to give comfort to the industry (including buy side and sell side) as to a deprioritisation of supervisory actions in relation to the relevant level-1 texts.

All of these tools should be suitably agile to enable **swift action,** thereby preventing EU firms from losing competitiveness as a result of the Union's multi year, multi-level level legislative process.

Finally, in the absence of a provision in the ESA regulations allowing them to take deprioritisation measures themselves, we consider, at the minimum, that the ESAs should be clearly empowered to invite NCAs to deprioritise supervisory actions in relation to provisions that give rise to short-term difficulties.

Asset Management Supervision

a) **Enhanced ESMA powers in addressing cross-border supervisory issues and suspending cross-border activities**.

We welcome the intention of addressing cross-border supervisory issues by shifting a large part of provisions regarding the Cross Border Distribution of Funds from the Directive (EU 2019/1160) as well as some provisions from the UCITS and AIFM Directives, to the Cross Border Distribution of Funds Regulation (EU2019//1156), thus enhancing EU Single Market Integration and limiting gold-plating between NCAs.

However, we remain cautious on granting ESMA new direct supervisory powers when addressing supervisory issues would be best achieved by supporting ESMA's role in supervisory convergence and coordination. The approach proposed by the European Commission risks increasing supervisory complexity and worse supervisory outcomes without resolving home/host issues.

Additional procedural layers may substantially delay resolution of cross-border issues and create uncertainty where ESMA intervenes after products or services have already been launched, potentially requiring remediation, suspension or restructuring.

Such an approach may ultimately lead to greater legal uncertainty, duplication of supervisory processes and reduced clarity of accountability between ESMA and NCAs, thereby undermining market efficiency and investor protection.

By contrast, the proposed centralised supervisory data platform is a strongly welcomed initiative where ESMA is empowered to play a key role in facilitating data sharing and improving information flows between the Management Companies, NCAs, and ESMA. In addition to making more use of existing supervisory convergence tools, making ESMA a Single Data Hub at EU level would be a key prerequisite before considering granting ESMA new supervisory powers.

Safeguards are needed to prevent drift into direct ESMA supervision. The text should confirm that:

- **ESMA recommendations are limited to supervisory convergence (not firm-specific outcomes),**
- **any corrective action remains a home-NCA decision subject to national administrative safeguards; and**
- **ESMA power do not automatically escalate where an NCA takes a reasoned different view.**

Without these clarifications, the proposed structure could result in direct supervision in practise, even if not labelled as such.

b) **Funding and cost neutrality**

Cost neutrality should be prioritised in any revised funding model. There is concern that the updated framework could impose additional financial burdens on firms without a corresponding reduction in national supervisory costs. Firms should not be required to pay two layers of fees — one to NCAs and another to ESMA — for substantially the same supervisory activities. Any new central ESMA fee should therefore be offset by a commensurate reduction in NCA fees, at a minimum to ensure cost neutrality.

Supervisory authorities should also be held to the highest standards of integrity and rigour in budgeting, particularly from a value-for-money perspective. In addition, the expansion of ESMA's mandates under this package risks diverting resources from its core objectives of promoting market efficiency and supervisory convergence.

c) Identification of large EU Groups by ESMA

The introduction of "large EU groups" which would be subject to annual ESMA reviews appears intended to deepen supervisory insight into the cross-border operations and group structures of large asset managers.

While we recognise this objective, we consider that it could be pursued more effectively through fuller use of the existing supervisory convergence tools, many of which remain underutilised. By contrast, the proposed approach raises a number of practical challenges:

Firstly, the categorisation of "large EU groups" by ESMA would be based on aggregate EU AuM > EUR 300bn and "significant cross-border activity":

- Aggregate AuM alone does not reflect complexity, systemic relevance, or supervisory risk and is a weak proxy for the specific policy concern the regime is meant to address i.e. frictions and inconsistencies in cross-border supervision.
- The current formulation risks capturing firms whose activities remain overwhelmingly concentrated in their home member state, despite exceeding the AuM threshold, thereby diverting supervisory attention to "false positives" that do not create meaningful cross-border supervisory challenges the regime seeks to address.

Secondly, what passes for "significant cross border activity" today may indeed shift over time, particularly if the single market objectives of the MISP are achieved.

Thus before fundamentally changing the existing supervisory architecture and adding complexity without ensuring fair and consistent supervisory outcomes, priority should instead be given to ESMA as a Single Data Hub and strengthening the use and effectiveness of existing supervisory convergence tools. Further recommendations below:

Q&A's: They are often issued without prior industry consultation, they are non-binding but are often treated as mandatory by supervisors resulting in legal uncertainty. They should be updated less frequently and contradictions should be clarified. If developed with thorough industry consultation, Q&As would play an important role in clarifying rules. This would facilitate their implementation and application by asset managers, and not cause any unintended confusion.

No action letters: No action letters should be used more frequently to facilitate ESA's to temporarily suspend certain EU legal requirements. Their scope could be expanded to manage crises, temporary exemptions, implementation delays, and reduce regulatory divergences that harm EU firms' competitiveness and financial stability.

Peer reviews: Peer reviews are an interesting tool that may also be used on a more frequent basis. However, the key focus should be on the effective actions taken by the ESAs following the conclusions of the review process.

Coordination groups and collaboration platforms: Proactive convergence mechanisms, such as coordination and collaboration, could be a very effective platform to address industry problems and differences in regulatory approaches. Proactive measures could help prevent issues before they arise and improve overall regulatory effectiveness.

Guidelines: ESAs should work to ensure that the use of this tool does not lead to any confusion of the application of Level 1 and Level 2 legislations. The guidelines should ensure to address only the specificities they are mandated to address in the Level 1 text which would avoid any unintended inconsistencies between level 1 and level 2 texts.

Secondments and staff exchanges between National Competent Authorities (NCAs), as well as between NCAs and ESMA, should be strengthened and systematised.

In practice, Level 2 measures and Q&As can become excessively granular, in part reflecting a perceived need to limit supervisory discretion at national level. This dynamic may be linked to insufficient mutual trust and limited insight into peer supervisory approaches.

Establishing structured and recurring staff exchanges would foster greater mutual understanding of supervisory cultures, methodologies and constraints. Over time, this would contribute to building trust across authorities and support more consistent monitoring and supervisory convergence, reducing the perceived need for over-prescriptive technical detail in regulatory measures.

d) Annual ESMA review of large EU groups

UCITS Art. 110b (3) – (6) and AIFMD Art. 47a(3)-(6) require ESMA to conduct at least annual reviews of supervisory approaches applied to large EU "groups". **We do not support this proposal and suggest that need to have reviews should be reassessed only once ESMA has established a fully operational and centralised data hub enabling efficient data sharing and consistent interpretation between ESMA and NCAs**.

We have concerns regarding the proportionality of annual ESMA reviews of large cross-border asset managers, as this would materially increase the risk of double supervision and conflicting supervisory expectations. Delegated functions within an asset management company are already performed by authorised entities subject to supervision by their home NCA, and many large asset managers are also subject to consolidated reporting at EU level through banking group supervision under the EBA framework. Introducing an additional annual ESMA layer would therefore increase administrative complexity without clear supervisory benefit.

There is a significant risk that such reviews would evolve into a de facto entity-level supervisory layer, rather than serving as a tool for supervisory convergence. In particular, the mechanism by which ESMA findings can translate into "recommendations" to NCAs, coupled with an expectation of "corrective actions" within a fixed one-year implementation window, would in practise operate as an EU-level direction on firm specific outcomes. This would overlap with existing NCA reviews, inspections and risk assessments. That design risks shifting ESMA from a convergence coordinator into an outcomes-driving supervisor of large entities, despite policy messaging that ESMA would not directly supervise fund managers.

Before considering the introduction of an ESMA annual review or new supervisory capacities, ESMA's role should be enhanced first by making it an operational and centralised Single Data Hub at EU level:

A single EU-level reporting channel to ESMA would significantly reduce costs and operational complexity for fund managers. The current requirement to report similar fund data to multiple NCAs across jurisdictions creates duplication and administrative burden. A centralised reporting framework would streamline submissions while providing ESMA with comprehensive EU-wide data, enhancing market oversight and supervisory convergence.

This role would complement the progressive implementation of the European Single Access Point (ESAP) and aligns with the European Commission's objective of strengthening competitiveness through simplification and reduced reporting duplication.

2. The case for a consolidated tape for bonds

The MISP also strengthens the consolidated tape for equities, but the direction of travel carries implications for the bond tape as well. ICMA has consistently advocated for the introduction of a consolidated tape for bonds, supported by a well-calibrated deferral regime. This should help market participants to access bond market data at an affordable level, and therefore help to increase participation in bond markets, with the ultimate goal to increase competitiveness for EU bond markets in the international context.

3. MiFIR: Addressing undesired effects of the EU – UK divergence

The European financial industry is faced with a gradual divergence between EU and UK rules in a certain number of fields.

Typically, the rules for the post trade transparency of non-equity transactions, and notably the deferral for publication, have been recalibrated in the UK (as part of the UK wholesale markets review), and in the EU (under the MiFIR/D review), with application from 1st December in the UK and from the 2nd of March in the EU. The new rules translate into significantly shorter deferrals in the EU compared to the UK in some instances.

In parallel to this, the EU and the UK have each selected a provider to implement a Consolidated Tape for bonds.

In this context, duplicative reporting of transactions would raise issues in terms of reliability of the consolidated tapes, readability of markets for investors and competitiveness of intermediaries mandated to report their trades under both EU and UK regimes.

Currently, ESMA's 2020 Opinion and assessment on third country trading venues (TCTVs) removes that risk for transactions executed on third country venues.

The present MISP proposal integrates the Opinion at Level 1, but only for OTC derivatives.

ICMA recommends that the Opinion (i) be extended to transactions reported through third country approved publication arrangements (TCAPAs) and (ii) be integrated at Level 1, or, for simplification purposes, at Level 2, for both bonds and OTC derivatives, and for transactions executed on eligible TCTVs or reported through eligible TCAPAs.

4. CSDR Reform: Rebuilding the Foundation of Cross-Border Bond Settlement

ICMA welcomes the proposed reforms to the CSDR as it will bring more transparency, efficiency, and technological innovation to post-trade processes.

T2S and CSD hubs

ICMA members support the creation of a 'CSD hubs' model and strongly supports measures that increase the use of T2S as we urgently need to bring more volume to the current "empty highway". To fully realise these benefits, it is crucial to avoid the creation of a complex model of overlapping infrastructure links. The introduction of a CSD hub concept is the endorsed solution to this challenge, offering a streamlined and rationalised approach to market connectivity. While this hub model provides a robust structural framework, the primary strategic focus must remain on deepening direct T2S connectivity to maximise the platform's core advantages increased settlement efficiency, and enhanced capital and liquidity management.

However, we would ask to consider that what solves fragmentation in the EU internal market, can be a barrier to the EU's link to the global capital market. The European international CSDs (ICSDs) serve predominantly non-Euro currencies and would therefore not be able to have access to central bank money accounts for all asset classes in the EU. To avoid this issue, ICMA proposes for exemptions to apply in situations where there is no client interest in central bank money settlement in EUR, and in situations where the central bank refuses access to open an account, as is the case - for example - for Argentinian and Japanese securities. In these cases, central bank money is neither practical nor available.

Additionally, in regard to CSD connectivity, the scope of assets covered by Article 48a should be clarified, in particular with respect to the obligation for CSDs to "ensure that all financial instruments issued in each of the CSDs involved are available for settlement".

Custodians are very interested in the proposals on settlement internalisation. ICMA understands the Commission has endeavoured to take a balanced position, trying to fill gaps in reporting and price transparency, without mandating structural change in the market. ICMA can recognise the validity of this ambition, but at the same time states that the new

text of CSDR Article 34 (on price transparency for settlement internalisers) should be revised, as it is unclear, potentially (depending on the interpretation of the text) inappropriate, and inconsistent in its application of transparency obligations on CSDs and settlement internalisers. ICMA calls on co-legislators to ensure the rules will get in the direction of the single capital market.

5. EMIR 3.0 Measures: A More Cohesive Clearing Environment

Clearing plays a critical role in Europe's fixed income ecosystem - not only for IRS and other derivatives, but also for repo, which is essential to price formation and liquidity in government bonds.

The MISP

- enhances ESMA's direct supervision of significant CCPs,
- formalises quantitative criteria for supervisory designation,
- requires ESMA to chair CCP colleges for non-significant CCPs,
- expands ESMA's role in interoperability and open access decisions.

Why this matters for fixed income markets:

a) Consistency in margin rules strengthens repo markets Differences in margin methodologies or collateral eligibility criteria can distort repo pricing across borders. A more harmonised supervisory environment reduces these distortions.

b) Better alignment in stress testing Repo market participants have long argued that divergent supervisory expectations across CCPs can create inefficiencies. ESMA's coordinated oversight could lead to more uniform stress-testing frameworks.

c) Greater legal and operational certainty for cross-border clearing.

A predictable clearing landscape supports liquidity provision in government bonds, corporate credit, and derivatives used for hedging. For EU authorities, the objective is clear: strengthen the credibility and attractiveness of EU clearing without forcing the kind of localisation that could fragment global liquidity.

6. Fund Passports: Smoother Cross-Border Bond Fund Distribution

ICMA welcomes the Commission's ambition to facilitate true single market access through 'passporting upon authorisation' through the home NCA. The current fragmentation and layering of additional national pre-notification, de-notification, reporting or documentation obligations beyond the CBDF framework creates friction, legal uncertainty and additional cost, limiting speed to market and product availability.

The proposed ESMA documentation one-stop-shop could therefore facilitate greater transparency and communication between home and host NCAs. To reduce burden, including distribution costs for funds, the platform must facilitate simpler notifications with any requisite IT upgrades funded by existing NCAs/ESMA budgets and not increased regulatory fees.

In the context of ESMA's expanded role in resolving passporting / marketing disputes, while we support stronger coordination by ESMA, this should not result in a de facto veto that is removed from local market realities, particularly as NCAs remain responsible for investor protection in their jurisdictions.

7. Asset Management undertaking structures: Clarifying Delegation Without Undermining Substance

Delegation/ Notion of "EU Groups"

The MISP proposal introduces differentiated treatment of delegation arrangements through the introduction of an "EU group of a management company and AIFM" in UCITS Article 2(1) and AIFMD Article 4(1). This introduces a formal distinction between EU and non-EU entities within globally integrated organisations, despite the fact that governance, risk management and operational structures typically function across jurisdictions at entity level.

This creates a risk that the regulatory concept of an EU asset management undertaking becomes misaligned with how entities are actually organised and supervised in practice, particularly where intra-group third-country entities within the same undertaking perform core or supporting functions for EU management companies. In addition, each asset management undertaking, is organised with its own business model, and it would be challenging to see how a single approach applicable to all entities ("one size fits all") would fit with all Business Models.

This misalignment has practical consequences in the context of delegation arrangements within the same undertaking in particular. Recognising the reality of asset management undertaking structures is particularly important to avoid unnecessary duplication of oversight and reporting requirements where functions are delegated between affiliated entities. Management companies (ManCos) should be able to delegate within the same undertaking without the same supervisory expectations applicable to third party delegations (i.e., outside the ManCo's subsiduary). At present, within the same undertaking, both the delegating management company and the delegated investment manager are required to report substantially overlapping information, often to the same NCA, without a clear rationale for this duplication.

As an alternative to the proposed exemptions for delegations within a same undertaking, we suggest 1) removing introduction of an "EU group of a management company and AIFM " in UCITS Article 2(1) and AIFMD Article 4(1) and 2) replacing the derogation for intra-group arrangements from the delegation regime Articles 13(3) UCITS and 20(6a) AIFMD by an acknowledgement that asset managers should maintain oversight over the delegate within the same undertaking based on a risk-based assessment as already provided through ESMA's Third Party Risks Supervision principles issued in June 2025 as well as the due diligence requirements of the AIFM and UCITS Directives, with the aim of providing a lighter regime for entities belonging to the asset manager:

- Rather than introducing a formal derogation from Articles 13(3) UCITS and 20(6a) AIFMD for intra-group delegation, a risk-based and proportionate approach can be achieved through supervisory channels.
- Existing legal and supervisory frameworks already ensure appropriate oversight and due diligence, including within EU ManCos undertakings. ESMA's *Principles of Third-Party Risk Supervision* (June 2025) already make clear that outsourcing rules should be applied based on the level of risk. Arrangements within the same undertaking often pose lower risks because of shared systems, common controls and better access to information. This can be addressed through lighter supervisory oversight, without a need for a formal exemption in legislation.
- This is further underscored by the proposed amendment to Article 20(3) AIFMD, which confirms that AIFM liability persists where asset management undertaking entities are relied upon, even outside the formal delegation framework.

Moreover, ManCo undertaking arrangements leverage the best skills through "pools of expertise" available within the undertaking wherever they are located. They are structured with investors' interests in mind while achieving operational efficiencies that ultimately lead to lower costs for investors.

8. DLT and innovation: Laying the Groundwork for Digital Fixed Income Markets

The proposals relating to DLT and innovation in the SIU MISP are generally considered favourable for scaling digital (DLT-based) bond markets, and fall broadly in line with ICMA's recommendations. These include:

- A substantial increase in the scope of the DLT Pilot regime, especially with the (i) inclusion of new services, participants, and DLT settlement schemes, (iii) clarity on its duration, and (iii) rework and increase of its thresholds (with additional flexibility to make adjustments); and
- Amendments to sectoral legislation (primarily through changes to the CDSR) and the new Settlement Finality Regulation, which place DLT-based securities and traditional securities on mostly equal footing, reducing fragmentation in the market.

To ensure that the DLT Pilot Regime stays fit for purpose as the market develops, the delegation of powers to the Commission to further amend the maximum aggregate market value thresholds should also be extended to the permitted activities and participants that may take part in it.

ICMA members have raised concerns that the changes outlined in the MISP package are not sufficient at this stage:

- Given the proposed changes are not expected to enter into force before 2027 at the earliest, there is a risk that the EU may fall behind other jurisdictions. ICMA therefore supports the fast-tracking of the DLT and innovation aspects of the SIU MISP, to ensure the current proposals stay fit for purpose and up to date in light of competitive dynamics and the pace of change of technology.

While clarity on the DLT Pilot Regime's duration is deemed positive, the co-existence of a DLT-specific regime alongside the traditional framework is perceived to create a bifurcated market structure. This gives rise to additional complexity for established market participants such as potentially duplicative licensing requirements and additional supervision by ESMA.

9. Funding and Governance: A More Cohesive European Supervisory Architecture

- Centralised supervision may result in higher costs for market infrastructures. ICMA suggests that a clear and transparent cost-benefit analysis is necessary to assess the overall impact of the proposed supervisory changes.
- While market surveillance would remain with national authorities and central banks would retain their prudential and other supervisory responsibilities, ICMA notes that it remains unclear whether supervisory fees for market infrastructure would increase or remain unchanged. Further clarification on the fee structure would therefore be welcome.
- Centralised supervision could have positive effects in terms of greater convergence across significant FMIs at EU level.
- Overall, the proposal should aim to reduce regulatory burden and enhance the competitiveness of EU market infrastructure. This reinforces the importance of conducting a comprehensive cost-benefit analysis.
- ICMA so far stands neutral regarding which authority receives supervisory fees, provided said fees are ultimately levied to the authority in charge of direct supervision.

In relation to ESMA supervisory fee's structure, it is important to maintain sufficient time between the communication of fees and the payment deadline to allow for proper budgeting from one year to the next one. These two steps currently occur too close together, making it difficult to finalize budget calculations for the following year. Information on fee levels should be provided by the end of Q3, with payment only beginning in Q1 of the following year.

10. A More Integrated European Bond Market — If Implementation Keeps Pace

The MISP is not the culmination of the Savings & Investment Union (SIU) or Capital Markets Union (CMU) — but it is one of its boldest steps. The fixed income community stands at the centre of these reforms, because bonds remain the backbone of European capital markets, financing sovereigns, corporates, and public investment alike and providing diversified investment opportunities for retail investors.

If implemented consistently, the MISP could deliver:

- a more resilient and coherent infrastructure for clearing, and settlement,
- better price discovery through meaningful transparency and consolidated data,
- reduced operational hurdles for cross-border bond funds,
- enhanced legal certainty for collateralised transactions,
- and a forward-looking framework for digital bond markets.

These are objectives ICMA has championed for years. The challenge now is execution: aligning supervisory expectations, managing the transition for market infrastructures, and ensuring that new requirements strengthen, rather than fragment, market functioning.

II. Master Directive

Adjustments to the UCITS investment limit in securitisation

Overview

1. ICMA members support amending Article 56(2)(b) of the UCITS Directive to allow UCITS funds to invest more than 10% in an issue of a single securitisation. There are differing view as to the appropriate level of increase and the regulatory route for making amendments.

Many members support raising the 10% threshold above 15%

2. Many ICMA members support increasing the 10% limit and welcome the Commission's interest in addressing the threshold.
3. These members do not believe raising the threshold from 10 to 15% as proposed in the MISP will be an impactful increase. To effect meaningful change in the ability of UCITS funds to invest in securitisations, they would support raising the threshold to more than 15% for all securitisations issued in accordance with the EU Securitisation Regulation.
4. They strongly support addressing any changes to the threshold in the securitisation package of reforms instead of via MISP, as the securitisation package will be implemented more quickly than the MISP reforms.
5. They support the increase of the threshold to 70% for public securitisations that has been proposed by the Rapporteur's draft report (or in the alternative the increase of the threshold to 50% for public securitisations as proposed by the Council). However, as these amendments to the threshold are limited to public securitisations, which are estimated to represent only 35-45% of the liquid securitisations of potential interest to UCITS funds, the usefulness of these increases will be constrained. Therefore, they would support including an additional amendment to raise the threshold from 10 to 15% (or higher) for **all** securitisations issued in accordance with the EU Securitisation Regulation, as proposed by the MISP. They also note that the current threshold is not tied to public securitisations, and there is no mention of "public transactions" in either Directive - 2007/16 - EN - EUR-Lex or ESMA34-2087785638-1548 Final Report on the Technical advice to the European Commission on the review of the UCITS Eligible Assets Directive. This additional amendment to increase the threshold for investing in all securitisations should be included in the securitisation package of reforms, not MISP, so that it can be implemented more quickly.
6. They also acknowledge that robust risk management and diversification is one of the fundamental hallmarks of the UCITS framework, which will be important to maintain through existing UCITS regulation on concentration limits, as well as the general fiduciary duties on managers.
7. Their main reasons for supporting a significant increase to the threshold, some of which are set out in ICMA's SIU response, include that:
    a. The UCITS 10% limit was not designed with securitisations in mind as the limit was imposed two years before the first securitisation occurred in Europe.
    b. The 10% acquisition limit hinders some investors' ability to make larger allocations when investing in a securitisation because securitisation issuances are typically much smaller than corporate debt issuances.
    c. Concerns about concentration of investments by UCITS funds should the 10% threshold be no longer applicable for securitisation special purpose entities (SSPEs) are already addressed by the existing UCITS mutual fund-level concentration limits that will continue to apply (including the UCITS 5/10/40 rule in article 52(2) of the UCITS Directive 2009/65/EC), ensuring that no single investment can dominate a fund's exposure.

See ICMA SIU response, Part II Section 5.8.1 questions 55 -58, pp. 36-37.

8. Some members, although not opposed to a significant increase in the threshold, note that focusing on other key areas such as transparency, due diligence and delegation would be more impactful.

Some other members support keeping the 10% threshold or raising it to 15 or 20%

9. Some ICMA members are supportive of keeping the 10% limit, or raising it to 15% or even 20%, as they believe the well-respected UCITS brand should be preserved. They are concerned that a more significant increase in the threshold could ultimately result in increased concentration of holdings and reduce the liquidity and resilience of the securitisation market, which would impact the reputation of the UCITS brand.

10. In particular, these members note that:

    a. The current limit does not restrict UCITS investments in securitisations for the vast majority of the European industry. Significantly alleviating this limit could lead to a disproportionate market presence and market power of a small number of asset managers.

    b. Increasing the threshold reduces liquidity, as an entire securitisation could be bought by a small number of asset managers, leading ultimately to reduced liquidity in the entire market.

    c. This could force out smaller investors from the market.

11. One member has noted that any proposals to increase the threshold should be included in the MISP, and not the securitisation review package, so that time can be taken to analyse these issues in more depth.

III. Settlement Finality Regulation (and Collateral): Enhancing Market Confidence

Conditions for registering a third country system. Article 14 sets broad requirements, e.g., that a system's governing law "upholds the principles of settlement finality" and that it "complies in all material respects" with global FMI standards. We would welcome greater clarity on how these conditions will be assessed, given that failure to meet any one of them would prevent registration.

Asymmetry in finality protections. Article 1.2 grants settlement finality protections for registered third country systems only to EU "institutions," excluding the wider range of participants a system may admit. In contrast, EU designated systems protect all "participants," including other permitted entities. For consistency, both provisions should refer to "participants".

Conclusion

The direction is clear. Europe is equipping itself with a more integrated, scalable, and future-ready bond market framework as part of the MISP. For issuers seeking efficient access to deep pools of capital, for investors navigating increasingly complex markets, and for intermediaries supporting liquidity and price formation, the MISP represents an opportunity to rebuild the foundations of the European fixed income market for the decade ahead. All these goals are in alignment with ICMA's SIU Call for Evidence response (March 2025), outlining priorities of the SIU for corporates, individuals, the market and supervisory architecture as guided by its members, as well as ICMA's contribution, "Building a stronger European integrated market: ICMA's vision for the Savings and Investments Union" (June 2025) – where these aspects are explored in greater detail.

IV. About the International Capital Market Association (ICMA)

ICMA promotes well-functioning cross-border capital markets, which are essential to fund sustainable economic growth. It is a not-for-profit membership association with offices in Zurich, London, Paris, Brussels and Hong Kong, serving over 630 member firms in 71 jurisdictions. Among its members are private and official sector issuers, banks, broker-dealers, asset managers, pension funds, insurance companies, market infrastructure providers, central banks, and law firms. It provides industry-driven standards and recommendations, prioritising four core fixed income market areas: primary, secondary, repo and collateral and sustainable finance. ICMA works with regulatory and governmental authorities, helping to ensure that financial regulation supports stable and efficient capital markets.

ICMA recognises and supports the important role of regulation in bond market development: creating a level playing field for issuers, investors, intermediaries, and infrastructures; ensuring protection and fairness for investors; maintaining the highest standards of participant behaviour; providing market integrity; creating a nurturing environment for capital formation and investment flows; securing market stability; fostering innovation; and adhering to international standards, while remaining globally competitive.

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