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EU Commission Market Infrastructure Package (MIP) Proposal as part of the Savings and Investment Union (SIU)

The Authority would like to draw your attention to the European Commission proposal, issued on December 4, for a set of amendments to various regulations and directives under the Market Integration Package. The proposed changes are designed to address market fragmentation within EU capital markets, remove barriers, and unlock the full potential of the EU single market for financial services.

The Commission sees this package as a central component of the savings and investments union (SIU) strategy, aiming to create a more integrated, efficient, competitive financial system providing EU citizens better options for growing their wealth and supporting businesses in accessing funding.

More integrated capital markets are essential for fortifying the EU's economic strength and achieving strategic priorities such as competitiveness, digital and green transitions, defence and security. Deeper integration of financial markets is not an end, but a means to create a single market for financial services greater than the sum of its national parts. Simplified access to capital markets reduces costs and makes the markets more appealing for investors and companies across all Member States, irrespective of size.

Despite recent progress, EU financial markets remain significantly fragmented, small and lack competitiveness, missing out on potential economies of scale and efficiency gains. In 2024 the market capitalisation of stock exchanges amounted to 73% of EU GDP, compared to 270% in the US. Financial institutions still face varying requirements and practices across Member States, hindering cross-border operations and restricting opportunities for both citizens and businesses, negatively impacting the economy and the EU's competitiveness.

Key Proposals

Removing Obstacles to Market Integration and Leveraging Scale

The package aims to eliminate barriers to integration in trading, post-trading, and asset management. It seeks to enable market participants to operate more seamlessly across Member States, thus reducing cost differences between domestic and cross-border transactions. Proposed measures include enhancing passporting opportunities for Regulated Markets (RMs) and Central Securities Depositories (CSDs), introducing 'Pan-European Market Operator' (PEMO) status for operators of trading venues to streamline corporate structures and licenses into a single entity or single license format, and

streamlining the cross-border distribution of investment funds (UCITS and AIFs) in the Union.

Facilitating Innovation

The package focuses on removing regulatory barriers to innovation related to distributed ledger technology (DLT). It adapts the regulatory framework to support these technologies and amends the DLT Pilot Regulation (DLTPR) to relax limits, increase proportionality and flexibility, and provide legal certainty, thus encouraging the adoption of new technologies in the financial sector.

Streamlining and Enhancing Supervision

Improvements to the supervisory framework are closely linked to the removal of regulatory barriers. The package aims to address inconsistencies and complexities from fragmented national supervisory approaches, making supervision more effective and conducive to cross-border activities, while being responsive to emerging risks. This includes transferring direct supervisory competences over significant market infrastructures such as certain trading venues, Central Counterparties (CCPs), CSDs, and all Crypto-Asset Service Providers (CASPs) to the European Securities and Markets Authority (ESMA) and enhancing ESMA's coordination role for the asset management sector.

Simplification and Burden Reduction

As seen in previous SIU measures, the package will simplify the capital markets framework further by converting directives into regulations, streamlining level 2 empowerments, and reducing national options and discretions to prevent gold-plating.