

Targeted consultation on integration of EU capital markets – Part 1

BlackRock is pleased to have the opportunity to respond to the Targeted Consultation on Integration of EU Capital Markets, issued by the European Commission.

BlackRock supports a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets while preserving consumer choice and assessing benefits versus implementation costs.

We appreciate the opportunity to provide feedback on the matters addressed in this consultation and will remain engaged with the European Commission on these related topics.

We welcome further discussion on any of the points that we have raised.

1. Simplification and burden reduction

The focus of this targeted consultation is to remove barriers to enhance the integration of the EU capital markets and to support their modernisation. By doing so, it will contribute to simplify the framework of EU capital markets and support the Commission's initiative to make Europe faster and simpler. This section seeks stakeholders' view on general questions regarding simplification and burden reduction of the EU regulatory framework in the trade, post-trade and asset management and funds sectors. Respondents are asked to provide concrete examples to support answers provided, and, where possible, quantitative and qualitative information.

Question 1. Is there a need for greater proportionality in the EU regulatory framework related to the trade, post-trade, asset management and funds sectors?

- ☐ 1 - Strongly agree
- ☒ 2 - Agree
- ☐ 3 - Neutral
- ☐ 4 - Disagree
- ☐ 5 - Strongly disagree
- ☐ Don't know / no opinion / not applicable

Question 1.1 Please explain your answer to question 1 and provide suggestion on what form it should take:

There are a number of ways to approach proportionality in the application of regulation. One of the most relevant approaches, which is frequently absent in much of the current regulatory framework, is considering proportionality in respect of a firm's structure or operational environment.

Existing regulation already allows for proportionality in intra-group arrangements, and there is a need for better implementation of these provisions rather than introducing new legal concepts. For example, the extent to which a firm has developed and/or can access technology platforms to comply with regulatory obligations. Companies within the same group may often use the same IT platform or data environment to comply with regulatory requirements in multiple jurisdictions. Provided the group meets its regulatory obligations under DORA to ensure robust operational resilience, proportionality could be applied by recognizing the risk mitigation and economies of scale delivered through integrated group systems without requiring replication of the full range of human resources in each jurisdiction in which it operates. This would be feasible as long as the group can satisfy its NCAs that it meets regulatory obligations efficiently and in a timely manner.

Regulations should aim to support the adoption of technology, which can improve efficiency, enhance risk management, and deliver better overall outcomes for investors. Considering proportionality in a broader sense may encourage firms to innovate their operational processes further, allowing them to leverage technology to achieve cost efficiencies and better risk management.

Question 2. In particular, in relation to question 1 above, should the [Alternative Investment Fund Managers Directive \(AIFMD\)](#) threshold for sub-threshold AIFMs take into consideration for instance the market evolution and/or the cumulated inflation over the last 10-15 years?

- ☐ 1 - Strongly agree
- ☐ 2 - Agree
- ☐ 3 - Neutral
- ☐ 4 - Disagree
- ☐ 5 - Strongly disagree
- ☒ Don't know / no opinion / not applicable

Question 3. Would you see a need for introducing greater proportionality in the rules applying to smaller fund managers under AIFMD?

- ☐ 1 - Strongly agree
 - ☐ 2 - Agree
 - ☐ 3 - Neutral
 - ☐ 4 - Disagree
 - ☐ 5 - Strongly disagree
 - ☒ Don't know / no opinion / not applicable
-

Question 4. Are there any barriers that could be addressed by turning into a Regulation (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 \(SFD\)](#)

- ☐ 1 - Strongly agree
- ☐ 2 - Agree
- ☐ 3 - Neutral
- ☒ 4 - Disagree
- ☐ 5 - Strongly disagree
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 4:

Our understanding is that key directives in the asset management sector such as UCITS, AIFMD, and MiFID were set up to allow flexibility reflecting different market conditions or conduct requirements across Member States. This has, over time, led to significant gold-plating by member state governments and NCAs. We believe that the end outcome of any review into the status of texts as directives or regulations should be a significant reduction in national gold-plating of directives, which currently gives rise to additional costs (by requiring cross-border firms to check the rules in each jurisdiction to ensure effective compliance). We also note that the impact is not always caused by Level 1 text but also by different national interpretations of Level 2 RTS and Level 3 Guidelines, where we believe greater effort should be given to ensure that the drafting of the text can be applied consistently. National gold-plating hinders consistent operational processes and product standards across the EU, leading to additional complexity and inefficiency.

The process of transforming a directive into a regulation is not, however, a straightforward process – for example, the UCITS Directive provides Member States with a number of national options, for example, in investment rules and limits to accommodate the specificities of national markets. Unless there is widespread consensus on removing the in-built optionality, the process of retrofitting a directive into a regulation could quickly become a complex political process. For example, in MiFID, the flexibility allowed to Member States to ban or retain the payment of inducements is a reflection of significant differences in distribution structures, which cannot be solved by a move to a regulation. This underlines the point that if a move to a regulation is considered, the benefits of such a move would only be reaped if there is no local variation per jurisdiction. This point is not limited to capital markets legislation but also to other EU legislation.

Before any decision is made to recast a directive as a regulation, there will need to be an impact assessment of whether these underlying issues still remain relevant and whether the benefit of aligning on a single, commonly applied rule in a regulation outweighs the cost of changing the current framework. It is likely that in any review of, say, UCITS and AIFMD, the end assessment would be that certain provisions are best cast in a regulation while others should remain in a directive, reflecting the split that we see in MiFID/MiFIR or IFD /IFR. A precondition of identifying which provisions fall into each bucket would be a greater use of coordination and collaboration platforms between NCAs aiming to reduce the incidence and impact of gold-plating, the introduction of common templates for authorizations, and alignment of supervisory practices, which we examine in our response to Section 7. Any move towards greater integration of supervision at the EU level will depend, as a precondition for success, on both a greater alignment of the legislative framework and the development of a single language for data reporting.

One of the most impactful areas where a single supervisory approach would benefit managers is in the area of local marketing rules, where the plethora of national marketing rules regarding the marketing of UCITS impacts not only speed to market but also the number of products that can be brought to market, especially where local marketing approval has in effect replaced local UCITS product approval, which has been significantly streamlined in recent years (see our response to Section 5.3). In the worst case, compliance with local marketing and labeling rules may lead to a commercial decision to set up products with different investment characteristics rather than offering a pan-European product. Addressing this issue is not simply a matter of imposing a single top-down rule but will also require far greater up-front collaboration and trust between home and host state NCAs, especially to tackle legitimate host state concerns regarding investor complaints and enforcement. In our response to Section 7, we set out a number of suggestions for pilot projects that could help unlock these issues.

Question 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)?

- ☐ 1 - Strongly agree
- ☒ 2 - Agree
- ☐ 3 - Neutral
- ☐ 4 - Disagree
- ☐ 5 - Strongly disagree
- ☐ Don't know / no opinion / not applicable

**Question 5.1 Please explain and provide suggestions for simplification.
Also if possible present estimates of the resulting cost savings:**

We highlight the interplay of product governance and oversight rules between MiFID, UCITS, and AIFMD, which creates additional complexity in navigating between different sets of rules, especially when this is replicated not only in Level 1 legislation but also through Level 2 and Level 3. We appreciate that the current aims of negotiations in the Retail Investment Strategy files include burden reduction and simplification.

As such, we encourage efforts by the European Commission and the co-legislators to develop an integrated and less siloed product governance process, ensuring that meeting product governance requirements under the relevant UCITS/AIFMD management company requirements is treated as meeting MiFID product governance requirements.

Question 6. Would the key information documents for packaged retail and insurance-based investment products (PRIIPs KID) benefit from being streamlined and simplified?

- ☐ 1 - Strongly agree
- ☒ 2 - Agree
- ☐ 3 - Neutral
- ☐ 4 - Disagree
- ☐ 5 - Strongly disagree
- ☐ Don't know / no opinion / not applicable

Question 6.1 Please explain and provide suggestions for simplification. Also indicate what should be prioritised and if possible present estimates of the resulting cost savings:

While digital services are developing rapidly, much of the legislative framework has been conceived on the basis of face-to-face communication and paper-based disclosures, with digital delivery treated as an add-on rather than the primary source of communication. BlackRock has long advocated for the electronic delivery of fund documents as the default mechanism for communication with investors. For example, we produce over 60,000 UCITS KIDs a year in multiple languages, and we use our website as our primary delivery mechanism. We have also consistently advocated for key information disclosure documents (UCITS, PRIIPs, and PEPP) to be designed in a digitally friendly manner rather than based on paper formats. The ongoing review of PRIIPs should avoid creating barriers and instead incentivize effective digital engagement—and at the very least, we need to recognize that a PDF of a paper document does not constitute effective digital engagement.

We believe that a general phase-out of paper-based information should be a priority for all asset managers and distributors, given the rapid changes in the use of technology and the sustainability challenges our society faces.

The regulatory framework for investment products and services must adapt to allow for innovation and recognize the changes digital services bring. Rather than overwhelming consumers with reams of paper and disclosures, we believe the future of disclosures should incorporate a greater number of more intuitive digital tools to increase point-of-sale engagement and education on key concepts such as cost, performance, and risk. We also suggest that these key concepts should be viewable in a variety of different ways, reflecting the neurodiversity of retail investors who process key information fields differently. Provided the base data for the disclosure is consistent, consumers should be able to select between a number of different formats rather than being forced into a one-size-fits-all approach.

Paper-based disclosures (even if sent via PDF) should be seen as a legal record of the consumer's final decision rather than acting as a static document to be read at the start of their decision-making process. However, we do believe that there must always be an option for investors (on an opt-in basis) to receive paper-based documents, as not all investors utilize technology in the same way.

We recognize that this approach represents a significant change in disclosure standards and merits in-depth stakeholder testing before finalizing new standards. The cost of changing existing processes, which have become increasingly automated but also dependent on multiple data providers, is far from negligible, and we would prefer the EC to take the time to effect real change rather than implement a series of smaller changes which may not significantly impact investor understanding of the KID.

In terms of additional content changes, we encourage the reinsertion of the UCITS past performance disclosure tables into UCITS PRIIPs. These are valuable tools for both investors and supervisors to understand the value delivered by funds over time, allowing for better assessment of both the performance and costs delivered by any given fund. The removal of past performance data, previously available in UCITS KIIDs, has deprived investors and supervisors of a valuable assessment tool.

We also support the removal of the arrival price methodology, which has proven excessively complex to explain to investors. Instead, we recommend the use of a half-spread or modified spread methodology.

Finally, the application of any changes to the PRIIPs must allow for a minimum 12-month implementation period after the finalization of any Level 2 measures, and they should take effect at year-end, given the operational complexity of changing and applying quality control measures to tens of thousands of documents. The operational complexity of applying mid-year changes is simply too high. For example, if final Level 2 rules are agreed upon and published in October 2027, these changes should apply to annual updates from 1 January 2029.

Question 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
- ☐ No
- ☐ Don't know / no opinion / not applicable

Question 7.1 Please list your recommendation and suggested solutions. Please rank them as high, medium or low priority:

Our experience of the current process of implementing EU financial services legislation is that the sequencing and timing of implementation deadlines lead to an excessive burden on both regulated firms and their supervisors. Greater focus on the process of implementation could yield significant benefits and burden reduction on both sides. New legislation and regulation come with the need to build new technology solutions and/or to rework existing processes and systems. Firms typically need a clear 12-15-month period to be able to develop, test, and roll out new or updated systems to meet regulatory requirements. They also need sufficient warning about the pipeline of regulation to budget and plan the allocation of resources. This process is not merely an internal process, as all firms will rely, to a greater or lesser extent, on third-party vendors or counterparties to access data or meet all or part of their regulatory requirements, which can lead

to bottlenecks if the timing and signposting of new regulatory requirements are not thought through.

For example, one of the frustrations of the current regulatory process is legislative requirements to implement Level 1 requirements before Level 2 or Level 3 requirements have been published. This results in internal teams being tied up in multiple overlapping regulatory implementation projects, whereas better sequencing of regulation would allow for a single implementation cost, freeing up internal technological resources for other projects such as supporting product innovation or improving customer-facing interfaces. As we noted in our response to Section 7, the use of no-action letters to postpone regulatory implementation until such time as all relevant texts are available, or more realistic design and sequencing of implementation deadlines between Levels 1, 2, and 3, could alleviate issues the industry has encountered, particularly in the implementation of SFDR.

New legislation and regulation frequently come with an obligation to develop supervisory data reporting templates. In our answer to Question 7.6, we set out the benefits of developing interoperable regulatory data reporting platforms by using a single common reporting language, eliminating many of the overlapping data formats and fields that are symptomatic of the current data collection processes. This should include a comprehensive data governance, oversight, and review process between supervisors and industry to ensure a predictable approach to updates and reviews of existing data templates.

We also note that the industry has developed a series of standard industry data reporting templates to meet regulatory reporting requirements under a variety of legislation, including Solvency II, MiFID, PRIIPs, and SFDR, through FinDatEx (Financial Data Exchange). FinDatEx was established by representatives of the European financial services sector in 2019 to support the development and use of standardised technical templates for the exchange of data between product manufacturers, distributors, and other stakeholders when applying EU legislation.

FinDatEx aims to:

- Collectively decide to develop or disband standards, in the form of technical templates, to facilitate the exchange of data between stakeholders when applying EU financial markets legislation;
- Coordinate the standardisation work carried out by experts from the different parts of the financial services sector; and
- Disseminate the agreed technical templates throughout the EU financial services sector.

The design and content of these industry templates are critical in terms of implementing EU legislation but are all too frequently overlooked in the design and implementation of EU legislation and regulation. For example, one of the proposals in the Retail Investment Strategy was to develop a new data collection hub for investment fund costs to support value-for-money analysis, ignoring the fact that the vast majority of likely data fields are already being collected through relevant FinDatEx templates. The design and successful rollout of these templates depend on clear and unambiguous standards in relevant EU legislation and regulation, such as ESMA Guidelines, to enable effective coding regulatory processes to facilitate the efficient exchange of data to support regulatory obligations between market participants. The EU regulatory framework imposes many interdependent obligations between market participants (for example distributor target market obligations cannot function without data flow from product manufacturers, or the assessment of Solvency II capital weightings does not function without looking through to underlying products). The time needed to update and roll out these standards should form part of the process to assess relevant implementation times.

Question 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?

- ☐ 1 - Strongly agree
- ☐ 2 - Agree
- ☒ 3 - Neutral
- ☐ 4 - Disagree
- ☐ 5 - Strongly disagree
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 8 and provide examples:

Traditionally, collateral in respect of securities lending is received on a title transfer basis, however, in recent years an alternative structure has emerged in the market whereby lenders take a security interest over, rather than title to, the collateral (commonly referred to as “pledge arrangements”). We believe this has a similar risk profile to the title transfer model. While the UCITS Directive specifically permits for securities lending where “the transaction is covered by high-quality and liquid collateral received by the UCITS via a title transfer arrangement”, the 2014 ESMA Guidelines on ETFs and other UCITS issues refers to “title transfer...[and] other types of collateral arrangements” which suggests that alternative collateral arrangements such as pledge may be permissible. ESMA’s 2018 Peer Review on the ESMA Guidelines also acknowledged this perceived inconsistency and recommended that this be considered and addressed.

This uncertainty currently prevents UCITS from receiving collateral by way of pledge, meaning their lendable inventory is typically underutilized as compared to lenders that are not subject to the same limitation. We anticipate that this competitive disadvantage will likely be further exacerbated by the forthcoming changes to capital rules applicable to bank borrowers which, as things stand, could see borrowing from UCITS become prohibitively expensive. To protect the competitiveness of UCITS in securities lending markets—and the incremental returns this activity generates for end investors, thereby reducing the cost of investing—it is important that there is consistent interpretation and application of the UCITS Directive across the EU. This includes clarifying that collateral may be received under a pledge arrangement, not solely through transfer of title.

This would continue to preserve the high level of investor protection provided under title transfer collateral arrangements as security interest collateral arrangements have been structured such that they are legally akin to title transfer arrangements so that they are “capable of being fully enforced by the UCITS” for the purposes of paragraph 43(h) of the 2014 ESMA Guidelines on ETFs and other UCITS and can be appropriated and liquidated as quickly following a borrower default. To this end, we note that the International Securities Lending Association (ISLA) has produced market standard documentation for pledge arrangements as well as supporting legal opinions on the enforceability of pledge arrangements and the extent to which they constitute “security financial collateral arrangements” for the purposes of the Financial Collateral Directive. Given the perceived inconsistency referenced above is borne out of the UCITS Directive and the ESMA Guidelines, it may be prudent for any changes in respect of UCITS’ ability to utilise pledge arrangements be made in the UCITS Directive itself.

We recommend considering the following

Clarify Collateral Rules for UCITS: Current UCITS rules inconsistently interpret whether pledge-based collateral is acceptable in securities lending. We would support explicitly allowing pledges to enhance UCITS competitiveness and align with global market practices.

Ensure Consistency Across Frameworks: Since EMIR already permits UCITS to use pledge arrangements for OTC derivatives margining, we could propose extending this flexibility to securities lending, ensuring consistent treatment of collateral across all efficient portfolio management (EPM) activities

Resolve Regulatory Overlaps: Conflicts between MiFIR and SFTR reporting obligations—especially for securities financing transactions (SFTs)—create legal and operational inefficiencies.

Question 9. Would more EU level supervision contribute to the aim of simplification and burden reduction?

- ☐ 1 - Strongly agree
- ☐ 2 - Agree
- ☐ 3 - Neutral
- ☐ 4 - Disagree
- ☒ 5 - Strongly disagree
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 9:

At this stage, we do not see a compelling case for establishing a central EU supervisor for asset managers, as outlined in sections 6 and 7. We do see significant value in strengthening collaboration between NCAs and ESMA through structured coordination platforms. This would help reduce divergence in supervisory approaches, particularly in the practical aspects of implementation.

A recent example of the cost of national goldplating as a result of national divergences occurred as part of the rollout of the EU Accessibility Act, where approximately 75% of implementation costs stemmed from the need to assess varying approaches across Member States. Similarly, differences in distribution and marketing rules across jurisdictions add unnecessary complexity and cost to the distribution of UCITS, as highlighted in our response to Section 5.

Regular assessment of national goldplating practices, greater consistency in the publication of additional national requirements, and increased use of NCA coordination mechanisms between ESMA and NCAs could help drive greater consistency and reduce divergent approaches. Greater alignment and standardisation—particularly in the use of supervisory templates and reporting frameworks—could substantially reduce these burdens without altering the core oversight and enforcement roles of national authorities.

2. Trading

This section seeks stakeholders' feedback in the trading space on the nature of barriers to integration, modernisation and digitalisation of liquidity pools and on several issues that can be grouped into two key objectives/areas, as well as their interplay: barriers to cross-border operations in the trading space and barriers to liquidity aggregation and deepening. Respondents are asked to provide concrete examples to support answers provided, and, where possible, quantitative and qualitative information.

Please note that regulatory barriers to the operation of groups and their capacity to leverage intra-group synergies is addressed in the separate questionnaire on horizontal barriers.

2.1. Nature of barriers to integration, modernisation of liquidity pools

Question 1. What is your assessment of the current level of integration of liquidity pools across the EU?

- ☐ 1 - Absent
- ☒ 2 - Inefficient
- ☐ 3 - Neutral
- ☐ 4 - Slightly efficient
- ☐ 5 - Efficient
- ☐ Don't know / no opinion / not applicable

Question 1.1 What are the barriers that limit the level of integration of liquidity pools in the EU?

Please select as many answers as you like

- ☒ 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)
 - ☐ Supervisory practices
 - ☐ Other barriers
-

Question 2. Please provide concrete examples of the identified barriers.

In case of legal barriers (excluding on the “group operations” dealt with in the section on horizontal barriers), please indicate the relevant provisions. Where possible, please provide an estimate of resulting additional costs and /or impacts on execution quality:

The integration of liquidity pools across the EU is impeded by several legal and regulatory barriers at both the EU and national levels. These barriers can be broadly categorized into issues related to reporting standards, pre-trade transparency rules, trading venue rules, exchange rulebooks, trading hours, market outages, trade clearing and settlement infrastructure, and the governance of market operators.

- Pre-Trade Transparency Rules: There is a lack of harmonization in pre-trade transparency rules across different trading venues. For instance, the requirements for displaying order book data vary significantly between regulated markets and other trading venues like MTFs and OTFs. This disparity can lead to fragmented liquidity and hinder the efficient functioning of the single market.

- Trading Venue Rules and Exchange Rulebooks: Different trading venues operate under varying rulebooks and governance structures, which can create barriers to the integration of liquidity pools. For example, the rules governing order types, tick sizes, and trading protocols can differ significantly between venues, making it challenging for market participants to navigate and integrate liquidity across multiple platforms.

- Trading Hours and Market Outages: The lack of harmonization in trading hours and the handling of market outages can also impede the integration of liquidity pools. Different trading venues may have varying trading hours and procedures for dealing with market outages, which can create inefficiencies and barriers to seamless trading across the EU. Growing trading volumes at the close also highlights the importance of standardising and harmonising pan-EU exchanges' closing and market continuity procedures.

- Consolidated Tape: The absence of a consolidated tape for equity and fixed income markets further exacerbates the issue. A consolidated tape will provide a centralized record of all trade reports, enhance transparency and enable investors to make more informed decisions.

- Post-trade Infrastructure Inefficiencies: Lack of interoperability across the multitude of national clearinghouses and settlement depositories is a challenge to the efficient consolidation and execution of cross-border liquidity at pan-EU level.

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

Question 3. What is your assessment of the current level of harmonisation of EU rules applicable to:

	1 (insufficiently harmonised)	2 (poorly harmonised)	3 (partially harmonised)	4 (sufficiently harmonised)	5 (fully harmonised)	Don't know - No opinion - Not applicable
Regulated markets and their operators	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other trading venues and their operators	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The provision of execution of orders on behalf of clients	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The provision of reception and transmission of orders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 3.1 How necessary would you deem, for the purpose of fostering cross-border operations, an increase in the level of EU harmonisation of rules applying to:

	1 (not needed)	2 (rather not needed)	3 (neutral)	4 (rather needed)	5 (highly needed)	Don't know - No opinion - Not applicable
Trading venues and their operators	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The provision of execution of orders on behalf of clients	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The provision of reception and transmission of orders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 4. For which areas do you believe that further harmonisation would be beneficial?

Please select as many answers as you like

- ☒ 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 to what other areas you refer in your answer to question 4:

- Post-trade operations targeting standardisation, automation, partial and auto settlement, and interoperability across domestic and international depositories.
- Consistency of regulatory framework across major European market centres incl. the EU, UK, and Switzerland.
- Standardisation and simplification of market data license regime under the ongoing Consolidated Tape implementation roadmap.

Question 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:

The lack of harmonisation in trading and exchange rules can significantly impede the full harnessing of the benefits of the single market and the creation of more integrated liquidity pools. Here are some key areas where harmonisation is crucial:

Harmonising Exchanges Trading Rules Towards Best in Class:

- Trading Protocols: Different exchanges in different countries have varying approaches to what can be

acceptable trading protocols, e.g. the conditions to which an MTF operating a Request-For-Quote (RFQ) model can be considered pre-trade transparent. EU-level harmonisation towards best-in-class standards would ensure that all venues operate under the same standard.

- Order Types and Tick Sizes: The lack of standardisation in order types and tick sizes across exchanges can lead to fragmented liquidity and hinder efficient price discovery.

Facilitating Order Book Consolidation at Exchanges Group Level:

- Centralised Order Book: The absence of a centralised order book across exchanges within a group can lead to fragmented liquidity and reduced transparency. Facilitating order book consolidation at the exchanges group level would provide a comprehensive view of market activity, enhancing transparency and enabling better price discovery.

- Data Standardisation and consolidation: Different exchanges may have varying data reporting standards, making it challenging to aggregate and consolidate order book data. The completion of the consolidated tapes should address this.

Harmonising Market Outage rules: the lack of harmonised protocols for handling market outages can lead to confusion and inefficiencies during disruptions. Developing best-in-class recommendations for market outage protocols, in line with IOSCO principles, would provide a clear and consistent approach to managing outages, minimising disruptions, maintaining sufficient backup facilities, ensuring continuity of trading, and calculation of closing prices.

Harmonising Trading Hours: Different exchanges may have varying trading hours, which can create inefficiencies and hinder the integration of liquidity pools. Harmonising trading hours across exchanges would ensure that all markets operate simultaneously, facilitating smoother trading and better integration of liquidity

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

2.3.1. Integrating liquidity pools across the Union

Question 6.1 Can the use of new digital technology solutions contribute to integrating liquidity pools or connecting different pools across the EU?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 6.1:

The use of new digital technology solutions can indeed contribute to integrating liquidity pools and connecting different pools across the EU. These technologies can enhance market efficiency, improve transparency, and reduce costs, thereby fostering a more integrated and competitive financial market. For example, the adoption of broker routing technologies has somewhat enabled integration of pan-EU liquidity for insitutional trading desks. Further improvemenets can be led by:

- Consolidated Tapes: One of the primary ways digital technologies can contribute is through the development of consolidated tapes. By aggregating data and providing high quality data at affordable prices, the CTs can provide a comprehensive view of market activity, thereby integrating liquidity pools and improving market efficiency.

- DLT: Blockchain could provide real-time access to order book data, thereby improving pre- and post-trade transparency. This could help in integrating liquidity pools by providing a more accurate and timely view of overall market liquidity. However, leveraging the full power of DLT would require important data quality and standardisation efforts and imply significant investments in technology and infrastructure – which could be a challenge, especially for smaller venues and participants.

Question 6.2 What barriers do you face in implementing such technology-based solutions? Please explain:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Intermediaries and venues interconnections

Question 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?

- ☐ 1 - Absent
- ☐ 2 - Inefficient
- ☐ 3 - Neutral
- ☐ 4 - Slightly efficient
- ☐ 5 - Efficient
- ☐ Don't know / no opinion / not applicable

Question 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?

- ☐ 1 - Absent

- ☐ 2 - Inefficient
- ☐ 3 - Neutral
- ☐ 4 - Slightly efficient
- ☒ 5 - Efficient
- ☐ Don't know / no opinion / not applicable

Question 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 opinion / not applicable

Please specify what these barriers are, and whether they are of a policy, regulatory or supervisory nature:

Most modern financial technologies are heavily dependent on market data inputs. In the EU, we have observed a lack of data standardisation and quality standards, complex & fragmented licensing regimes, data usage restrictions, and year-on-year increasing costs of market-data often deter technological innovations by financial institutions.

Question 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
- ☐ No
- ☐ Don't know / no opinion / not applicable

Question 10.1. What are the reasons why intermediaries charge their clients higher fees?

Please select as many answers as you like

- ☒ It is more expensive for an intermediary to connect to a trading venue that is located in another Member State, because the trading venue charges more than to an intermediary located in its Member State;
- ☒ It is more expensive for an intermediary to connect to a trading venue that is located in another Member State, because of complex cross-border post-trading arrangements;
- ☒ Intermediaries are not directly connected to trading venues located in another Member State and therefore need to rely on other intermediaries, hence increasing the cost;
- ☒ It is a commercial policy at the intermediary's level to apply different fees to clients depending on whether the order is executed in another Member State, independently from what exchanges charge that intermediary;
- ☒ Other

Please specify to what other reasons)you refer in your answer to question 10.1:

We advise ESMA to undertake and publish a detailed survey of such practices from trading venues. This issue with cross border post trading arrangements is particularly challenging for the EU ETF market.

Intermediaries not directly connected to trading venues located in another Member State and there relying on other intermediaries is challenging for domestic retail brokerage's ability to offer pan-EU services. Certain retail brokerages may charge different fees for trade execution on different venues, both within a single EU country or at pan-EU level. Due to the absence of consolidation of pan-EU best bid-offer quotes, intermediaries may not be incentivised to look for the best prices across all venues.

Trading venues typically do not charge higher ongoing fees to intermediaries based in another member

state. The real cost driver for end users is the initial connectivity cost, and scalability of the post-trade workflow. This may result in brokers in one country not connecting to a trading venue in another country for a lack of interoperability and scalability of post trade processes - despite lower ongoing trading costs. It should be investigated whether costs related to market data feeds also play a role.

Question 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	Don't know - No opinion - Not applicable
Regulated markets	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
MTF	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
SME Growth Markets	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Question 11.1 Please select one or more of the following options that would explain such situation:

Please select as many answers as you like

- ☐ Market practices pertaining to investment firms
- ☐ Market practices pertaining to trading venues
- ☒ Market practices pertaining to CSDs
- ☒ Barriers linked to interoperability between CCPs
- ☐ Supervisory practices
- ☒ Other barriers (including legal barriers at EU level, legal barriers at national level, tax).

Focus on ETFs

Question 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?

- ☐ 1 - Very negative
- ☒ 2 - Rather negative
- ☐ 3 - Slightly negative impact
- ☐ 4 - Rather positive
- ☐ 5 - Very positive
- ☐ Don't know / no opinion / not applicable

Question 13. In your view, which of the following are the most relevant drivers for multiple listings of ETFs in the EU?

Please select as many answers as you like

- ☒ 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
- ☒ Market practices pertaining to CSDs
- ☒ Barriers linked to interoperability between CCPs
- ☒ Supervisory practices
- ☒ Other barriers (including legal barriers at EU level, legal barriers at national level, tax)

Please explain your answer to question 13. and provide concrete examples, and where possible estimates of costs.

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:

It must be noted that EU ETF listings enable domestic investors to access capital markets efficiently. The prevalence of multiple listings is a symptom and not a driver of a fragmented market structure. In a scenario where ETF listings are not available in certain EU countries, domestic investors would have no way to access EU ETF market. The reasons for this are:

- Investors typically demand local listings not for trading but for post-trade reasons – as they have a strong

preference to settle in the local CSD. This is particularly true for retail investors, but also sometimes seen for larger institutional investors.

- We are not aware this would be the result of hard regulatory requirements at EU-level but rather national gold plating. We observe that it has become standard market practices in certain Member States.

It should also be noted that the existing set up with multiple listings creates an uneven playing field for European retail investors. It also fails to concentrate liquidity, which may lead to suboptimal trading outcomes for end investors. In that respect, the current efforts announced by Euronext to consolidate ETF listings from its Amsterdam, Milan and Paris exchanges into a single order book should be commended.

Finally, fragmented liquidity and higher OTC trading are a consequence of all this state of play. It negatively impacts competitiveness of the EU vs other jurisdictions, given the impact not only on trading but on the entire ETF ecosystem (e.g. lending and collateral).

Means to improve the consolidation of liquidity through better interconnections

Question 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?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

Please explain your reasoning for your answer to question 14 and provide where possible estimates of costs and benefits:

Forcing all intermediaries to offer efficient and economical access to every single share or ETF admitted to trading on any trading venue, requires certain pre-conditions such as post-trade harmonisation and transparency of costs charged by venues. These pre-requisites will ensure seamless competition amongst venues and that end-clients don't end with an expensive regime, in particular for equity trading where the universe is very broad.

Question 14.1. Please specify if your answer would change if:

	Yes my answer would change	No my answer would not change	Don't know / No opinion
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)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

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)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
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Question 14.2. 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.

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

Question 14.2.1. Please specify if your answer would change if:

	Yes my answer would change	No my answer would not change	Don't know / No opinion

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)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
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)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain your answers to question 14.2.1:

Specific to ETFs, we encourage brokers (especially domestic retail platforms) to ensure access to primary EU ETF listing venues. This would promote execution transparency in ETF trading, more on-exchange trading in EU capital markets, whilst improving market access for savers to pan-EU ETF market (level-playing field for all EU investors) and attractiveness of EU ETF market.

Question 14.3. Intermediaries may offer their clients the possibility to trade either directly by executing the orders, or indirectly, i.e. through another intermediary

Would a direct, indirect or mixed model be the most appropriate?

- ☐ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Question 15. Do you believe that intermediaries could improve clients' access to liquidity across the EU by using Smart Order Routing or other similar technologies?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

What would be the potential costs associated with it and what are the most useful/promising technologies in your view?

Question 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.)?

There should be an obligation for trading venues to publish their connection charges.

Market participants that access the venues indirectly (via a broker) do not pay connection fees as they aren't direct members - a commission charged by the broker would partly cover the cost of exchanges.

Exchange connection fees have a big impact on brokers accessing them and therefore brokers will look for opportunities to reduce fees such as matched MOC flow coming off primary and going to their own SI.

It is our understanding that connectivity fees are typically charged on a recurring (e.g., monthly basis) – so once a broker pays it, it doesn't matter how many times they use it – meaning that this wouldn't cause brokers to route to their order flow to SI or match MOC flow – avoiding exchanges in this manner reduces transaction or access fees (not connectivity fees).

Question 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?

- ☒ Yes
- ☐ Yes, provided it is funded/co-funded by public funds
- ☐ No
- ☐ Don't know / no opinion / not applicable

Question 17.1. Which of the following options do you prefer?



Requiring every EU regulated market and MTF to offer the possibility to trade any share or ETF that has been initially admitted to trading on a regulated market across the EU

- ☐ Requiring every EU regulated market and MTF to collect the orders and reroute them to one of the venues where a given share or ETF is traded (i.e. without requiring all venues to directly offer trading in all shares and ETFs)
- ☒ Leaving the choice of the option to each EU regulated market and MTF
- ☐ Don't know / no opinion / not applicable

Question 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?

	Option A (increased interconnection between trading venues)	Option B (better access to trading venues by intermediaries)	Don't know / No opinion
Increasing the level of liquidity for shares and ETFs	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improving the quality of execution	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increasing the speed of execution	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Reducing the cost of execution for clients	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Delivering a more efficient EU trading landscape	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Question 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
- ☐ No
- ☒ Don't know / no opinion / not applicable

Question 21. Do you consider that geographical dispersion of EU trading venues would pose issues to an effective implementation of similar rules?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 21:

We believe that it would be difficult to overlay rules that are designed for the structure of US markets across EU and expect them to have a similar effect. Rules such as a US-style Order Protection Rule (OPR) are unlikely in our opinion to reduce the fragmentation of European markets, rather we see reduced fragmentation of markets in Europe as a necessary precondition to better execution conditions. Furthermore, latency introduced by the geographic dispersion may be problematic as the quotes observed on another marketplace may no longer actually be available (e.g., it may already have been cancelled or traded against) by the time it is received by the venue – as such the venue may be routing against stale quotes in dispersed markets.

2.4. Enhanced quality of execution through deeper markets

Question 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.

What is your assessment of the effectiveness of the best execution rules in the EU?

- ☐ 1 - Insufficient
- ☐ 2 - Rather insufficient
- ☐ 3 - Neutral
- ☒ 4 - Rather efficient
- ☐ 5 - Fully efficient
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 28:

Best execution in the EU is effective. It usefully takes a broad approach whereby investment firms consider multiple execution factors, such as costs, speed and overall execution quality which works well given the

varying markets across Europe.

When it comes to ensuring best execution for retail orders, we support the approach taken by ESMA in its final draft RTS specifying the criteria for establishing and assessing the effectiveness of investment firms' order execution policies.

Question 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?

- ☐ The EU framework is better suited than the US framework to obtain the best results for clients
- ☐ 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
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 29:

We believe neither model is better or worse, rather they are specifically tailored to the market structure of their respective jurisdictions and that while both are effective, they could potentially benefit from some tweaks to adapt to their respective market characteristics.

Question 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.

How effective would lifting the anonymity of the EBBO be in achieving the following objectives?

	1 (not at all effective)	2 (rather not effective)	3 (neutral)	4 (rather effective)	5 (highly effective)	Don't know - No opinion - Not applicable
Improving the ability of investment firms to assess the quality of execution	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Ensuring a more integrated market whereby investment firms are able to direct their order to the most efficient options	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Contributing to the efficiency of the price formation mechanism	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please specify to what other objective(s) you refer in your answer to question 30:

Attributed, real-time pre-trade data with 3-5 layers of order-book depth is a necessary feature of a viable equity and ETF consolidated tape.

We must re-iterate extremely fast broadcast latency is not a pre-requisite for a tape's efficacy at this stage.

Instead, the focus must be on expanding the scope to incorporate attributed pre-trade data, improving the quality of data, keeping the cost of the tape accessible to users whilst ensuring the commercial viability of the tape provider.

Please refer to the extensive research conducted by the Adamantia consortium for additional recommendations by buy- and sell-side participants: <https://www.adamantia.paris/post/the-case-for-a-viable-consolidated-tape-on-equity-part-ii>

Other (please specify).

Creating more efficiencies in financial data market as mentioned in response to Q4 and 9.

Empowering EU retail and international investors' confidence and ability to navigate EU capital markets, by democratising pan-EU market data access.

Creating more resiliency in the event of market outages.

Question 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.).

How important do you deem expanding the depth of the EBBO displayed by the equity tape?

- ☐ 1 - Not needed

- ☐ 2 - Not really needed
- ☐ 3 - Neutral
- ☐ 4 - Rather needed
- ☒ 5 - Essential
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 31, providing a cost/benefit assessment:

Extensive market research conducted by the Adamantia consortium highlighted the added value of consolidating five levels of depth on pre-trade data, as this would increase the usage of (and interest in) the Equity/ETF CT. A top-of-book pre-trade data represented an acceptable first step compromise and fits with a large number of targeted use cases. More information and detailed analysis of CT features and use cases can be found here: <https://www.adamantia.paris/post/the-case-for-a-viable-consolidated-tape-on-equity-part-ii>

Question 32. Under the current MiFIR, the speed at which core market data is disseminated by the equity consolidated tape is not regulated.

How important do you deem defining in legislation the speed at which core market data should be disseminated by the equity consolidated tape?

- ☐ 1 - Not needed
- ☐ 2 - Not really needed
- ☒ 3 - Neutral
- ☐ 4 - Rather needed
- ☐ 5 - Essential
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 32, specifying what should be the adequate speed:

The Equity & ETF CT should disseminate data "as close to real time as technically possible." However, this does not mean that the CT must be delivered with ultra-low latency; the CT is not yet intended for use cases requiring low latency, such as trading applications, which will continue to use direct feeds from trading venues at higher speeds.

Extensive market research conducted by the Adamantia consortium, found that a broadcast speed of 100 milliseconds (ms) or faster end-to-end (from the data provider to the end user) is adequate for most use

cases. Since dissemination speed significantly impacts cost, the CTP must size its infrastructure to balance operational efficiency and cost for users. While the CTP aims to maintain a 100ms dissemination latency, ongoing investments are necessary to improve CT speed over time and minimize processing latency.

Question 33. Which of the following options reflects your assessment of the impact on the consolidated tape of requiring systematic internalisers to contribute to the equity pre-trade consolidated tape?

- ☒ It would improve the quality of the data displayed by the tape
- ☐ It would reduce the quality of the data displayed by the tape, also considering that systematic internalisers, under certain conditions, can trade at prices that are better than the quoted prices
- ☐ It would be irrelevant
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 33:

Being a key trading mechanism in EU capital markets. Publicly quoted prices by SIs should be reflected on the pre-trade tape. This would ensure completion of the price formation process and fair competition for orders amongst various venues/mechanisms.

While including SI data could indeed bring some challenges in terms of data quality, it is essential for the comprehensiveness of the tape and ensuring fair competition amongst different EU trading mechanisms. These challenges should be worked out by the CT provider, and its advisory/industry committee. Any need for regulatory change to facilitate SI data inclusion should be identified by the CT provider.

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

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

Question 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 as many answers as you like

- ☒ Regulation
- ☒ Liquidity fragmentation
- ☐ Order flow competition (e.g. development of EMS/OMS)

- ☐ Technological developments (e.g. algorithmic trading/HFT)
- ☐ Surge in ETFs and passive management
- ☐ Other

Question 36. What is your assessment of the impact of the current levels of dark trading in the EU on orderly markets and sound price discovery?

- ☐ 1 - Too low to harm price formation
- ☐ 2 - Sufficiently low to hardly harm price formation
- ☐ 3 - Neutral
- ☐ 4 - Slightly excessive and harmful for price formation
- ☐ 5 - Excessive and very harmful for price formation
- ☒ Don't know / no opinion / not applicable

Question 38. Do you believe that the existing provisions on the reference price waiver (RPW) are fit for purpose?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Closing auctions

Question 43. In your view, what are the main reasons that explain the rising importance of closing auctions?

Please select as many answers as you like

- ☐ Rise of index investing/passive management
- ☒ Growing use of quantitative investment strategies benchmarked to the close
- ☐ Increased emphasis on best execution under MiFID II
- ☒ Move away/protection from HFTs
- ☐ Other

Please explain the reasoning of your answer to question 43:

The multi-year growth in closing auctions trading at EU venues is often correlated with growth in EU ETF market growth. However, evidence suggests ETFs have minuscule contribution to this trend.

For example, BlackRock proprietary analysis estimates ETF primary market trades (i.e. new share creation and redemption by trading in underlying markets) account for less than 3% of the daily cash equity trading and no more than 13% of the closing auction volumes in the EU. See A global perspective on market-on-close activity, BlackRock, page 4.

At such a low percentage, ETF primary market activity cannot be the main driver of auction volume growth.

Furthermore, for every primary market trade, the ETF secondary market (trading in existing ETF shares not affecting trading in underlying securities) can be 3 times more active.

Growth in closing auctions is a global phenomenon as experienced in uniform growth across most OECD markets.

Several overlapping drivers may be contributing to the growth in closing auctions including new technologies such as program trading and algorithms, less overnight risk taking by liquidity providers, and attractiveness of liquidity available at the close for all market participants.

Question 44. 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 - No competition
- ☐ 2 - Low level of competition
- ☒ 3 - Neutral
- ☐ 4 - High level of competition
- ☐ 5 - Very high level of competition
- ☐ Don't know / no opinion / not applicable

Question 44.1. Please point to the main causes for such a situation and to the main implications on the broader functioning of EU markets.

Please specify which changes to the EU legislation would increase competition?

There is an argument to make closing auctions liquidity more resilient to venue outages, core requirements are:

- Pan-EU harmonisation of market-on-close protocols and market hours.
- An attributed pre-trade tape covering all EU venues and instruments.

Question 45. 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?

- ☐ 1 - Very low
- ☐ 2 - Rather low
- ☐ 3 - Neutral
- ☐ 4 - Rather high
- ☐ 5 - Excessive
- ☒ Don't know / no opinion / not applicable

Please explain the reasoning of your answer to question 45, 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:

BlackRock relies on specialist execution brokers rather than directly trading. As such, we don't have visibility of the fees charged by venues for order execution in closing venues. However, in addition to explicit charges, we recommend careful consideration to manage risks identified in our response to Q44.

Question 46. Have you identified other challenges linked to the raising importance of closing auctions?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 46, specifying what these challenges are:

Please see response to Q44. Additionally, we recommend an EU-wide standard to manage market outages, covering communications, order book routing & handling, closing price determination, market re-opening protocols etc.

The role of multilateral vis-à-vis bilateral trading

Question 50. Based on the current legal framework, and considering developments in technology and market practices (including the development of smart order routing systems), is the dividing line between multilateral trading facilities and bilateral trading sufficiently clear?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 50 and provide concrete examples:

Investors benefit from improved price discovery due to the competition between venues. Multilateral execution venues, such as regulated markets and multilateral trading facilities (MTFs), provide a transparent order book where prices are visible to all participants. Bilateral venues, such as systematic internalisers (SIs), offer tailored pricing and liquidity, allowing professional investors to negotiate better prices for large trades.

The presence of multiple execution venues increases overall market efficiency. Professional investors can access a broader range of liquidity pools, enabling them to execute large orders with minimal market impact. This is particularly beneficial for institutional investors managing substantial portfolios.

Professional investors also have the flexibility to choose between different execution venues based on their specific needs. For instance, they may prefer multilateral venues for smaller, more transparent trades and bilateral venues for larger, negotiated trades. It should however be noted that there can be differences in what constitutes multilateral venue, notably what the conditions under which a Request-for-Quote protocol can be considered pre-trade transparent.

Competition between execution venues also leads to better access to markets for retail investors. Multilateral venues provide pre-trade transparency, and strong regulatory oversight. The competition with bilateral execution drives down transaction costs, benefiting retail investors. Certain retail brokers offer their clients the choice between trading in a bilateral or multilateral system, which can be seen as a good practice.

In conclusion, the competition between bilateral and multilateral execution venues fosters a more efficient, transparent, and equitable market environment. Both professional and retail investors benefit from improved price discovery, increased liquidity, lower transaction costs, and enhanced investor protection.

**Question 52. In your view, what are the main drawbacks stemming from competition between bilateral and multilateral execution venues?
Please explain your reasoning and differentiate between different categories of clients (professional investors vs retail investors)?**

The main challenge to increased competition between bilateral venues (e.g. systematic internalisers) and multilateral venues (e.g. regulated markets and multilateral trading facilities) stems from the fragmentation of liquidity pools and the fragmentation of data. It is challenging for professional investors to access a consolidated view of volume which impairs all investors visibility into the real liquidity of the European market which can hinder efficient trading and price discovery.

Retail investors may have limited resources and expertise to ensure they receive fair pricing and access to make informed investment decisions.

The successful implementation of the pre-trade and post-trade equity and ETF consolidated tape would help mitigate this drawback and is therefore of paramount importance for all market participants.

Question 53. In your view, do benefits stemming from competition between bilateral and multilateral execution venues outweigh the associated drawbacks?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Question 53.1 Do you believe that any measures would be necessary to avoid an increase in execution costs for retail orders?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

2.5.2. Single market maker venues

Question 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:

The effort to balance the investor protection, cost and access trade-offs in this debate needs to be proportionate to the different brokerage models that are available for different use cases, and to serve different customer bases in Europe. The benefit of these models should be assessed holistically, looking at their impact on investor participation and total cost of ownership - which is not limited to execution cost – and which may vary by client segment and according to several factors such as trade size and frequency.

In recent years, we have noted the significant impact on retail investor participation of the neo-broker model – characterised by no/low trading commissions. The emergence of this model has contributed to a generational shift for retail adoption in the EU, at a pace and scale not observed before.

We recognise certain benefits and challenges exist in both single and multiple market-maker frameworks prevalent in EU retail market. At a broad level, we believe in equal access for all markets makers to retail order flows, but we do not underestimate the current challenges and limitations (especially related to costs and post-trade fragmentation noted throughout this submission) that do not allow for full competition at this stage. We therefore encourage all brokers and venues to ensure the most competitive execution outcomes (by referencing the best price available across all lit order books – something the Consolidate Tape will facilitate) and improve transparency on their practices (for e.g periodic disclosures on their execution quality and order routing management practices). Ultimately, we believe innovation, transparency and competition should lead to more trading on multilateral lit venues.

2.5.3. Ghost liquidity

Question 57. Market developments have led to changes in the order submission strategy by certain high frequency traders, such as the submission of more orders than the amount that is really intended to be executed. This may imply that 'consolidated' liquidity (measured as the simple aggregate of a given financial instrument available across all trading venues) is likely to be an overstatement of the actual liquidity that an average trader can access. The difference between measured liquidity and tradeable liquidity is often referred to as 'Ghost Liquidity'.

Do you believe that practices associated with Ghost Liquidity are conducive to adequate levels and 'quality' of liquidity and price formation on trading venues?

- ☐ Yes
- ☐ No
- ☒ Don't know / no opinion / not applicable

Please explain the reasoning for your answer to question 57:

A market maker would typically display more liquidity than they are willing to execute due to fragmentation, however the extent to which aggregate displayed liquidity exceeds true liquidity is difficult to assess as there can be hidden liquidity via other mechanisms such as dark pools or hidden exchange orders,

We understand there can be legitimate reasons for orders to be cancelled, particularly during times of extreme volatility. However, we support the continuing monitoring and supervision of market practices by ESMA and NCAs.

Targeted consultation on integration of EU capital markets – Part 2

4. Horizontal barriers to trading and post-trading infrastructures

Question 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?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Question 23.1. 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)

The current limits have proven too low to encourage a sufficient number of proof-of-concept projects, and the consequences of reaching those limits are too severe for potential participants. Ideally, limits should be determined individually with supervisors for each project to ensure that investments in new infrastructure have a fair chance of reaching a stage where they can operate effectively in real-world business environments. Thresholds should then be adjusted flexibly to prevent abrupt changes and disruptions for businesses that have demonstrated their viability.

The risks posed by these narrow thresholds highlight the broader limitations of sandbox regimes. Such regimes can be beneficial when the development of technologies and ecosystems is hindered by significant barriers for new market entrants, and when scaling solutions serves the public interest. However, sandbox regimes are only effective if the burdens they temporarily relieve become more manageable as the enterprise matures.

The relief provided under the DLT Pilot Regime specifically concerns on-chain trading and settlement. Requiring DLT MTFs to register instruments with a CSD, for example, removes the key benefit of trading tokenised assets without intermediation and thereby undermines the purpose of using DLT. Similarly, imposing traditional bookkeeping requirements on a DLT MTF negates the advantage of having the DLT ledger serve as the authoritative record of ownership.

The thresholds therefore represent a hard cliff edge for DLT trading and settlement infrastructures. Projects that reach or exceed the limits have no realistic path to grow or transition into a fully licensed operation. While raising the exemption thresholds may encourage some additional exploratory projects, it will not result in the development of viable, market-ready infrastructure. Achieving that goal will require a more fundamental reform of MiFID, MiFIR, and CSDR.

Question 24. Do you believe that the scope of assets eligible within the DLTPR should be extended?



Yes



No



Don't know / no opinion / not applicable

Question 25. Do you believe that the DLTPR should be extended to cover other types of systems, such as clearing systems?



Yes



No



Don't know / no opinion / not applicable

Please justify your answer to question 25, in particular identifying potential risks:

We believe that a sandbox regime without a clear path for projects to transition into the real world offers only limited benefits. Particularly in the case of clearing systems, it will be challenging to develop solutions that cannot scale beyond a certain size. Therefore, efforts should be concentrated on adjusting the legal framework to enable innovative solutions to mature into market-ready infrastructure.

5. Asset management and funds

Despite the [Directive 2009/65/EU relating to undertakings for collective investment in transferrable securities \(UCITS\)](#) and the [Directive 2011/61/EU on alternative investment fund managers \(AIFMD\)](#) enabling funds to be marketed across the EU through a relatively simple notification procedure, national barriers, divergent practices, and regulatory complexities often impede efficient and scalable operations, thereby impacting costs and accessibility for EU citizens.

This section seeks to:

- i. identify obstacles experienced by EU funds and asset managers to accessing the single market
- ii. gather stakeholder insights on barriers and experiences in managing cross-border investment funds
- iii. explore the effectiveness of existing authorisation and passport systems
- iv. and explore possibilities for simplifying current requirements

Stakeholders input on operational challenges, passporting/marketing of investment funds, national supervisory practices and other barriers more generally are welcome. Stakeholders are encouraged to share quantitative data and practical evidence to support positions.

5.1. Authorisation Procedures

5.1.1. Authorisation of Management Companies (UCITS and AIFMD)

Question 13. Are the current authorisation / supervisory approval processes for management companies under AIFMD/UCITS sufficiently clear and comprehensive to enable the smooth provision of asset management and supervision thereof?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Question 14. Is the authorisation process proportionate in circumstances where not all requirements are relevant to the activity envisaged by the applicant?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 14 and specify the relevant circumstances and related requirements:

While current authorisation processes demonstrate a degree of proportionality, we see scope for further enhancement. Based on the experience of a cross-border asset manager, proportionality is often assessed primarily through metrics such as assets under management or global footprint. However, these may not fully capture the efficiencies and support available through economies of scale and shared resources, such as systems and data infrastructure. We recommend that future approaches to proportionality consider these factors to better reflect the operational realities.

Question 15. Does the current authorisation process for management companies under UCITSD/AIFMD act as a barrier to the functioning of the single market?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

Question 16. Are the current authorisation processes / supervision for management companies under AIFMD/UCITSD applied in a consistent way across Member States?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

Please present these divergences and explain if these divergences created challenges for operating in the single market:

The current authorisation processes and supervisory practices for management companies under AIFMD and UCITS Directives are not applied consistently across Member States. Variations in interpretation and the introduction of additional national requirements have led to significant inconsistencies. These divergences result in operational challenges, including delays, increased costs, and a lack of level playing field, ultimately affecting the efficiency of the single market.

Question 17. Are you supportive of further harmonising and streamlining authorisation requirements and procedures for management companies to increase simplification and reduce fragmentation in the EU's asset management sector?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Please explain how this should be done and provide a ranking having regard to the impact of proposed solutions as high, medium or low priority:

We would welcome greater consistency in timelines and the overall duration of the application review process. Additionally, more harmonised expectations from NCAs would be beneficial — particularly regarding local presence requirements (focusing on personnel rather than specific functions), the application of proportionality to group systems, and related considerations. At present, these expectations vary widely between regulators, are often not clearly defined, and can differ based on the applicant's activities and business model. Improved clarity and alignment in these areas would streamline the process and help minimise prolonged negotiations during the authorisation phase.

5.1.2. Authorisation of Investment Funds (UCITS)

Question 18. Is the current authorisation framework for UCITS effective and proportionate?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Question 19. Is the authorisation framework for UCITS sufficiently proportionate in circumstances where not all requirements are relevant to the operations of a fund?

- ☒ Yes
 - ☐ No
 - ☐ Don't know / no opinion / not applicable
-

Question 20. Do divergent practices arise in the authorisation framework for UCITS across Member States?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Please explain these divergences and whether these divergences create challenges for operating in the single market:

In the context of the authorisation process for AIFs and UCITS funds, we have observed significant discrepancies both within and between Member States.

Firstly, Member States often apply the relevant rules in divergent ways. For instance, some Member States may decline to approve UCITS that invest above a certain percentage threshold in specific instruments (e.g. CLOs) if the target market includes retail investors. This is the case even when the instruments and investment limits are fully UCITS compliant. As a result, asset managers face an uneven playing field depending on where their UCITS vehicles are domiciled.

A further example relates to the interpretation of SFDR requirements for Pre-Contractual Documents. Different Member States have adopted varying interpretations, which has materially increased disclosure requirements and extended fund authorisation timelines in certain jurisdictions.

In some cases, discrepancies even arise within the same NCA, where different review teams may apply differing standards or expectations regarding whether a fund meets authorisation requirements.

These inconsistencies significantly complicate the process, drive up costs, and — most importantly — cause avoidable delays in time to market. We believe there is clear scope for ESMA to leverage existing tools (as outlined in our response in section 7) to establish a high watermark of supervisory convergence, helping to eliminate unnecessary discrepancies both across and within Member States.

Question 21. Are you supportive of further harmonising and streamlining the authorisation framework, such as requirements and procedures, for UCITS to increase simplification and reduce fragmentation in the sector?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Please explain how this should be done and provide a ranking having regard to the impact of proposed solutions as high, medium or low priority:

A high priority should be the introduction of service-level agreements (SLAs) that set clear timelines for authorisation processes. This should be accompanied by greater consistency and predictability in the regulatory feedback provided by NCAs.

As a medium priority, there should be increased harmonisation across Member States concerning the conditions under which UCITS funds — with exposure to certain fixed income and derivative instruments — can be approved for distribution to retail investors, even when such funds are fully UCITS compliant.

5.2. EU passport for marketing of investment funds

Question 27. In the context of the EU framework, are the current passporting provisions on marketing sufficiently simple and proportionate to enable the smooth marketing of investment funds in the single market?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 27 and suggest areas for improvement:

While the current passporting provisions are broadly adequate, there is scope for further simplification — particularly for EU-domiciled funds. Given that such funds are already authorised by their home regulator, passporting could be streamlined into a straightforward notification process, with approval status made accessible via an ESMA register.

The AIFMD Article 32 passporting regime serves as a strong example of a well-functioning, standardised framework applied consistently across EU jurisdictions, with no additional gold-plating. A similar approach is needed for the UCITS passporting regime.

Currently, only a few EU markets — namely Finland, Estonia, Iceland, Latvia, and Lithuania — adhere strictly to the standardised UCITS documentation and information requirements, without imposing any local-specific additions. Extending this consistent, no-gold-plating approach across all Member States would enhance efficiency and reduce unnecessary administrative burdens.

Question 28. In the context of the EU framework, are the current passporting provisions on marketing for investment funds applied in a consistent way in domestic legislation by Member States?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

If divergences exist, please explain, describing the impact and suggested areas for improvement:

Despite the existence of an EU-wide UCITS passporting regime, several Member States impose additional national requirements. These include:

- Upfront registration fees:

Austria, France, Germany, Liechtenstein, Malta, Greece, Slovenia

- Supplementary documentation (e.g. local cover letters, confirmations, or additional fund documents):

Austria, Denmark, France (in some cases), Germany, Ireland, Liechtenstein, Poland, Belgium

- Local distributor / Agent requirements:

Portugal, Spain, Czech Republic

- Ongoing reporting obligations:

Greece, Slovakia, Italy

- Local publication requirements (e.g. publishing NAV or documents in local newspapers or journals):

Belgium, France, Germany

- Use of specific portals for regulatory reporting:

Luxembourg

Moreover, even where a UCITS fund is validly passported and registered, the ability to market such funds differs significantly between Member States, particularly with regard to unlicensed entities:

- Marketing by unlicensed entities not permitted:

Finland, Germany, Hungary, Ireland, Italy

- Only factual information permitted by unlicensed entities — with elevated risk:

Austria, Belgium, Cyprus, Czech Republic, Denmark, France, Liechtenstein, Luxembourg, Portugal, Spain

- Only factual information permitted by unlicensed entities — no additional restrictions noted:

Greece, Iceland, Netherlands, Norway, Sweden

In addition, the Article 42 AIFMD regime (marketing by non-EU AIFMs to professional investors under national private placement regimes) remains fragmented:

- Article 42 not implemented or not available:

Austria, Bulgaria, Croatia, Cyprus, Estonia, France, Greece, Hungary, Italy, Latvia, Liechtenstein, Poland, Slovenia, Spain

- Where implemented, significant inconsistencies remain:

Even in Member States where Article 42 has been adopted, the requirements and processes vary widely, creating operational uncertainty and additional compliance burdens.

Question 29. In the context of national frameworks, where divergences for passporting (marketing notification regime, review of the marketing documents by the host Member States, IT or additional administrative requirements) exist, please elaborate on them, using practical examples:

Some of the additional requirements by EU member that we have identified are the following:

- Upfront registration payments: Austria, France, Germany, Liechtenstein, Malta, Greece, Slovenia
- Supplements: Austria, Denmark, France (in some cases), Germany, Ireland, Liechtenstein, Poland Belgium
- Reporting: Greece, Slovakia, Italy
- Publication requirements: Belgium, France, Germany
- Portals: Luxembourg
- Local representative/ paying agent -Poland, Portugal, Spain, Italy, Greece
- Tax representative/tax returns: Austria, Belgium, Germany
- ESG specific notifications: France
- Approval of marketing documents: France, Belgium
- Differentiation between retail and professional investors: Belgium (UCITS), Germany (AIFs)
- No possibility to use omnibus accounts: Poland. This means also retail investors need to be individually recorded on the fund register. Supervisors in EU fund domiciles then require KYC/AML information on all investors on the register.

Question 30. Are there barriers linked to different national requirements on marketing documents?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Please explain the key differences, impact and suggestions for improvement:

The plethora of national marketing rules regarding the marketing of UCITS impacts not only speed to market but also the number of products that can be brought to market, especially where local marketing approval has in effect replaced local UCITS product approval, which has been significantly streamlined in recent years (see our response to Section 5.3). In the worst case, compliance with local marketing and labeling rules may lead to a commercial decision to set up products with different investment characteristics rather than offering a pan-European product. Addressing this issue is not simply a matter of imposing a single top-down rule but will also require far greater up-front collaboration and trust between home and host state NCAs, especially to tackle legitimate host state concerns regarding investor complaints and enforcement. In our response to Section 7, we set out a number of suggestions for pilot projects that could help unlock these issues.

Question 31. Do national frameworks require the appointment of local physical presence in host Member States to access the same rights as domestic UCITS or AIFs (e.g. as regards taxation, simpler administrative procedures)?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Please elaborate on your answer to question 31 and explain the impact of this requirement:

The appointment of local agents, in particular paying agents and local tax agents is a requirement in certain markets (e.g. Poland, Germany and Italy still require a local entity; Germany and Austria require local tax agents; Spain and Portugal require reporting agents). These are examples of divergences in requirements which contradict the intention of a European wide set of rules to ensure an open market.

Question 32. Are there any aspects of the cross-border distribution of funds framework ([Directive \(EU\) 2019/1160](#) and [Regulation \(EU\) 2019/1156](#)) that have created obstacles to the marketing of investment funds?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Please elaborate on your answer to question 32 and explain the impact of these obstacles:

Several aspects of the current cross-border distribution framework have created operational and commercial challenges that hinder efficient fund marketing across Member States:

- Share class registration delays: The requirement for a one-month lead time for registering new share classes poses a practical obstacle. Investors must receive pre-contractual documents prior to investment, regardless of registration status. Paradoxically, it is currently faster to register an entirely new sub-fund than to register an additional share class within an already approved sub-fund.
- Restrictions on pre-marketing similar strategies post-deregistration: The restriction on pre-marketing funds with similar strategies within 18 months of deregistration significantly impacts private market funds. These funds typically operate in vintages, launching successive vehicles with the same strategy once a previous vintage is closed. Under the current rules, managers must either:

- Maintain fund registrations (and incur associated costs) even after marketing has ceased, or avoid pre-marketing the next vintage, potentially disrupting fundraising timelines. While this rule has limited impact on liquid funds, it presents a substantial barrier for private market strategies.
- Denotification process complexity: The new denotification process—requiring formal regulator-to-regulator communication and a 15-business-day notice period—adds unnecessary delay and complexity. Previously, denotification could be done immediately with the host regulator. Furthermore, the new process mandates a blanket redemption offer to any remaining investors in the jurisdiction. As a result, many managers opt to keep sub-funds registered to avoid triggering this requirement, leading to unnecessary costs in jurisdictions where no further marketing will occur.
- Pre-Marketing blackout period for AIFs: For AIF products, the 36-month blackout period on pre-marketing similar strategies following a denotification has created significant disincentives for deregistration. AIFMs are effectively forced to keep AIFs registered—and continue incurring fees—to avoid being prevented from pre-marketing future strategies in the same jurisdiction. This has led to inefficiencies and increased operational costs, particularly for private market managers.

These provisions have added administrative burdens, reduced flexibility in fundraising, and introduced unnecessary costs—especially for managers of closed-ended or vintage-based private market funds. Targeted amendments could improve the efficiency and effectiveness of the cross-border distribution framework without undermining investor protection.

Question 33. Could the central database published by ESMA pursuant to Article 6 of Regulation (EU) 2019/1156 be improved to support compliance with Member State marketing requirements?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 33:

Information on fees, local registration, and marketing requirements is often difficult to access, highlighting the need for a more centralised and user-friendly source. While ESMA has created a centralised document that links to national regulator websites, these websites are frequently difficult to navigate, and the relevant information is not always readily identifiable.

As a result, managers often need to engage local legal counsel not only when initially entering a market—to understand fee structures and registration or marketing obligations—but also on an ongoing basis to ensure continued compliance with evolving local requirements. This creates a significant and recurring cost burden. Moreover, not all national regulators provide up-to-date and accessible public registers of funds available for sale in their jurisdiction, further complicating compliance and operational oversight.

Question 34. Are fees/charges, currently levied by some host NCAs, a significant barrier to the distribution of investment funds in the single market?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 34:

The 2019 Cross-Border Distribution of Funds (CBDF) framework sought to enhance transparency—particularly around regulatory fees—and to limit burdensome or opaque practices. One key measure required NCAs to publish applicable fees online. However, in practice, fee transparency remains limited. In many cases, fees are not clearly presented or easily accessible on NCA websites, and fund managers may only become aware of the full cost late in the registration process.

As a result, managers frequently need to engage local legal counsel to identify and interpret applicable fee structures, adding to the overall cost and complexity of market entry.

Furthermore, there remains considerable variation in fee levels across Member States. In some jurisdictions, high registration and maintenance fees act as a deterrent—discouraging fund managers from accessing multiple markets and limiting the willingness of cross-border managers to further scale their distribution in certain countries.

Question 35. Do you think the fees/charges are consistent with the overall cost relating to the performance of the functions of the NCAs in question?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

Question 36. Do you think the fees/charges are consistent with the overall cost relating to the performance of the functions of the NCAs in question?

- ☐ Yes

- ☒ No
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 36:

As mentioned above, there is a large variation in relation to fee levels across NCAs. It is worth noting that fee levels are different also for AIFs and this should also be considered. More background is needed in relation to the basis for these fees given the review process should be the same for each regulator as this is a standardized EU application process.

Question 37. In relation to the tasks listed in Article 92(1)(a)-(f) of the UCITS, who performs these tasks on behalf of the fund (e.g. the fund itself, a manager or a third party)?

- (a) process subscription, repurchase and redemption orders and make other payments to unit-holders relating to the units of the UCITS, in accordance with the conditions set out in the documents required pursuant to Chapter IX – Typically, the transfer agent performs these tasks. Information in relation to them is generally provided either by the management company, the transfer agent, or a distribution agent.
- (b) provide investors with information on how orders referred to in point (a) can be made and how repurchase and redemption proceeds are paid - Generally, this information is available to investors from more than one source, either from the management company, the fund administrator, or from a delegate distributor / placement agent.
- (c) facilitate the handling of information and access to procedures and arrangements referred to in Article 15 relating to the investors' exercise of their rights arising from their investment in the UCITS in the Member State where the UCITS is marketed - This will generally be provided by the management company itself, or its affiliate.
- (d) make the information and documents required pursuant to Chapter IX available to investors under the conditions laid down in Article 94, for the purposes of inspection and obtaining copies thereof - This will generally be provided by the management company itself, or its affiliate.
- (e) provide investors with information relevant to the tasks that the facilities perform in a durable medium - As above: the documents and information are generally available from either the management company, the fund administrator, or, less frequently, from a delegate distributor / placement agent.
- (f) act as a contact point for communicating with the competent authorities - This is usually the management company itself or its affiliated delegate (e.g. investment manager).

It should also be noted that where there is a translation burden on any of the above tasks the management company provides the information itself, with the support of a third party.

Question 37.1. Where third parties are involved in the performance of these tasks:

a) Please state the entity type (e.g. transfer agent, consultancy firm, etc) and the task performed by these entities on behalf of the fund:

b) Please explain why a third party has been appointed to perform the task(s):

Third parties, principally in the form of transfer agents (fund administrators), are frequently involved in providing these facilities to investors. We understand that UCITS management companies and their affiliate delegates are not regarded as 'third parties' for the purposes of this question.

The use of third parties is usually due to a number of reasons, including:

- In the case of transfer agents (fund administrators), there is a clear overlap with the transfer agent's routine functions on behalf of the fund (such as the processing of subscriptions and redemptions). Thus, it makes sense from a cost and operational efficiency point of view to have the transfer agent provide certain facilities.
- In the case of third-party service providers (other than transfer agents), these facilities can be outsourced and there are a number of firms offering such services. Typically, the reason for doing so is to reduce the administrative burden on the management company or transfer agent, particularly when there is a specific language requirement that cannot be met by providing the facilities / information through English. However, it is the experience of many UCITS managers that these services and the requirements themselves add little by way of value-for-money, as retail investors are more inclined to contact the local distributor / placement agent in case they have queries and they are reluctant to make use of facilities when provided by an entity that they do not know.

Question 38. Is the notification requirement for pre-marketing of investment funds creating barriers to the marketing of investment funds in the Union?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 38:

It provides a framework within which to operate, similar should be considered for UCITS.

5.3. Group operations - Eliminating inefficiencies and duplication

Question 44. In your view, what are the key obstacles to consolidating functions across entities within the same asset management group, and to reducing duplication and operational inefficiencies across these entities?

Please provide an answer on the following topics:

Please select as many answers as you like

- ☐ Legal barriers in UCITSD
- ☐ Legal barriers in AIFMD
- ☐ Legal barriers in other EU legislative acts
- ☐ Legal barriers in national laws
- ☐ Supervisory barriers
- ☐ Market practices in different EU Member States
- ☒ Other barriers

Please specify to what other barrier(s) you refer in your answer to question 44 and explain why they are a key obstacle:

Cross-border asset management firms frequently encounter significant obstacles when attempting to consolidate entities and functions.

These challenges often stem from complex organizational structures, which are typically the result of mergers and acquisitions.

One of the major complications arises from regulatory and compliance differences across jurisdictions. Adapting policies and processes to meet varying local requirements can be resource-intensive and time-consuming. In particular, consolidation of functions is often constrained by regulatory expectations around local presence.

Historically, there has been a strong regulatory emphasis on physical presence and local headcount, which can hinder both market access and innovation. For example, NCAs may require certain functions—such as risk or compliance—to operate independently within each jurisdiction, limiting the extent to which firms can centralise or leverage group-level resources in these areas. Recognising the use of technology and intra-group resources as legitimate means of meeting regulatory obligations would represent a more modern and efficient approach. Such a shift could reduce operational costs, enable more integrated oversight, and ultimately deliver better outcomes for investors through lower fees and enhanced service quality.

Another considerable deterrent is the high cost of exit taxes associated with rationalisation efforts, which can make consolidation financially unviable. In addition, moving functions or personnel across entities can trigger local HR and employment law implications, adding further complexity to the process.

Rationalisation projects may also risk disrupting client relationships, especially where repapering of agreements or operational changes are required, which can create additional friction.

Question 45. Do you consider that there is scope to streamline authorisation and supervision of asset managers operating in groups by reducing duplication, lowering operational costs, and save resources across entities within a group?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

Question 49. Do you consider that group-level authorisation and supervision would improve supervision?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

5.4. Other barriers to cross-border operations

Question 50. Have you encountered other specific barriers than those

discussed above when marketing and providing asset management functions across Member States?

	Yes	No	Don't know - No opinion - Not applicable
EU financial regulation other than UCITSD/AIFMD	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
National financial regulation	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Supervisory administrative practices	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Corporate law	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tax law	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 50.1. Where barriers have been identified, please explain:

- **how have these barriers impacted your operations**
- **how they could be best addressed**
- **and provide a ranking having regard to the impact of proposed solutions as high, medium or low priority**

Please, see our responses to questions 16, 20, 21, 27, 28, 30-34, 44 & 51 within section 5 of this consultation.

5.5. Barriers for investments in funds

The questions in section 5.7 are addressed specifically to investors, in relation to their investments in funds both nationally and on a cross-border basis.

Question 51. Have you encountered any specific issues or barriers to accessing investments in EU funds, directly, or a cross-border basis?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Question 51.1. What are these issues or barriers due to?

Please select as many answers as you like

- ☒ The EU framework
- ☒ Restrictions or differential treatment based on the national framework where a fund is domiciled
- ☒ Supervisory administrative practices
- ☒ Corporate law
- ☒ Tax law
- ☐ Other

Question 51.2. How have these barriers impacted your investment decisions in funds specifically?

i.

There are significant challenges in providing cross-border financing to European SMEs through loan-originating funds. Different national licensing requirements for lending vehicles create barriers, including, in some cases, the need to establish domestic-only investment vehicles. These restrictions limit the ability to scale and reduce access to finance for SMEs across the EU. The provisions in AIFMD II supporting cross-border lending as a way to advance the Capital Markets Union should therefore be fully implemented in national legislation.

Finally, the lack of harmonisation in tax and insolvency laws remains a long-standing issue within the capital markets agenda. Divergent national frameworks in these areas create uncertainty and inefficiencies that undermine the development of a more integrated and effective EU capital market. We believe that greater convergence in tax and insolvency regimes is essential to unlocking the full potential of the single market.

Question 53. Do you consider that some investor protection rules should be waived for qualified investors?

- ☒ Yes
- ☐ No

- Don't know / no opinion / not applicable

Please explain your answer to question 53:

We believe some rules are currently disproportionate for qualified investors. In particular, we would call for the removal of producing and updating the PRIIPs KID for AIFs marketed only to non-retail clients. Since the PRIIPs KID was only ever meant to be used as a retail investor disclosure tool, this requirement adds unnecessary burden and offers very limited added value to qualified investors. We would suggest clarification that the KID for AIFs is not needed when these are only sold to non-retail clients.

5.6. Portfolio requirements and investment limits of investment funds

5.6.1. Investment limits – UCITS

Question 54. Do you believe that Article 53 of the UCITS Directive should be amended to extend the possibility for UCITS funds to benefit from increased investment limits in a single issuer, even when the fund does not aim to replicate the composition of an index?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Question 54.1. What safeguards should be considered to ensure that UCITS funds continue to meet high standards of quality and investor protection?

	Yes	No	Don't know / No opinion
a) Should a derogation be limited to funds that use an index as a performance benchmark, in which some equities have weights above 10%?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Should a derogation be restricted to certain indices and in this case which indices?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Should the 40% diversification rule under Article 52(2) of the UCITS Directive be adapted?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Other safeguards?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain your answer to question 54 and 54.1:

We support changes to the current approach but also consider that a Level 1 legislative amendment may not be required. Rather, Article 53's exemption for UCITS funds whose investment policy is to "replicate the composition of a certain stock or debt securities index" could be clarified by ESMA to recognize UCITS funds whose investment policy aims to replicate the composition of the aforementioned indices using either full physical replication or optimised replication techniques. Optimised replication techniques would be considered consistent with the UCITS' investment policy objective of replicating an index where the fund demonstrates:

- Enhanced risk disclosure, explicitly listing the number of holdings over 10%, and outlining the sectoral and issuer concentration risk
- That they are limiting allocation only to constituents of a small number of recognised broad market-capitalised indices and only where issuers are in the most liquid and broadly held part of the index.
 - A robust optimization methodology and low tracking error relative to the benchmark
 - Enhanced risk management practices, e.g. more regular monitoring of sectoral / issuer concentrations, more regular stress testing

This could be clarified by means of an ESMA Q&A.

While the 40% diversification rule remains effective in reducing concentration risk, it has also become increasingly difficult to comply with in the context of evolving investor preferences, and modern market-capitalised indices. This has led to operational inefficiencies, increased costs, and limited investor value.

Where a UCITS fund is tracking a broad index, these indices are often highly concentrated in a few large-cap stocks. As a result, optimized index-tracking funds—which aim to replicate the performance of the index through a representative subset of its constituents—may breach the 10% issuer limit. To remain compliant, funds are often forced to adopt full replication to qualify under Article 53, which allows 20% (or 35%) exposure to a single issuer.

However, this interpretation of Article 53 as applying only to fully replicating strategies is unnecessarily restrictive. Optimized funds also aim to replicate the composition of a recognised index, as permitted under Article 53(1), and should therefore be eligible for the same issuer concentration exemptions. Requiring full replication forces funds to hold hundreds of micro-weighted securities (e.g., <0.003% each), which add no material diversification benefit or reduction in tracking error, but significantly increase management, trading, and custody costs.

In fixed income markets, the challenge is even more pronounced. Investors increasingly use specialized funds (e.g., Sukuk, green bonds, tech sector) as modular ‘building blocks’ in portfolio construction. These funds often replicate sub-segments of the market, where the number of issuers is limited. To comply with the 5/10/40 rule, funds may cap larger issuers and overweight smaller ones. This can distort market pricing, increase liquidity risk, and lead to higher trading costs and tracking error—ultimately harming investor outcomes.

Clarifying that optimized index-tracking UCITS funds fall within the scope of Article 53 would better reflect the realities of modern portfolio construction and reduce unnecessary operational burdens.

Question 55. Do you believe that Article 56(2)(b) of the UCITS Directive should be amended to allow UCITS to invest more than 10% in an issue of a single securitisation?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

Question 56. Are there any additional concerns or drawbacks to consider regarding the increase of the threshold?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Please explain how this risk would be mitigated:

Any changes to the ability to invest in securitisations should be considered in the upcoming review of the EU Securitisation Regulation as part of the broader effort to simplify and enhance the securitisation framework to better support capital markets and economic growth across the EU.

Question 57. Does the 10% issuer limit affect the liquidity management of funds?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 57:

We note that several 10% issuer limits are discussed in section 5.8.1, so have clarified which limits are referred to below.

Generally, the 10% issuer limit in Article 56(2)(b) does not pose a significant challenge to our liquidity risk management practices.

However, to comply with the existing interpretation of the 40% rule, funds may reduce exposure to large issuers and increase exposure to smaller ones. These smaller issuers often have limited issuance and low trading activity. This limited market depth can lead to some price distortions, and difficulty exiting positions without losses to honor redemption requests.

6. Supervision

This section covers the [European Supervisory Authorities \(ESAs\)](#) with a special focus on the [European Securities and Markets Authority \(ESMA\)](#). It is divided into three parts:

























- The first part focuses on the effectiveness of the current framework
- The second part goes into more detail regarding the specific sectors, i.e. [central counterparties \(CCPs\)](#), [central securities depositories \(CSDs\)](#), trading venues, asset managers, and cryptos assets service providers
- The last part covers four horizontal areas: the governance framework for new direct supervisory mandates, supervisory convergence, data and funding

Respondents are invited to provide concrete examples to support their responses, and, where possible, include quantitative and qualitative input.

6.1. Effectiveness of the current framework

Question 1. How effective are current EU supervisory arrangements in achieving the objectives or performing the tasks below?

	1 (least effective)	2 (rather not effective)	3 (neutral)	4 (rather effective)	5 (most effective)	Don't know - No opinion - Not applicable
Contributing to financial stability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The functioning of the internal market	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The integrity, transparency, efficiency and orderly functioning of financial markets	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The enforcement of EU rules	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The prevention of regulatory arbitrage and promotion of equal conditions of competition	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Supervisory convergence across the internal market	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Development of the Single Rule Book	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consumer and investor protection	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Support financial innovation in the market	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Market monitoring	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Supervisory data management including data sharing	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Responsiveness, transparency						
Stakeholder engagement and involvement						
Use of resources						
Proportionality of the fees for direct supervision						

Question 2. What prevents the ESAs from reaching the objectives or performing the tasks listed in Question 1?

Please explain your answer:

We believe that ESMA is broadly effective in fulfilling its mandate and has made significant contributions across its core objectives. Nonetheless, there are areas where further improvements could enhance its impact. Below, we outline recommendations under each objective to help address remaining challenges and promote more consistent and effective outcomes across the EU.

Contributing to Financial Stability

ESMA provides valuable insights into EU securities markets through its research on emerging trends, risks, and vulnerabilities. In the area of asset management, ESMA's Guidelines on stress testing for UCITS and AIFMD represent a best-in-class regulatory framework for liquidity management, particularly in recognizing liquidity as a dynamic process. We also support ESMA's recent draft RTS and Guidelines on Liquidity Management, which promote standardisation in the use of Liquidity Management Tools (LMTs) while appropriately maintaining accountability with asset managers. However, further progress could be made by developing a single regulatory reporting language. This would enhance data coherence and reduce the reporting burden for firms.

The Functioning of the Internal Market & Market Integrity

While efforts to promote integrity, transparency, and orderly markets are commendable, enforcement continues to rest primarily with NCAs. Greater upfront coordination between NCAs and ESMA — especially on home/host supervision — would help prevent divergent interpretations that arise only after national approaches have been implemented.

Prevention of Regulatory Arbitrage & Promotion of a Level Playing Field

Supervisory convergence remains a challenge. ESMA often intervenes reactively, after divergent supervisory practices have emerged. There is a missed opportunity for earlier, more proactive coordination during the initial implementation of new legislation. Common supervisory templates, shared forums, and practical guidance would help foster consistency in both interpretation and application across Member States.

Development of the Single Rulebook

Although the EU regulatory framework has become extensive, it suffers from fragmentation. New legislative initiatives, such as the "value for money" proposals in the Retail Investment Strategy, often overlap with existing soft law — such as ESMA's guidance on costs and product governance. Greater alignment and visibility across the Single Rulebook are needed to ensure coherence and avoid duplication.

Consumer and Investor Protection

While consumer and investor protection are central to the ESA mandate, implementation across jurisdictions varies significantly. Cross-border coordination is essential to harmonise standards, especially in areas such as marketing and product labelling. Addressing home/host issues proactively would reduce national inconsistencies while preserving the role of NCAs as key contact points for retail clients.

Support for Financial Innovation

We welcome the ESAs' efforts to monitor innovation, such as their recent work on AI. However, we encourage a clearer commitment to enabling innovation — particularly by further investing in market

intelligence capabilities with a readiness to assess the impact of innovative products and services in a timely and supportive manner.

Market Monitoring & Supervisory Data Management

As noted in our response to Section 7.6, improved data interoperability between ESMA and NCAs is essential. Standardised data collection – based on a common format and language – would reduce burdens on firms and enhance supervisory coordination and market monitoring.

Responsiveness, Transparency & Stakeholder Engagement

ESMA's engagement with stakeholders is valuable, especially in capturing market intelligence. We recommend deeper consideration of the operational timelines firms require to implement new rules, particularly where system changes are involved. Regulatory timetables should incorporate adequate lead times for design, build, and testing phases.

Question 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 CRAs) or the CCP supervisory committee (for tier 2 third country CCPs).

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:

- ☐ 1 - Not at all effective
- ☐ 2 - Rather ineffective
- ☐ 3 - Neutral
- ☐ 4 - Rather effective
- ☐ 5 - Very effective
- ☒ Don't know / no opinion / not applicable

6.2. Specific questions on supervisory arrangements for different sectors

Question 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.)?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

in terms of improved cooperation among supervisors:

We welcome the Savings and Investment Union initiative that empowers citizens to invest in their future, channel capital into EU businesses and enhance the depth, effectiveness and connectivity of EU capital markets.

Reflections on the future of the EU's supervisory framework must balance multiple objectives: improving market integrity and growth; appropriately protecting investors; and maintaining robust financial stability oversight. As such, adjustments to the existing supervisory framework must be proportionate, demonstrably support more integrated capital markets, and take care to not introduce new burdens or costs that could detract from the goal of fostering investment into the EU.

Single supervision of European banks focuses on prudential capital leaving conduct issues to national supervisors. The asset management business model with third party custody of client assets does not pose the same prudential capital risk. Supervision of asset managers whatever their size should continue to focus on conduct at an entity level and on products where the EU already benefits from world-class national supervisory centres in the fund and asset management sector. We support measures to reinforce connectivity, standardisation, consistency and align practices but without rebuilding the existing supervisory architecture.

A structural overhaul that splits supervision of management companies from product authorisation and oversight will not simplify supervision and is likely to undermine existing centres of excellence, creating additional layers of review and costs.

A multi-year effort to enact significant changes to the supervisory architecture will divert political attention from more impactful measures to increased investment in the EU economy, and likely require significant upfront investment by industry, diverting resources from innovation and improving end-investor outcomes.

Most of the current inefficiencies in supervision of EU capital markets stem less from the supervisory architecture and more from gold-plating and inconsistent interpretations of regulation at the national level. Aligning regulation and supervision are distinct goals, and challenges in one cannot be solved by altering the other.

We see opportunities to enhance practices through stronger supervisory convergence, for example via more effective use of the existing supervisory convergence toolkit which is in many cases underused. We see benefit in reinforcing coordination forums such as supervisory colleges led by, and composed of, national regulators. Different configurations should be considered based on firms' structures, product mix, and client base. For some firms, especially those with a multi-hub presence, a rotating chair model involving relevant NCAs may be most appropriate. Others with a clearly defined headquarters might benefit from a lead NCA approach.

We recommend investing the finite resources of ESMA and NCAs in greater convergence and building common trust and confidence between NCA's. For the common rule book to converge in practice, we need a supervisory outlook with increased use of common supervisory actions and shared supervisory collaboration platforms.

Emerging technologies such as the development of a standardised data reporting process and language, could help supervisors discharge their duties more effectively and would support the roll out of AI tools. Focus on interoperable regulatory data reporting platforms for use by firms, NCAs and ESMA would bring significant efficiency gains, especially in times of market stress, and reduce existing costs and inefficiencies. Common data reporting language and templates would assist firms from a burden reduction perspective and prioritise better data sharing between NCAs.

As the financial sector increasingly adopts innovations such as AI, tokenisation, and distributed ledger technology (DLT), it is also essential that NCAs receive the support needed to understand and supervise these emerging areas. Sharing expertise and supervisory tools across jurisdictions can promote more effective oversight and foster consistency in expectations and standards. In a rapidly evolving space, this collaborative approach would also support quicker, more informed decision-making — enabling firms to adopt these technologies more efficiently and with greater confidence.

Crucially, before decisions on more integrated supervision are made, we support the use of a pilot project to

ensure decisions are made based on real-world evidence - this will help inform prioritisation of supervisory convergence.

Question 5. Some 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?

The existing national-level supervisory expertise is already proving effective and delivering clear value. Therefore, the question is not whether this should change, but how it can be further built upon. We support the further development of supervisory colleges for cross-border asset managers as we believe this will help us retain the benefits of supervisory centres of excellence while reinforcing the ability of supervisors to act collectively in a crisis and to develop more strategic joint actions - as outlined in our response to Section 6.6.2.

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

No. The existing national-level supervisory expertise is already proving effective and delivering clear value. Therefore, the question is not whether this should change, but how it can be further built upon. We support the further development of supervisory colleges for cross-border asset managers as we believe this will help us retain the benefits of supervisory centres of excellence while reinforcing the ability of supervisors to act collectively in a crisis and to develop more strategic joint actions - as outlined in our response to Section 6.6.2.

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

The potential benefits of establishing ESMA hubs depend significantly on their intended objectives and roles. As mentioned earlier, we do not support the transfer of supervisory oversight for asset managers to ESMA. In this context, we do not see added value in creating ESMA hubs, as they could introduce confusion regarding supervisory responsibilities, additional layers of oversight and costs.

In our response to Section 7, we highlight several areas where greater use of convergence tools — such as coordination platforms between ESMA and NCAs — could be beneficial. As part of implementing these platforms, some NCAs may consider an on-the-ground presence by ESMA to be useful. However, any such initiative should be subject to a thorough cost-benefit analysis to ensure it does not result in additional layers of oversight or increased costs without clear benefits.

6.3. Questions on the supervision of funds and asset managers

6.3.1. Identifying costs related to current supervisory framework and benefits of more integrated EU supervision

Question 46. How would you rate the convergence of supervisory practices across Member States in the area of the supervision of funds and asset managers?

- ☐ 1 - Very convergent
- ☒ 2 - Rather convergent
- ☐ 3 - Neutral

- ☐ 4 - Rather divergent
- ☐ 5 - Very divergent
- ☐ Don't know / no opinion / not applicable

Please explain the reasoning for your answer to question 46 and provide examples of divergent outcomes of supervisory practices for funds and asset managers in different Member States:

Overall, the framework works well. However, one area that could benefit from improvement is the distinction between home and host state responsibilities. In practice, branches of EU entities are sometimes treated inconsistently across jurisdictions, with host regulators imposing additional requirements beyond what is mandated under EU law. This creates challenges and underscores the need for better coordination and clearer guidance on the respective roles of home and host states. For instance, some local regulators require mandatory audits for branches that have no clients. Improved coordination and a clearer delineation of responsibilities could help avoid unnecessary and burdensome requirements. This issue could be effectively addressed within ESMA's coordination groups. Clarifying and harmonising expectations around host state supervision would help reduce regulatory burdens while ensuring strong investor protection.

Another area for improvement relates to differing interpretations around certain product types, strategies, and their appropriate target markets. In some cases, there have been shifts in regulatory expectations over time—for example, funds launched prior to specific ESMA guidance may not have adjusted their target markets accordingly. This, too, could be addressed through ESMA's coordination groups to ensure more consistent supervisory outcomes across the EU.

Question 47. Please estimate the regulatory compliance costs^[2] (including the applicable fees) for UCITS funds, their fund managers and AIFMs that arise from engagement with your current supervisor(s)

Please separate any details on costs into fees and compliance, one-off cost and on-going costs and per supervisor.

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

² including administrative costs (staff costs, facilities costs, travel, IT technology costs), professional fees (e.g. legal, accounting, consulting, etc.), and supervisory fees.

We do not perform activities-based accounting for products or their fund managers> having said that, we can share the following information:

For professional fees, we include disclosures in the prospectuses of funds detailing establishment expenses (defined as all fees and expenses related to the establishment of the company, including listing costs, and the fees of the advisers to the company). Examples are as follows:

- Ireland: Costs depend on complexity and geographical focus but typically do not exceed €15,000 for straightforward strategies or €40,000 for more complex strategies.
- Luxembourg: The administration fee (which includes professional fees and charges) varies among funds and share classes. However, the administration fee shall not exceed 0.30% per annum. It is accrued daily based on the net asset value of the relevant share class and paid monthly.

Supervisory Fees:

Setting up a UCITS fund involves various upfront and ongoing regulatory costs, which can vary significantly between countries. Below is a summary for Ireland, Luxembourg, and Germany as examples:

Ireland

- Upfront Costs: The Central Bank of Ireland does not levy fees for registration, notification, passporting, or management of UCITS funds. However, there may be other costs related to administrative obligations, third-party advice, or commercial development.
- Ongoing Costs: There are no ongoing regulatory fees charged by the Central Bank of Ireland for cross-border activities of UCITS management companies.

Luxembourg

- Upfront Costs: Legal structuring and documentation costs can range from €50,000 to €150,000. The Commission de Surveillance du Secteur Financier charges authorization fees of approximately €3,000 to €10,000, depending on the strategy and complexity.
- Ongoing Costs: Annual supervisory fees range from €2,500 to €5,000.

Germany

- Upfront Costs: Setting up a UCITS fund in Germany involves costs for legal documentation, fund structuring, and regulatory compliance. Specific figures can vary, but initial setup costs are generally comparable to those in Luxembourg.
- Ongoing Costs: Ongoing regulatory fees include costs for compliance, reporting, and supervisory activities, which are bundled into the total cost of ownership paid by retail investors.

Question 48. To which extent do you agree with the following statements about possible benefits of more integrated EU supervision?

	1 (strongly agree)	2 (rather agree)	3 (neutral)	4 (rather disagree)	5 (strongly disagree)	Don't know - No opinion - Not applicable
a) It could reduce UCITS funds, their fund managers' and AIFMs' regulatory costs	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) It could enhance the quality of supervision over UCITS funds, their fund managers and AIFMs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) It could simplify and accelerate the procedure to apply for authorisation of UCITS funds, their fund managers and AIFMs in the EU	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) It could simplify and accelerate the procedure for additional authorisations of managers (e.g. to extend the scope of services or activities offered in the EU)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) It could simplify and accelerate the procedures for marketing UCITS funds and AIFs in the single market (outside the home Member State of the fund)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f) It could simplify and accelerate the procedures relating to regulatory notifications and approvals of marketing materials and changes to fund documentation	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

g) It could simplify and accelerate the procedures for obtaining supervisory approvals, e.g. with regard to outsourcing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
h) It could lead to more efficient use of supervisory resources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
i) It would decrease uncertainties that currently arise from different implementation or interpretations of EU Regulations in different Member States or by Member States and ESMA	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
j) It would remove the need for market actors to deal with duplicative instructions from more than one supervisory authority	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
k) It would create a level playing field between UCITS funds, their fund managers and AIFMs	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
l) It would create a level playing field between EU authorised funds and fund managers on the one hand and third-country investment funds and managers on the other hand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
m) It would reduce the need for detailed regulations and extensive rulebooks to achieve harmonised supervision	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
n) Other	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please specify to what other statement(s) you refer in your answer to question 48. n), and explain your answer providing, where possible, quantitative evidence and examples:

Given that 'more integrated supervision' could take various forms, it is not possible to make generalised conclusions about how such integration would improve outcomes across different dimensions.

Question 49. Do you consider that more centralised EU supervision could also produce negative side-effects?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 49:

Yes, we believe the creation of a single supervisory entity for asset managers could produce negative side-effects and therefore recommend a cautious approach. We recommend reinforcing the current framework by streamlining collaboration among NCAs. As outlined in our response to Section 7, we support stronger supervisory convergence through better use of existing tools, enhanced coordination via flexible supervisory college models, and improved regulatory data practices.

Key concerns with centralising supervision include:

- **Preserving centres of excellence:** The EU already has notable supervisory success stories. Ireland and Luxembourg are internationally recognised centres of excellence for the oversight of globally distributed investment funds. Other Member States—including France, Germany, and the Netherlands—have deep expertise in areas such as private assets, real estate, and pensions. Relocating responsibilities to a central body could dilute this proven talent pool.
- **Risk of disruption:** Transferring supervisory authority to a new entity could trigger a temporary regulatory hiatus. Distributors might be required to repeat due diligence and renegotiate contracts, delaying capital deployment and potentially slowing market activity.
- **Competitive edge at risk:** Europe's asset management hubs are a competitive advantage, thanks to their capacity to authorise and supervise innovative products within a robust regulatory framework. Centralisation could reduce responsiveness and so weaken the EU's appeal to global investors.
- **Slower innovation and added complexity:** In a fast-moving global market, Europe must remain agile. Centralising functions like product approvals risks adding layers of oversight and complexity, without clear

evidence of increasing capital flows into EU markets.

- Increased structural burdens: Manager-level supervision may compel firms to restructure (e.g., by forming holding companies), resulting in added tax, compliance, and operational costs—possibly discouraging market entry and reducing overall efficiency.
- Efficiency without overhaul: Improving supervisory efficiency does not require a structural overhaul. Instead, better use of existing tools, standardised reporting templates, and enhanced data sharing among NCAs can deliver meaningful gains for both regulators and firms—without undermining the strength of the current system.

Question 50. Do you have other comments on the current supervisory framework and benefits of more integrated EU supervision?

We welcome the Savings and Investment Union initiative that empowers citizens to invest in their future, channel capital into EU businesses and enhance the depth, effectiveness and connectivity of EU capital markets.

Reflections on the future of the EU's supervisory framework must balance multiple objectives: improving market integrity and growth; appropriately protecting investors; and maintaining robust financial stability oversight. As such, adjustments to the existing supervisory framework must be proportionate, demonstrably support more integrated capital markets, and take care to not introduce new burdens or costs that could detract from the goal of fostering investment into the EU.

Single supervision of European banks focuses on prudential capital leaving conduct issues to national supervisors. The asset management business model with third party custody of client assets does not pose the same prudential capital risk. Supervision of asset managers whatever their size should continue to focus on conduct at an entity level and on products where the EU already benefits from world-class national supervisory centres in the fund and asset management sector. We support measures to reinforce connectivity, standardisation, consistency and align practices but without rebuilding the existing supervisory architecture.

A structural overhaul that splits supervision of management companies from product authorisation and oversight will not simplify supervision and is likely to undermine existing centres of excellence, creating additional layers of review and costs.

A multi-year effort to enact significant changes to the supervisory architecture will divert political attention from more impactful measures to increased investment in the EU economy, and likely require significant upfront investment by industry, diverting resources from innovation and improving end-investor outcomes.

Most of the current inefficiencies in supervision of EU capital markets stem less from the supervisory architecture and more from gold-plating and inconsistent interpretations of regulation at the national level. Aligning regulation and supervision are distinct goals, and challenges in one cannot be solved by altering the other.

We see opportunities to enhance practices through stronger supervisory convergence, for example via more

effective use of the existing supervisory convergence toolkit which is in many cases underused. We see benefit in reinforcing coordination forums such as supervisory colleges led by, and composed of, national regulators. Different configurations should be considered based on firms' structures, product mix, and client base. For some firms, especially those with a multi-hub presence, a rotating chair model involving relevant NCAs may be most appropriate. Others with a clearly defined headquarters might benefit from a lead NCA approach.

We recommend investing the finite resources of ESMA and NCAs in greater convergence and building common trust and confidence between NCA's. For the common rule book to converge in practice, we need a supervisory outlook with increased use of common supervisory actions and shared supervisory collaboration platforms.

Emerging technologies such as the development of a standardised data reporting process and language, could help supervisors discharge their duties more effectively and would support the roll out of AI tools. Focus on interoperable regulatory data reporting platforms for use by firms, NCAs and ESMA would bring significant efficiency gains, especially in times of market stress, and reduce existing costs and inefficiencies. Common data reporting language and templates would assist firms from a burden reduction perspective and prioritise better data sharing between NCAs.

Crucially, before decisions on more integrated supervision are made, we support the use of a pilot project to ensure decisions are made based on real-world evidence – this will help inform prioritisation of supervisory convergence.

6.3.2. How could more integrated EU supervision function?

Question 51. Please indicate to which extent you support the following possible models of more integrated EU supervision:

	1 (strongly agree)	2 (rather agree)	3 (neutral)	4 (rather disagree)	5 (strongly disagree)	Don't know - No opinion - Not applicable
a) A single EU supervisor, responsible for the supervision of asset managers with significant cross-border activities, while NCAs remain responsible for the supervision for asset managers with limited or no cross-border activity, UCITS funds and AIFs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
b) A supervisory college, chaired by an EU supervisor, having the main responsibility for, and taking joint decisions on, the supervision of asset managers with significant cross-border activities, while NCAs remain responsible for the supervision of asset managers with limited or no cross-border activity, UCITS funds and AIFs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) A supervisory college, chaired by a "lead NCA", having the main responsibility for, and taking joint decisions on, the supervision of asset managers with significant cross-border activities, while NCAs remain responsible for the supervision of asset managers with limited or no cross-border activity, UCITS funds and AIFs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) A supervisory coordination college comprised of all relevant national competent authorities and ESMA while supervisory responsibilities remain unchanged	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) Other set-up	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Please explain your answer to question 51. d), providing, where possible, quantitative evidence and examples, including on potential costs and benefits, taking into account experience with voluntary colleges established so far:

We note that several cross-border asset managers are already subject to coordinated supervision through voluntary supervisory colleges involving ESMA. While these arrangements are still at an early stage of development, we support their expanded use as a means of enhancing coordination between NCAs and ESMA.

We see real value in supervisory colleges as a tool to strengthen supervisory cooperation, improve efficiency, and enhance the effectiveness of cross-border supervision in the asset management sector. In our experience, they can play a valuable role in streamlining regulatory feedback, offer firms a clearer understanding of supervisory expectations across jurisdictions, and support faster resolution of cross-border issues. They also offer firms a valuable opportunity to engage with all relevant regulators simultaneously on areas of common interest—such as technology adoption, strategic developments, and macro-level trends and risks—promoting greater alignment and mutual understanding. However, there is clear scope for improvement—particularly in providing more timely and effective feedback to firms, and in making the process more transparent, consistent, and outcome-oriented. Key potential benefits could include:

- Enhanced coordination and consistency: Colleges could help streamline regulatory feedback and align supervisory expectations across jurisdictions. This is particularly valuable for cross-border asset managers with complex, cross-border operations, as it allows for a more coherent and predictable supervisory environment. When functioning effectively, colleges can help avoid duplication of requests and ensure that firms receive coordinated, timely input from multiple regulators.

- Clearer engagement with market participants: Supervisory colleges offer a structured and efficient way for firms to engage with all relevant regulators simultaneously. This is especially valuable for discussing cross-cutting topics such as product pipeline, technology adoption, strategic direction, emerging risks, and macroeconomic trends. A coordinated forum helps ensure consistent messaging, clarifies supervisory expectations, and supports more effective dialogue between firms and supervisors.

- Exchange of supervisory knowledge and practices: Colleges could serve as a valuable platform for NCAs to share supervisory insights, emerging risks, best practices and coordinate common supervisory actions. This promotes greater consistency in supervisory outcomes across Member States, strengthens mutual understanding, and contributes to the overall convergence of supervisory approaches—without requiring structural change to the existing framework.

- Support for proactive supervision: By bringing regulators together regularly, colleges allow for earlier identification of potential issues and collective planning of supervisory responses. This is especially important in a rapidly evolving market environment, where coordinated supervision can help pre-empt risks and ensure that regulators remain aligned on key priorities.

As supervisory colleges continue to evolve, several important considerations should be taken into account to ensure they are effective and proportionate:

- Recognition of business model diversity: The asset management sector includes a wide range of structures—some firms operate primarily through UCITS or management companies, while others also include MiFID investment firm activities. The design of supervisory colleges must be flexible enough to reflect this diversity, rather than follow a blueprint designed for banks or market infrastructures.

- Preservation of local supervisory expertise: The choice of domicile for asset managers and their products is often influenced by the depth of supervisory expertise in specific jurisdictions. This long-standing local knowledge is critical to effective oversight and should be preserved as coordination mechanisms develop.

- Flexibility in approach: Given the early stage of development and the varied operational footprints of asset managers, it would be premature to adopt a single model. For firms with a multi-hub presence, a rotating chair model involving relevant NCAs may be most appropriate. For others with a clearly defined headquarters and centralised book of business, a lead NCA model could work better.

To support the continued development of supervisory colleges, a number of practical improvements could be considered:

- More frequent meetings, particularly during times of market stress;
- Clearer governance structures, with defined roles and consistent follow-up; including flexible leadership models, such as a rotating chair or lead NCA depending on firm structure;
- Greater industry input into meeting agendas, to ensure relevance and focus.

These changes would help supervisory colleges deliver more timely and coordinated oversight, while maintaining the strengths of the current decentralised framework.

Question 52. 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 supervision of AIFs, UCITS and their fund managers?

- ☐ 1 - Strongly agree
- ☐ 2 - Rather agree
- ☐ 3 - Neutral
- ☒ 4 - Rather disagree
- ☐ 5 - Strongly disagree
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 52:

Forming joint supervisory teams between ESMA and NCAs would in our view demand substantial new resources and could result in overlapping responsibilities, and duplication of tasks. We would rather support enhancing the functioning of supervisory colleges, as detailed in our response to Section 6.2.2.

Question 53. How would you expect your compliance cost to change under the supervisory model you chose in question 51?

- ☐ Strong increase: +20% or more
- ☐ Increase: +5-20%
- ☒ Neutral: +/- 0-5%
- ☐ Decrease: -5-20%
- ☐ Strong decrease: -20% or more
- ☐ Don't know / no opinion / not applicable

7. Horizontal questions on the supervisory framework

7.1. New direct supervisory mandates and governance models

Question 1. Would you agree that EU level supervision is beneficial to achieve a more integrated market?

- ☐ 1 - Strongly agree
- ☐ 2 - Agree
- ☐ 3 - Neutral
- ☒ 4 - Disagree
- ☐ 5 - Strongly disagree
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 1:

A centralised supervisor will not result in additional retail savings. In fact, it may introduce additional layers of bureaucracy that increase complexity for firms without delivering clear benefits to consumers.

Real progress in achieving a more integrated market would come from establishing a level playing field, regulatory consistency, and long-term stability. These conditions support consumer trust and facilitate product comparability— key drivers of market growth. A centralised supervisor, by contrast, risks adding administrative burden without necessarily accelerating time to market, improving product choice, or raising product standards.

Equally important for increased market integration is to address some of the issues currently present in the trading and post-trading space. As we point out in section 2.

Lastly, while more integrated public and private markets across Europe will be critical for the realisation of the Savings and Investments Union, it is also important to consider that other policy measures to stimulate capital demand and capital supply would be equally important.

Question 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?

- ☐ Yes
 - ☐ No
 - ☒ Don't know / no opinion / not applicable
-

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

	1 (strongly agree - very important objective)	2 (rather agree - important objective)	3 (neutral)	4 (rather disagree - less important objective)	5 (strongly disagree - not important objective)	Don't know - No opinion - Not applicable
a) Streamlined supervisory process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
b) Single supervisory point of contact and efficiency in the engagement with a single supervisor, instead of multiple NCAs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
c) Reduced volume of Level 2 legislation (technical standards) and supervisory guidelines	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
d) Coherent supervisory outcomes for the EU market as a whole	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
e) more harmonised application of EU rules	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
f) enhanced pool of expertise and resources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
g) building synergies and avoiding duplications,	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
h) ensuring a high level of supervision across EU	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
i) reduced costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
j) other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Question 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 these 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.

- ☒ Don't know / no opinion / not applicable

Question 6. Would you envisage a different governance model apart from one of those outlined above?

- ☐ Yes
- ☐ No
- ☒ Don't know / no opinion / not applicable

7.2. Supervisory convergence

Please select the ESA(s) for which you want to reply in this section:

Please select as many answers as you like

☒ **ESMA**

☐ **EIOPA**

☐ **EBA**

ESMA

Question 7. ESMA: Please rate the effectiveness of supervisory convergence tools in ESMA:

	1 (least effective)	2 (rather not effective)	3 (neutral)	4 (rather effective)	5 (most effective)	Don't know - No opinion - Not applicable
Breach of Union law	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Binding mediation	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Peer reviews	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Emergency powers	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Opinions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Recommendations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Product intervention powers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Inquiries	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
No action letters	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Guidelines	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Colleges of supervisors	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Coordination groups	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Collaboration platforms	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Warnings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Questions and Answers	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Supervisory handbooks	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Stress tests	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Union strategic supervisory priorities	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please specify to what other convergence tool(s) you refer in your answer to question 7 for ESMA:

Pilot projects - There are a number of ways in which ESMA and NCAs could work together to drive greater supervisory convergence within the current supervisory framework. Before deciding whether to implement legislative changes we strongly recommend the use of pilot projects between ESMA and willing NCAs to determine the effectiveness of proposed solutions including feedback loops to establish what types of cooperation are most effective. As noted in our answer to Section 7.6 the effectiveness of any such pilot projects will be greatly enhanced by greater reliance on common regulatory data standards and the use of a common data hub - this will greatly facilitate the use of AI and machine learning tools in the implementation of convergent supervisory approach by EU NCAs.

Please explain your answer to question 7 for ESMA:

Peer reviews -

Peer review can be an effective tool for ensuring that NCAs effectively supervise their markets. ESMA has conducted several peer reviews in the investment management sector, including guidelines on ETFs and UCITS issues, stress test scenarios under the MMF Regulation, cross-border activities of investment firms, and post-Brexit relocations. These peer reviews have had the benefit of addressing interpretation issues, identifying divergences in practice and identifying significant supervisory shortcomings. We recognise that these are resource-intensive projects and ESMA should align these reviews with its strategic priorities. We also caution against mandating peer reviews in primary legislation as proposed in recent amendments under UCITS and AIFMD – the need and timing of any such reviews such be left to ESMA to determine whether a peer review or other tool is the most effective way of leading to supervisory convergence on any given topic.

No Action letters -

As noted in our response to Section 1.7 the sequencing of EU legislative measures can force market players to implement new legislation before all the supporting texts have been issued. It would be beneficial to allow ESMA to suspend the application of certain acts for a time-limited period by providing legal certainty to market participants that they would not be sanctioned for non-compliance

Guidelines -

Guidelines have developed into important instruments for developing a high-quality single rulebook. Guidelines should be issued at an early enough stage to promote consistent supervisory practices so as to precludes NCAs from having to issue their own national guidelines to avoid multiple overlapping interpretations. The technical nature of many Guidelines should be reflected in the use of precise and non-ambiguous language that can be easily translated onto the technical platforms and industry protocols industry participants use to support implementation programmes.

Supervisory colleges -

See answer to Section 6.6.2

Coordination groups -

We consider that Coordination Groups could play an increasingly valuable role in ensuring supervisory

convergence, especially if coupled with input from supervisory engagements from individual NCAs or collectively from supervisory colleges.

Collaboration platforms -

This could represent proactive convergence mechanisms, such as coordination and collaboration, to address industry problems and differences in regulatory approaches.

Proactive measures could help prevent issues before they arise and improve overall regulatory effectiveness. A structured coordination mechanism of this kind would enable a more holistic approach to EU supervision, preserving the benefits of national proximity to market participants while fostering consistent supervisory outcomes. Crucially, it would allow for gradual and pragmatic harmonization through cooperation and transparency, rather than requiring the establishment of a central supervisory authority—an approach that may not be politically or operationally viable.

Q&As -

Q&As are useful for specifying rules and ensuring supervisory convergence, even though they are non-binding. They are influential but can represent significant policy changes, where greater transparency and consultation would be beneficial. Greater predictability is needed for Q&A updates, and sufficient time should be given for compliance. Better quality guidance could be achieved by leveraging industry feedback more effectively. There is a need for more detailed and clearer Q&As to avoid confusion and provide better guidance to the industry.

Common Supervisory Actions -

NCAs do not always adhere to the timelines, and we regularly observe varying template formats and changes to the CSA questionnaire. This creates excessive complexity in coordinating data requests and raises questions about the effective aggregation of the data received by NCAs.

7.3. Increasing the effective use of supervisory convergence tools

Please select the ESA(s) for which you want to reply in this section:

Please select as many answers as you like

- ☒ **ESMA**
- ☐ **EIOPA**
- ☐ **EBA**

ESMA

Question 8. ESMA: Do you think that the current supervisory convergence tools are used effectively and to the extent that is possible?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

Please explain your answer to question 8 for ESMA and give examples:

ESMA has extensively used existing supervisory convergence tools in the investment management sector. However, we believe ESMA could use existing tools more proactively, in particular in order to create a high watermark and facilitate the removal of gold plating which is currently hindering the simplification of the rules (more detail under Section 5)

Question 9. ESMA: Do you think that the current governance and decision-making processes within ESMA provide sufficient incentives for the use of supervisory convergence tools?

- ☐ Yes
- ☐ No
- ☒ Don't know / no opinion / not applicable

Question 10. ESMA: How could the mandate of the Chair and Executive Director of ESMA be modified to allow them to act more independently and effectively in promoting supervisory convergence?

- ☐ Prohibition of re-election
- ☐ Longer term
- ☐ Other
- ☒ Don't know / no opinion / not applicable

Question 11. ESMA: [For NCAs] Did resource constraints ever hinder or prevent the use of supervisory convergence tools?

- ☐ Yes
- ☐ No

☒ Don't know / no opinion / not applicable

7.4. Enhancements to existing tools

Please select the ESA(s) for which you want to reply in this section:

Please select as many answers as you like

☒ **ESMA**

☐ **EIOPA**

☐ **EBA**

ESMA

Question 12. ESMA: Do you see limitations or weaknesses in supervisory convergence tools in addressing significant divergences in supervisory practices between NCAs?

	Yes	No	Don't know - No opinion - Not applicable
Breach of Union law	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Binding mediation	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Peer reviews	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Emergency powers	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Opinions	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Recommendations	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

Product intervention powers	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Inquiries	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
No action letters	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Guidelines	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Colleges of supervisors	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Coordination groups	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Collaboration platforms	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Warnings	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Questions and answers	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Supervisory handbook	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Stress tests	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Union Strategic Supervisory Priorities	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

(ESMA) If you responded "yes" for peer reviews, please explain:

- **why you see limitations or weaknesses and in which specific areas**
- **what concrete changes you would propose to address the limitations or weaknesses flagged and make these tools more effective**

Peer review can be an effective tool for ensuring that NCAs effectively supervise their markets. ESMA has conducted several peer reviews in the investment management sector, including guidelines on ETFs and UCITS issues, stress test scenarios under the MMF Regulation, cross-border activities of investment firms, and post-Brexit relocations. These peer reviews have had the benefit of addressing interpretation issues, identifying divergences in practice and identifying significant supervisory shortcomings. We recognise that these are resource-intensive projects and ESMA should align these reviews with its strategic priorities. We also caution against mandating peer reviews in primary legislation as proposed in recent amendments under UCITS and AIFMD – the need and timing of any such reviews should be left to ESMA to determine whether a peer review or other tool is the most effective way of leading to supervisory convergence on any given topic.

(ESMA) If you responded "yes" for no action letters, please explain:

- **why you see limitations or weaknesses and in which specific areas**
- **what concrete changes you would propose to address the limitations or weaknesses flagged and make these tools more effective**

As noted in our response to Section 1.7 the sequencing of EU legislative measures can force market players to implement new legislation before all the supporting texts have been issued. It would be beneficial to allow ESMA to suspend the application of certain acts for a time-limited period by providing legal certainty to market participants that they would not be sanctioned for non-compliance.

(ESMA) If you responded "yes" for guidelines, please explain:

- **why you see limitations or weaknesses and in which specific areas**
- **what concrete changes you would propose to address the limitations or weaknesses flagged and make these tools more effective**

Guidelines have developed into important instruments for developing a high-quality single rulebook. Guidelines should be issued at an early enough stage to promote consistent supervisory practices so as to preclude NCAs from having to issue their own national guidelines to avoid multiple overlapping interpretations. The technical nature of many Guidelines should be reflected in the use of precise and non-ambiguous language that can be easily translated onto the technical platforms and industry protocols industry participants use to support implementation programmes.

(ESMA) If you responded "yes" for colleges of supervisors, please explain:

- **why you see limitations or weaknesses and in which specific areas**
- **what concrete changes you would propose to address the limitations or weaknesses flagged and make these tools more effective**

We note that several cross-border asset managers are already subject to coordinated supervision through voluntary supervisory colleges involving ESMA. While these arrangements are still at an early stage of development, we support their expanded use as a means of enhancing coordination between NCAs and ESMA.

We see real value in supervisory colleges as a tool to strengthen supervisory cooperation, improve efficiency, and enhance the effectiveness of cross-border supervision in the asset management sector. In our experience, they can play a valuable role in streamlining regulatory feedback, offer firms a clearer understanding of supervisory expectations across jurisdictions, and support faster resolution of cross-border issues. They also offer firms a valuable opportunity to engage with all relevant regulators simultaneously on areas of common interest—such as technology adoption, strategic developments, and macro-level trends and risks—promoting greater alignment and mutual understanding. However, there is clear scope for improvement—particularly in providing more timely and effective feedback to firms, and in making the process more transparent, consistent, and outcome-oriented.

Key potential benefits could include:

- * Enhanced coordination and consistency: Colleges could help streamline regulatory feedback and align supervisory expectations across jurisdictions. This is particularly valuable for cross-border asset managers with complex, cross-border operations, as it allows for a more coherent and predictable supervisory environment. When functioning effectively, colleges can help avoid duplication of requests and ensure that firms receive coordinated, timely input from multiple regulators.

- * Clearer engagement with market participants: Supervisory colleges offer a structured and efficient way for firms to engage with all relevant regulators simultaneously. This is especially valuable for discussing cross-cutting topics such as product pipeline, technology adoption, strategic direction, emerging risks, and macroeconomic trends. A coordinated forum helps ensure consistent messaging, clarifies supervisory expectations, and supports more effective dialogue between firms and supervisors.

- * Exchange of supervisory knowledge and practices: Colleges could serve as a valuable platform for NCAs to share supervisory insights, emerging risks, best practices and coordinate common supervisory actions. This promotes greater consistency in supervisory outcomes across Member States, strengthens mutual understanding, and contributes to the overall convergence of supervisory approaches—without requiring structural change to the existing framework.

- * Support for proactive supervision: By bringing regulators together regularly, colleges allow for earlier identification of potential issues and collective planning of supervisory responses. This is especially important in a rapidly evolving market environment, where coordinated supervision can help pre-empt risks and ensure that regulators remain aligned on key priorities.

As supervisory colleges continue to evolve, several important considerations should be taken into account to ensure they are effective and proportionate:

- * Recognition of business model diversity: The asset management sector includes a wide range of structures—some firms operate primarily through UCITS or management companies, while others also include MiFID investment firm activities. The design of supervisory colleges must be flexible enough to reflect this diversity, rather than follow a blueprint designed for banks or market infrastructures.

- * Preservation of local supervisory expertise: The choice of domicile for asset managers and their products is often influenced by the depth of supervisory expertise in specific jurisdictions. This long-standing local knowledge is critical to effective oversight and should be preserved as coordination mechanisms develop.

- * Flexibility in approach: Given the early stage of development and the varied operational footprints of asset managers, it would be premature to adopt a single model. For firms with a multi-hub presence, a rotating chair model involving relevant NCAs may be most appropriate. For others with a clearly defined headquarters and centralised book of business, a lead NCA model could work better.

To support the continued development of supervisory colleges, a number of practical improvements could be considered:

- More frequent meetings, particularly during times of market stress;
- Clearer governance structures, with defined roles and consistent follow-up; including flexible leadership models, such as a rotating chair or lead NCA depending on firm structure;
- Greater industry input into meeting agendas, to ensure relevance and focus.

These changes would help supervisory colleges deliver more timely and coordinated oversight, while maintaining the strengths of the current decentralised framework.

(ESMA) If you responded "yes" for coordination groups, please explain:

- **why you see limitations or weaknesses and in which specific areas**
- **what concrete changes you would propose to address the limitations or weaknesses flagged and make these tools more effective**

We consider that Coordination Groups could play an increasingly valuable role in ensuring supervisory convergence, especially if coupled with input from supervisory engagements from individual NCAs or collectively from supervisory colleges.

(ESMA) If you responded "yes" for collaboration platforms, please explain:

- **why you see limitations or weaknesses and in which specific areas**
- **what concrete changes you would propose to address the limitations or weaknesses flagged and make these tools more effective**

This could represent proactive convergence mechanisms, such as coordination and collaboration, to address industry problems and differences in regulatory approaches.

Proactive measures could help prevent issues before they arise and improve overall regulatory effectiveness. A structured coordination mechanism of this kind would enable a more holistic approach to EU supervision, preserving the benefits of national proximity to market participants while fostering consistent supervisory outcomes. Crucially, it would allow for gradual and pragmatic harmonization through cooperation and transparency, rather than requiring the establishment of a central supervisory authority—an approach that may not be politically or operationally viable.

(ESMA) If you responded "yes" for questions and answers, please explain:

- **why you see limitations or weaknesses and in which specific areas**
- **what concrete changes you would propose to address the limitations or weaknesses flagged and make these tools more effective**

Q&As are useful for specifying rules and ensuring supervisory convergence, even though they are non-binding. They are influential but can represent significant policy changes, where greater transparency and consultation would be beneficial. Greater predictability is needed for Q&A updates, and sufficient time should be given for compliance. Better quality guidance could be achieved by leveraging industry feedback more effectively. There is a need for more detailed and clearer Q&As to avoid confusion and provide better guidance to the industry.

Please specify to what other convergence tool(s) you refer in your answer to question 12 for ESMA, and please explain:

- **why you see limitations or weaknesses and in which specific areas**
- **what concrete changes you would propose to address the limitations or weaknesses flagg**

Pilot projects -

There are a number of ways in which ESMA and NCAs could work together to drive greater supervisory convergence within the current supervisory framework. Before deciding whether to implement legislative changes we strongly recommend the use of pilot projects between ESMA and willing NCAs to determine the effectiveness of proposed solutions including feedback loops to establish what types of cooperation are most effective. As noted in our answer to Section 7.6 the effectiveness of any such pilot projects will be greatly enhanced by greater reliance on common regulatory data standards and the use of a common data hub - this will greatly facilitate the use of AI and machine learning tools in the implementation of convergent supervisory approach by EU NCAs.

ed and make these tools more effective

7.5. Possible new supervisory convergence tools

Please select the ESA(s) for which you want to reply in this section:

Please select as many answers as you like

☒ **ESMA**

☐ **EIOPA**

☐ **EBA**

ESMA

Question 14. ESMA: Do you see limitations in the current supervisory convergence tools to address home/host issues?

☐ Yes

☒ No

☐

Question 15. ESMA: In the context of supervision of products or of conduct of business rules, supervisory convergence powers could be reinforced. ESMA may identify cases where home supervision is deemed ineffective either through ongoing monitoring or in response to a specific complaint. For example, ESMA 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 ESMA should be empowered to issue an opinion in cases where national supervision is deemed ineffective?

- ☐ Yes
- ☐ No
- ☒ Don't know / no opinion / not applicable

Question 16. ESMA: Do you think ESMA should be empowered to issue a binding advice in cases where national supervision is deemed ineffective?

- ☐ Yes
- ☐ No
- ☒ Don't know / no opinion / not applicable

Question 18. ESMA: Are there additional supervisory convergence tools that should be introduced?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

7.6. Data and technology hub

Please select the ESA(s) for which you want to reply in this section:

Please select as many answers as you like

☒ **ESMA**

 **EIOPA**

 **EBA**

ESMA

Question 19. ESMA: Which area(s) would benefit most from an ESMA's enhanced role as a data and technology hub?

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We have long advocated for a more coordinated approach to data collection and see significant potential for efficiency gains through better alignment and the use of interoperable regulatory data reporting platforms for market participants, NCAs, and ESMA. Interoperability must be built in by design to ensure relevant datasets

can be shared and aggregated where needed.

There is clear room for greater efficiency through the alignment of data reporting templates and improved data-sharing mechanisms. Firms currently receive multiple data requests in varying formats, which is both costly and inefficient.

These challenges become particularly acute during periods of market stress, when valuable time is diverted from risk management to responding to overlapping supervisory requests. A more coordinated approach would enable data to be shared across supervisors, with NCAs following up locally based on consistent information. Identifying in advance key data points—such as liquidity management metrics, large redemption flows, and leverage—would help supervisors detect emerging risks and have a complete dashboard in a crisis. Automating the delivery of these fields during stress periods would benefit supervisors while freeing up market participants to focus on managing investor interests.

Additionally, the implementation of new reporting requirements under the UCITS and AIFMD reviews presents an opportunity to test a single, common reporting template. This would support a shared language between firms and supervisors, drive cost savings, increase efficiency, and facilitate coordinated supervisory actions.

Taken together, these measures would support more timely and consistent data reporting, reduce inconsistencies in approach and format, and enhance financial and market integrity. Better data aggregation and reporting would strengthen supervision, and developing feedback loops to industry would improve the quality of stress testing. Improved data frameworks would also enhance ESMA's and NCAs' ability to work effectively together and make collaboration platforms, colleges, and other supervisory convergence tools more effective.