CLEARING AND SETTLEMENT PRIORITIES

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EMIR 3: Enhancing EU clearing for a stronger Capital Markets Union

The EU is advancing its Saving and Investment Union (SIU) strategy to create more efficient and integrated capital markets.

Central to this effort is the operationalisation of EMIR 3, the enhanced regulatory framework for clearing, which focuses on two priorities: (i) reducing reliance on third-country central counterparties (CCPs) and (ii) enhancing the competitiveness and resilience of EU clearing.

Implementing the Active Account Requirement (AAR)

The AAR requires the most active EU clearing participants to maintain operational and representative accounts at EU CCPs for clearing specific interest rate derivatives. It aims to reduce dependencies on third-country critical infrastructures while safeguarding financial stability in the EU.

On 19 June 2025, ESMA published final draft Regulatory Technical Standards (RTS) on the AAR, outlining the operational conditions, representativeness and reporting requirements. These rules incorporate stakeholder feedback and include targeted simplifications to ease operational burdens while maintaining the AAR objectives.

Initial signs suggest that relevant EU clearing participants are indeed opening accounts at EU CCPs to the extent that they had not already done so. However, a significant shift in clearing volumes is yet to materialise. It will depend not only on the operational readiness and competitiveness of EU CCPs, but also on the preparedness of EU clearing participants to meet - or even exceed - the mandated number of transactions.

ESMA will play a key role in ensuring balanced implementation of the AAR through constructive dialogue with market participants. In parallel, the Joint Monitoring Mechanism (JMM) will monitor the AAR's effectiveness in mitigating financial stability risks for the EU.

Enhancing competitiveness and resilience

Beyond the AAR, EMIR 3 introduces broader reforms to improve EU clearing's competitiveness and resilience.

To enhance competitiveness, EMIR 3 shortens approval timelines for new products and models, standardises documentation, and introduces a centralised digital platform to streamline interactions between CCPs and supervisors. These measures aim to accelerate innovation, reduce administrative burden, and ensure more efficient and transparent supervisory processes. While these procedures may require adjustments by NCAs and CCPs, they are expected to bring much-needed clarity and predictability and, provided all stakeholders adhere to the rules of the game, result on average in a shorter time-to-market for new initiatives.

ESMA will publish final RTS by year-end on extensions of authorisation extensions and model validations, reflecting the recent consultation.

In relation to resilience, ESMA is currently consulting on measures to improve transparency in:

(i) initial margin requirements, so that clearing members and clients receive timely and adequate information, particularly during periods of market volatility.

(ii) the type of information on costs and fees to be disclosed by clearing service providers to their clients.

A second consultation will be launched by end of year to review the existing collateral framework, including proposals to allow the use of uncollateralised bank guarantees under specific conditions and to introduce safeguards to reduce procyclicality of haircuts.

These initiatives aim to support predictability, innovation and growth in EU CCPs while maintaining robust safeguards for financial stability. They reflect a balanced approach to regulation that encourages competitiveness without compromising on systemic resilience.

Clearing as a Foundation for the SIU

EMIR 3 is foundation for the broader SIU agenda. Robust and competitive EU-based clearing services are essential for deeper capital market integration and for enabling the EU to compete effectively on the global stage.

Achieving the SIU requires more than technical reforms. It will demand national divergences.

Given their systemic importance, CCPs must operate under a robust, unified regulatory and supervisory framework that allows to respond in a quick and agile manner to new developments or risks. Maintaining fragmented or cumbersome approaches hampers the EU's ability to manage cross-border stability risks and the EU CCPs' capacity to innovate and compete at the global level.

This integration is particularly vital as the sector adapts to new operational and cyber resilience requirements under DORA and prepares for the transition to T+1 settlement, all of which demand secure and efficient EU infrastructures and seamless interaction across market participants.

Conclusion

EMIR 3 offers a unique opportunity to build a safer, more resilient, and competitive EU clearing ecosystem. Its success hinges on collaboration among regulators, policymakers, supervisors, and market participants to fill with life a clearing infrastructure that meets today's challenges and tomorrow's opportunities.

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Strengthening supervision of EU post-trade infrastructures

The implementation of EMIR 3 and the shift to T+1 settlement mark an essential step towards a more resilient and competitive EU financial system, where stronger centralised supervision of CCPs and CSDs is essential to managing systemic risks and ensuring efficient cross-border post-trade integration.

The transition to T+1 settlement on 11 October 2027 represents one of the most significant shifts in post-trade infrastructure. This move, already implemented in the U.S. and Canada, is now firmly on the agenda in Europe. The industry's focus has now shifted to the practical implementation. This phase is arguably the most complex, as it involves not just technical adjustments, but a coordinated transformation across the entire post-trade value chain.

While we do not foresee major regulatory challenges, operational issues must nevertheless be tackled in a coordinated manner. The necessary preparatory work for a successful switch falls mainly upon the financial market participants. The establishment of the EU T+1 Industry Committee and its sub-groups should however provide a sound basis for a successful and coordinated implementation, but market participants need to start tackling the homework they have been set.

EMIR 3.0 has been designed to streamline supervisory processes for EU central counterparties (CCPs) to make CCP supervision more efficient. It should enhance supervisory convergence and establish a more harmonized supervisory framework. The Regulation's aim is to boost the competitiveness and resilience of EU CCPs by reducing regulatory delays and burdens within approval processes. EMIR 3 also foresees a greater role for ESMA acting as the centralised supervisor.

As EU post-trade infrastructures become more interconnected and systemically important, the need for more centralised or co-ordinated supervision becomes increasingly evident. Benefits include enhanced systemic risk oversight. Further, it reflects consistency and efficiency, as harmonised rules and supervision reduce fragmentation and compliance burdens. Finally, ESMA's expanded role under EMIR 3, especially in emergencies, is a step toward a more agile and co-ordinated response mechanism.

The efficiency of these new rules in practice will become clearer once these standards have been fully adopted and applied. However, the enhanced role of ESMA in EU-CCP supervision along with the close connections within the European supervisory system of CCPs (including national supervisors, supervisory college members, and ESMA) and the significant role of CSDs as key market infrastructures, have led to discussions about the need for a single centralised supervisor.

Centralised supervision is the way forward to ensure efficient cross-border post-trading.

To effectively fulfil its essential role in the evolving landscape of EU post-trade infrastructure, such a centralised supervisor must possess a comprehensive understanding of the diverse business models and organisational structures of the entities it supervises.

Beyond in-depth expertise, the central supervisor must be established in a way that ensures both cost-efficiency and operational scalability. It should focus on refining regulatory policies, ensuring that supervisory practices remain aligned with market developments and technological innovation, and cooperating with supervisors in other countries. The experience and knowledge and know-how of national supervisors should be duly considered: especially in understanding the national specificities, business models and risks of entities in member states.

Any plans to change the supervisory landscape or to adapt the approach to supervision of post-trade infrastructures should be evaluated under the following premise: do such changes contribute effectively to the Savings and Investment Union's (SIU) goals, namely to deepen the financial markets and to enhance the competitiveness of European financial actors, and do they contribute to the goal of simplification and burden reduction?

A tiering system, as currently foreseen for third-country CCP supervision, could be a suitable means to reflect all aspects relating to the complexity of individual CCPs and CSDs, their business models, organisation and risk profiles in conjunction with the competences of a central supervisor and the local know-how of national supervisors. The tiering system would consider the size and risk profile and especially cross-border risks for large entities, whereas small and local CCPs and CSDs would remain under the supervision of NCAs, while ensuring an information right for colleges and ESMA. This approach would also ensure proportionality, save costs and allow ESMA to efficiently bundle its resources on the market's largest infrastructures.

GIUSEPPE GRANDE

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Post-trading in the EU: simplification, access, T+1 and supervisory convergence

The implementation of EMIR 3 is underway, and its success is crucial to improving the efficiency of central clearing in Europe. A key feature of the new regulatory framework is the introduction of accelerated procedures for approving new service offerings or changes to risk models. The focus will be on establishing clear, objective and well-calibrated criteria to distinguish between changes that require a full, thorough assessment due to their significant impact, and changes that have a lesser impact and can therefore benefit from accelerated approval or exemption from prior regulatory assessments. To maximize the benefits of EMIR 3, it is crucial that the longer, standard approval procedures are reserved for initiatives with substantial effects only. The ongoing efforts are focused on refining these criteria, building on CCPs' feedback and leveraging current supervisory experience.

At the same time, it is crucial that the relevant authorities receive adequate information to make informed decisions when approving extensions to authorizations and validations. While some changes may be exempt from detailed scrutiny, once it is established that a proposed modification could have significant implications, the authorities must receive comprehensive evidence in order to be able to assess the impact of that change. Inadequate or insufficient information could undermine the effectiveness of the approval process and, in worst-case scenarios, pose a risk to financial stability.

Another significant area of focus in the implementation of EMIR 3 is the specification of participation criteria for CCPs. In order to strike a balance between infrastructure resilience and broader access to services, CCPs should consider a wide range of factors when setting admission criteria. This will ensure proportionality is applied based on each participant's specific category and risk profile. This risk-based approach will guarantee that access to central clearing remains broad, inclusive and fair, while safeguarding the systemic integrity of the clearing system.

Finally, transparency requirements, particularly regarding the provision of margin simulators by CCPs, need to be further defined. These tools aim to help market participants anticipate margin calls more effectively and improve their liquidity preparedness. In this regard, the EU is ahead of other jurisdictions in implementing high-level policy proposals that have also been suggested by international standard setters. This work must be carried out effectively to maintain the EU's leadership in improving transparency within the central clearing space.

The implementation of T+1 is also progressing. Enhancing automation and standardization across all stages of the post-trade lifecycle (e.g. trade matching, securities lending, FX bookings, and corporate action handling) is essential to ensure a smooth settlement process even within a halved settlement cycle. In Europe, the transition to T+1 is more complex than in many other jurisdictions due to the number of parties involved, the different currencies, and the specificities of local regulatory and market practices.

Significant milestones have been achieved. EU legislators have provided legal certainty for the process by amending the relevant parts of the CSDR, setting T+1 implementation for 11 October 2027. EU governance is already in place and functioning properly. An industry committee has finalized a road map and the related recommendations to help market participants identify the necessary changes to operate effectively in a T+1 environment. National coordination fora, such as the one established in Italy by Consob and Banca d'Italia, could further facilitate monitoring the transition and raise awareness among all stakeholders at a local level.

From a systemic risk perspective, the move to a T+1 settlement cycle may introduce additional challenges in managing operational risk, including cyber risk. The shortening of the time between trade execution and settlement, coupled with the high volume of transactions concluded in the financial markets, increases the need for operational resilience. This makes it even more important to ensure the robustness of the IT infrastructure and communication interfaces along the entire post-trade chain.

Authorities must receive comprehensive and sound evidence on proposed material changes.

As discussed in this magazine and at the Eurofi seminar in Warsaw in April 2025, improving the coordination or centralization of the supervision of financial market infrastructures under the Savings and Investment Union initiative could enhance the efficiency and stability of EU post-trading services. However, we do not need to wait for this. The proper implementation of the changes introduced by EMIR 3 and the CSDR Refit can further strengthen the convergence of supervisory practices within the current regulatory framework.

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From T+1 to SIU: Crises as catalysts for change

The European financial services industry is certainly not short of major challenges, which is precisely what makes our day-to-day work so fascinating! Among the most pressing are T+1 and SIU. Two initiatives that, while seemingly distinct, are deeply interconnected.

At first glance, they appear quite different:

- T+1 is an operational initiative aimed at shortening the settlement cycle.
- SIU (Savings and Investment Union) is a political and strategic effort to channel more savings into European capital markets to finance Europe's key challenges.

Yet these two initiatives share key commonalities and reinforce one another:

- Outside original roadmaps: Neither was initially part of the European financial services' roadmaps that are typically looking two years ahead:
    - The US decision to move to T+1 forced Europe to respond
    - Europe's declining competitiveness and shifting geopolitical landscape demand European capital markets mobilisation
- Challenging our thinking: Both initiatives compel us to unite, harmonise further, and identify the barriers still in our way
- Creating new opportunities: They open doors to process optimisation, group synergies, FMI interconnectivity, regulatory simplification and deeper market integration.

T+1: From shock to strategy

The U.S. surprised us on February 23, 2023, when it announced its intention to transition to T+1 by May 28, 2024. After the initial shock, Europe rallied. At the European Commission event on January 25, 2024, consensus quickly formed: the question was no longer *if*, but *when*.

I am always amazed how strong we get, at company or political level, in time of crisis, as this was indeed a crisis: 27 Member States, the UK and Switzerland had to come together to decide on a date and get organized to identify key requirements for the industry to undertake such a significant shift!

And we did. The UK Accelerated Settlement Taskforce and the EU T+1 Industry Committee, supported by ESMA, the European Commission, and the ECB, agreed on October 11, 2027 as the transition date. In record time, the EU T+1 Committee mobilised hundreds of experts into technical workstreams, collaborating with public authorities to publish a comprehensive roadmap and recommendations on June 30.

T+1 and SIU, can both be seen as crises, in the best sense of the word: as turning point for change.

At Euroclear, we are at the heart of this transformation, promoting high levels of settlement efficiency with enhanced use of liquidity and inventory. To support our clients through the T+1 transition, we are launching EasyFocus+, an AI-powered settlement efficiency platform that leverages predictive analytics, real-time exception management, and collaborative tools.

SIU: A strategic imperative

SIU, and its predecessor CMU (Capital Markets Union), are not new topics, which the EUROFI community can certainly testify from past panels and presentations. But today, the momentum is stronger than ever, driven by:

- A shifting geopolitical context,
- Concrete recommendations from the Noyer, Letta, and Draghi reports,
- And the political agenda of the incoming European Commission.

I firmly believe that Europe will grow strong in face of the crises and align on key actions to achieve the SIU.

At Euroclear, SIU is embedded in our strategy. We advocate for an open, interconnected post-trade architecture as the key to unlocking EU integration, competitiveness, and scale. Our commitment is to serve market participants by offering a single point of access to all 27 Member States across all asset classes, contributing to the SIU objective of channelling savings into European capital markets.

In our recent policy paper, *A European Infrastructure fit for the Savings and Investment Union*, we suggest key policy recommendations to promote group synergies and market integration. Large FMIs, like ourselves, have a role to play in increasing Europe's competitiveness:

- Internally by leading group's markets harmonisation efforts and entities' synergies for the benefit of our clients
- Externally by connecting issuers to investors leveraging the powerful combination of local and global outreach.

Europe at stake:

T+1 and SIU, can both be seen as crises, but in the best sense of the word: as turning point for change. They compel us to get together, define an action plan, be inventive and collaborate.

"Only a crisis produces real change"[1] – we have paved the way with T+1. Now let's use that momentum to deliver on SIU—both individually, by embedding it in our corporate strategies, and collectively, as an industry.

1. *Milton Friedman.*

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Clearing and settlement: Priorities for supporting the SIU

Financial market infrastructures (FMIs) form the backbone of efficient and stable markets. Clearing and settlement, as well as other forms of intermediation in post trade (like matching), have been historically an integral part of the genesis, evolution and success of capital markets.

As we, in Europe, work towards building a Savings and Investment Union (SIU), we should take this as an opportunity to build FMIs fit for the 21st century. By focusing on automation and standardisation, we can address barriers to market integration and take lessons learnt from the development of other capital market systems, including, but not limited to the UK and the US.

The EU T+1 Industry Committee emphasises the need for automation in its recently published *"High-Level Roadmap to T+1 Securities Settlement in the EU"*. We have made significant progress in a short period of time and the transition to T+1 settlement is now a key part of the SIU agenda, with its focus being automation, standardisation and competitiveness of the EU capital markets.

As was demonstrated in the US's move to T+1 in 2024, same-day allocation and confirmation of trades, which were made possible by automation, are critical enablers of T+1 settlement. According to our data, European transactions matched on DTCC's central trade matching platform, CTM, demonstrated in H1 2025 that market participants using automated trade matching solutions achieved an average of 96.2% same-day matching on equities trades, with the top five volume EU markets hitting an average of 96% or more. These metrics demonstrate that same-day matching, and thereby T+1 settlement, is achievable by leveraging automated solutions already available today, and would enhance the EU's competitiveness in the long run.

Furthermore, using electronic databases to maintain accurate information for the non-economic elements of transactions, known as Standing Settlement Instructions (SSIs), can provide transparency, increase automation and standardisation, and significantly reduce settlement failure. ESMA's recent assessment, together with the EU T+1 Industry Committee's recommendations, align with these objectives, advocating for harmonisation, standardisation and modernisation across the EU.

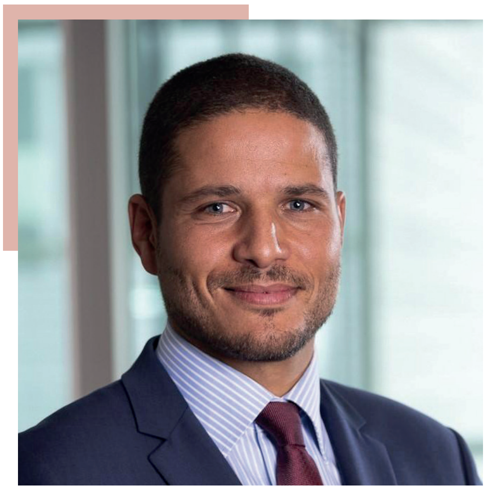
Greater automation of post-trade processes is critical for enhancing the EU's competitiveness.

A new research report from Firebrand Research, in collaboration with Clearstream, Euroclear, and DTCC, outlined some of the significant operational issues and data inconsistencies that European participants face for T+1 implementation, such as Place of Settlement (PSET) matching; incorrect Standing Settlement Instructions (SSIs); and, a lack of automated confirmation matching. For instance, firms interviewed by Firebrand Research highlighted that 21% of settlement failures were caused by data issues, such as incorrect or stale SSIs. Starting early and leveraging automated matching tools enriched with golden source SSIs and PSET matching capabilities is critical to achieving T+1 settlement across the region.

On clearing, while the number of CCP providers and their supervision remain critical parts of the debate, the focus should be connectivity: connecting FMIs across Europe remains perhaps more critical today than ever before.

The future of CCP clearing is likely to be shaped by the shift towards T+1, which aims to reduce the time between trade execution and settlement. This change will enhance liquidity, reduce counterparty risk, and improve market efficiency. It also offers an opportunity to reimagine workflows to further increase settlement efficiency and improve connectivity. Tri-party matching is one such example, as it equips prime brokers with a golden copy of transaction details relating to a trade match between a hedge fund and an executing broker, thus facilitating straight-through processing (STP) of these transactions and streamlining the process of netting and clearing. The tri-party matching workflow is foundational to unlocking additional clearing opportunities in securities markets for institutional trade flows. With decades of experience operating in the EU and clients across 30+ European markets, DTCC remains committed to working with market participants and FMIs providers to bring optimised workflows to the markets that support increased settlement efficiencies and clearing benefits.

In conclusion, clearing and settlement, as well as associated processes remain priorities within the SIU, enabling the EU's efforts to automate, standardise, and adopt innovative technologies and solutions. With T+1 implementation for the UK, EU, and Switzerland a little over two years away, now is the time for market participants to prepare by implementing automation tools and optimising post-trade workflows to unlock the benefits of accelerated settlement, including reduced risk and enhanced operational efficiencies and thereby maintaining and enhancing Europe's competitiveness in the global financial markets.



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SIU and post-trading: which levers to unlocking Europe's financial growth?

The EU stands at a decisive crossroads with global competition intensifying and market dynamics evolving rapidly. As highlighted by the EU reports (Draghi, Letta, Noyer...), there is a unique opportunity to mobilize EU savings and effectively channel them towards productive investments to play a decisive role for the EU's economic future.

Making this vision a reality requires moving beyond rhetoric. It entails a pragmatic and ambitious roadmap grounded in targeted reforms and strong political will. It is in this context that the Savings and Investment Union (SIU) can reveal its full potential. Designed to profoundly transform European financial markets, the SIU must be more than a theoretical framework.

Concrete measures to drive integration and scale

To achieve a truly integrated and competitive European financial market, the EU must shift from aspirational considerations to concrete actions. The path forward requires a package of targeted and practical initiatives that address both persistent obstacles and new challenges. The following measures, detailed here, represent key priorities for building a dynamic and resilient market environment which fosters investments and innovations:

- **Enhance rule-making agility:** the EU needs mechanisms to swiftly update and refine financial regulations, especially for wholesale capital markets which require more agility. This involves periodic reviews of current rules, feedback loops with market participants, and developing adaptable regulatory sandboxes to test innovations before widespread implementation.
- **Prioritize regulatory stability:** while agility is key, stability in areas not requiring urgent adjustments is equally essential. Predictable regulatory frameworks reduce uncertainty, encourage long-term planning for investors, and support sustainable investment decisions. This balance helps to maintain confidence throughout market cycles.
- **Strengthen T2S and harmonization:** expanding the role of Target 2 Securities could further simplify cross-border settlement in Europe. This involves not only technological upgrades and cost savings but also removing outstanding barriers on unjustified national specificities and market practices, corporates actions, tax, and data standards, ensuring that investors can operate seamlessly across jurisdictions.
- **Improve competition in post-trade FMI services:** increasing competition among Financial Market Infrastructure (FMI) providers is fundamental. Moving to a T+1 settlement cycle will reduce the risk window for trades, but real progress in lowering prices will come from promoting interoperability between platforms and ensuring that participants have equal and transparent access to services—driving down costs and improving service quality.
- **Increase price transparency:** mandating detailed, easily accessible and comparable pricing disclosures from all FMI providers will empower market participants to make more informed choices and foster healthy competition.
- **Reconsider FMI consolidation:** rather than pushing for forced consolidation—which can be slow and fraught with resistance due to diverse national legacies—the focus should be on promoting healthy competition. This can be achieved by establishing common standards, and encouraging cross-border partnerships, ensuring that consolidation is market-driven rather than imposed.
- **Unlock DLT potential:** DLT holds the promise of cutting operational costs and enhancing security. The SIU should facilitate pilot projects, industry collaborations, and regulatory clarity for DLT adoption, paving the way for scalable, real-world applications in securities processing and data management.

By focusing on these detailed priorities, the EU can promote deeper integration, scalability, and innovation in its financial system, laying the basis for sustainable growth and enhanced global competitiveness.

Integration and scale:

> **Increasing competition is key to achieving a competitive and unified post-trade landscape.**

the engine of growth

These measures are not optional — they are essential if the SIU is to deliver genuine progress. Reducing fragmentation through integration and scaling is Europe's best chance to create deeper, more liquid markets and attract global capital.

The SIU represents an incredible opportunity for the EU to build an integrated, resilient, and globally competitive financial market. To fully realize this potential, it is essential to make decisive progress on reforms and simplification by involving all EU stakeholders and by drawing on the expertise of all market participants.

In this context of necessary transformation, the commitment of major European financial players is critical in ensuring the SIU's success and to help the EU meet its economic sovereignty needs. BNP Paribas is actively involved alongside European institutions and other market participants to facilitate the adoption of an effective and inclusive SIU in the best interest of clients and ultimately EU citizens.

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Reducing friction in the clearing space

The recent iterations of EMIR have attempted to reduce friction in the operations of EU CCPs by (1) addressing the issues of time-to-market and level-playing field linked to the EU supervisory construct and (2) tackling the lack of coordination across the different EU regulatory regimes. However, more needs to be done to address those issues. In addition, EMIR 3 introduced new frictions to the clearing of some instruments, namely OTC derivatives and ETDs, with the inclusion of the active account requirements, effectively imposing market fragmentation on EU firms (3).

For all intents and purposes, we wonder whether the clearing ecosystem in the EU post-EMIR 3 will be more attractive.

When it comes to supervision, the European Commission highlighted that the supervisory processes take too long and are uncertain in their outcome for EU CCPs to bring new products to the market or adapt their risk models and parameters.

EMIR 3 attempted to address this complexity by introducing several improvements, including an increased role for ESMA and more prescriptive timeframes. However, the fundamental reason for this complexity, the multi-layered structure of EU CCP supervision (ESMA, CCP Colleges, National Competent Authorities (NCAs)), remains firmly in place. This convoluted framework can result in lengthy approval processes, particularly outside official EMIR timelines, and an unlevel playing field. This has yet to be properly addressed.

As we pursue greater market competitiveness and attractiveness of the EU clearing ecosystem, we need to address the highly sensitive, yet crucial aspect of supervision. The last two iterations of EMIR have increased ESMA's role in the supervision of EU CCPs but kept the NCAs strongly involved, resulting in a framework that remains duplicative and complex.

To create a unified market, one that allows EU CCPs to compete across Europe and compete globally, we need a common set of rules enforced by a single authority. Adding-up local and EU layers has not improved either time-to-market or the level-playing field so far. EU single supervision seems to be the way to ensure a unified interpretation of the EU framework, a competitive time-to-market, an efficient overview of flows and risks, and a structure that is clear to both EU and non-EU market participants.

We wonder whether the clearing ecosystem in the EU post-EMIR 3 will be more attractive.

As EU co-legislators are set to discuss the supervisory structure soon as part of a market infrastructure legislative package, the European Commission should make bold proposals and ensure ESMA has a more central role in the supervision of EU CCPs, at least for the largest ones with global ambition. This is key to the competitiveness and simplification agendas and will ensure EU CCPs can compete globally.

In addition, when it comes to the interaction between EMIR and other regulations, the EU legislative framework operates too much in silos. For example, this creates frictions to the development of clearing models adapted to Non-Bank Financial Intermediaries (NBFIs), specifically relevant in the cleared repo market.

Whilst EMIR 3 addressed some of the issues linked to Money Market Funds Regulation (MMFR), more needs to be done to address issues across the various pieces of legislation applicable to EU banks and sectoral NBFI regulations whether it is UCITS, Solvency II or the Capital Requirements Regulation (CRR). This is key both for the development of repo clearing services at a time when the US is soon to mandate clearing, and to support NBFIs' liquidity preparedness. This would also increase the velocity of EU government bonds markets.

Finally, on the question of requiring that EU counterparties hold an account at an EU-based CCP and that they clear a representative portion of their trades through that account, this creates friction and does not promote competitiveness in Europe. Dictating where and how EU firms must conduct their clearing operations curtails their ability to access global pools of liquidity. Whilst the RTS submitted to the European Commission addressed some of the unduly complex operational conditions attached to it, this requirement introduces fragmentation and reduces netting benefits, making the EU less resilient to market stresses, with no clear benefit to its financial stability.

If the objective is to preserve financial stability, we believe that strengthening the cooperation between the EU and the national competent authorities of Tier 2 CCPs is the best way forward. As such, the signing in March 2025 of the revised Memorandum of Understanding (MoU) between ESMA and the Bank of England on cooperation and information exchange is to be welcomed, particularly considering ESMA's new enforcement powers over Tier 2 CCPs such as on-site inspections and the validation of new initiatives.

More can be done to improve the competitiveness of the European clearing landscape, but these reforms necessitate addressing some of the internal barriers to the evolution of the EU supervisory and regulatory construct.