

BUILDING MORE LIQUID AND EFFICIENT MARKETS



VASILIKI LAZARAKOU

Chair of the Management Board – Hellenic Capital Market Commission (HCMC)

Deepening EU capital markets: market integration is a top priority

The Market Integration Package (MIP) represents a decisive step towards strengthening the depth, liquidity and efficiency of European capital markets. It aims to address long-standing structural weaknesses, notably trading-venue fragmentation, uneven transparency, market-data costs and post-trading, in order to enhance the competitiveness of the EU market.

The direction of travel is in principle correct. The key question however is whether MIP achieves to be transformative in global competitiveness terms. The answer to this is far more complex because it depends on a number of factors, including implementation of the framework. It is thus important that implementation is **sufficiently coherent** across the EU and **proportionate** to deliver measurable improvements in price discovery and investor confidence.

Fragmentation remains a defining feature of EU markets. The coexistence of multiple trading venues and systematic internalisers has fostered competition, but it has also dispersed liquidity and complicated price formation. The introduction and refinement of consolidated tapes for equities, bonds and derivatives is therefore a cornerstone reform. A reliable, affordable and truly consolidated view of market data can significantly enhance transparency, reduce information asymmetries and improve cross-border investment decisions. However, the tape must be commercially viable, include meaningful pre- and post-trade data, and ensure fair revenue-sharing arrangements so that data contributors remain incentivized.

Market-data costs and accessibility are equally critical. Disparities in pricing structures and licensing practices have long hindered smaller intermediaries and investors. The MIP's focus on reasonable commercial terms and clearer governance arrangements for data provision is welcome. Greater transparency in fee methodologies and supervisory convergence across Member States will be essential to ensure that access to core market information is not a competitive disadvantage.

Post-trading inefficiencies remain a significant obstacle to deeper integration. Despite progress under CSDR and TARGET2-Securities, cross-border settlement in the EU is still more complex and costly than in other major jurisdictions. Further harmonisation of settlement cycles, corporate action processing and insolvency rules would materially enhance capital mobility. For markets such as Greece, improvement in post-trade infrastructure and interoperability has been a priority especially for purposes of attracting foreign participation and strengthening liquidity.

Proportionality and sequencing are also central, especially for smaller EU markets. Measures that work effectively in deep markets may have unintended consequences in smaller ecosystems. Thus, any kind of measure should be proportional and balanced to take into account these specificities.

Supervisory flexibility, phased implementation and technical assistance to firms which will face significant operational, legal, and compliance costs to adapt to new rules, will help ensure that reforms enhance, rather than

inadvertently constrain, local market development.

At the European level, there is the challenge whether structural barriers can be overcome, as deep-seated differences in national laws (such as tax and insolvency) remain difficult to harmonize fully. The main priorities within the package should be threefold: first, the successful launch and governance of consolidated tapes; second, consistent application of transparency rules; and third, tangible progress on post-trading harmonisation. These elements are mutually reinforcing and collectively underpin credible price discovery.

Meanwhile, regulators and the industry await the results of the implementation of the Retail Investment Strategy which was expected to mark another milestone for the “democratization” of capital markets. Although it is too early to judge effectiveness, stakeholders are skeptical on practical effectiveness until simplification and clearer market impact emerge.

Integration needs transparency, fairness and proportionality.

Retail investor participation remains uneven across the Union, and integration efforts should be aligned with initiatives that enhance financial literacy and trust. Cultivating a stronger retail investment culture in Europe proves to require continued focus and the main results of ESMA's recent investor journey consultation can guide the Market Integration Package in designing harmonized, investor-friendly, and outcome-focused rules, ultimately facilitating deeper and more efficient cross-border capital markets in the EU.

After intensive work all these years for developing market integrity, it is now the time to pass to market integration while preserving market integrity. Market integration is paramount for market efficiency; and market efficiency is key to achieving a competitive EU market.



LUÍS LAGINHA DE SOUSA

Chair – Portuguese Securities
Market Commission (CMVM)

Solutions driven by benefits

At a time when Europe faces significant competitiveness challenges, growing security threats, and structural dependencies on third countries, the relevance of the European Single Market is undeniable. Its scale, combined with a reliable regulatory framework, remains one of the Union's strongest assets for supporting economic growth. The current geopolitical context also opens a window of opportunity to attract capital flows to Europe that are shifting away from other jurisdictions, such as the United States.

In this context, the objectives of the SIU — to promote citizens' prosperity and strengthen the competitiveness of the European Union economy by offering better opportunities for returns on savings and providing companies with improved sources of financing to innovate, grow and create jobs — are not only appropriate and necessary, but urgent.

However, while there is broad consensus on the need to increase the capital available to companies, enhance retail investor participation, and deepen market integration, translating this vision into concrete and politically feasible measures has proved challenging.

The SIU, and in particular its MISP package, stands out for the ambition of its approach.

The CMVM supports further integration of Union infrastructures, while recognizing their central role in investor confidence and market resilience. Such integration should prioritise interoperability, coordination, supervisory convergence, and, where clearly justified and efficient, the centralisation of supervision.

Whatever the way forward, it is essential to ensure the capacity to respond to the needs of investors and issuers, wherever they are located across the EU. This concern is particularly relevant in economies where SMEs dominate the corporate landscape and where levels of financial literacy remain limited. Uniform approaches that fail to strike an adequate balance between relevant criteria (efficiency, resilience, coverage...) may undermine the objectives pursued and weaken national systems that currently ensure stability and confidence.

Centralisation, while understandable for certain activities such as CASPs — which are intrinsically cross-border and whose supervision requires substantial operational investment by NCAs — must not overlook the fact that investors remain anchored in local reference frameworks influencing their decisions. In addition, certain market structures reflect national legal specificities in areas that remain unharmonized. This may create challenges for centralised supervision and, in some cases, render it inappropriate.

**Focusing on achievable,
durable and sharable
benefits of markets
integration is essential
to an open.**

For these reasons, the supervision of entities that are strongly shaped by local specificities — even where these arise outside the supervisory framework — and that play a particularly relevant role in catering for local needs is best carried out at national level.

Nevertheless, greater convergence of supervisory practices and a stronger role for ESMA in promoting such convergence are essential, notably through more effective use of its existing powers and, if necessary, their reinforcement, with a view to reducing costs and increasing retail participation.

Given the complexity of the proposed changes and their potential impacts,

only through an open and constructive negotiation process will it be possible to build the trust and convergence required to advance this agenda successfully. Focusing on achievable, durable, and sharable benefits of markets integration will be essential to the success of the process.

It is also crucial that the measures do not predominantly reflect the position of incumbents, particularly where such positions risk limiting innovation and competition, especially in an economic context marked by continuous transformation.

Attention must also be paid to the fact that greater integration will entail denser interconnections within the European financial system. In an interconnected system, collective robustness will always depend on the strength of its most vulnerable elements. As localized weaknesses may propagate, the system must be reinforced across all its necessary components through appropriate measures, rather than by eliminating them.

Finally, reforms should ensure fair opportunities for benefits to be shared. Progress in harmonising commercial, corporate, contract and insolvency law — as well as the tax treatment of financial products and transactions — is essential to reduce unjustified frictions and enhance legal certainty, thereby lowering entry barriers, facilitating access by the widest possible range of market participants and fostering competition.

Considering the clear benefits that may arise from deepening the integration of the Union's capital markets, it is essential to ensure the political will necessary to agree on and implement the changes needed. Only a more integrated, resilient and competitive financial system will enable the Union to mobilise its own savings, finance its priorities and tackle unbalanced structural dependencies.



ROBERT MOSCH

Head of Strategy, Policy and Expertise – Dutch Authority for the Financial Markets (AFM)

From fragmentation to scale: Strengthening EU capital markets for competitiveness

The fragmentation of Europe's capital markets hampers our strategic autonomy and economic growth. Despite the single market and integration, rules too often differ per Member State, obstructing capital flows across the Union. As a result, capital remains locked in low-yield, less productive savings accounts instead of financing new companies, start-ups, and innovations. In other words: the 27 capital markets currently cannot fulfill their role in financing the real economy.

While there are start-ups and scale ups in Europe, they move to the United States too often once they reach a certain level of maturity. In the European Union they simply cannot obtain the financing needed to grow further, because capital markets in the European Union lack depth and liquidity. This is not just about increasing returns or making investing easier; it has become a question of survival for Europe. Without economic growth we cannot afford our welfare states, and without technological

innovation we fall further behind in the economies of the 21st century.

So, the question is whether the Market Integration Package improves the cross-border flow of capital and whether, together with the other measures under the Savings & Investment Union, it can ensure that Europe's capital markets stimulate growth.

Market depth and liquidity

The package proposes to move key requirements for trading venues from MiFID II to MiFIR, limiting gold-plating by national legislators. It also introduces the Pan-European Market Operator (PEMO) status. With a single ESMA authorisation, a group could operate multiple markets across the European Union rather than seek approval in each jurisdiction. This reduces friction, making it easier for intermediaries and issuers to access multiple order books. Over time, order flow may concentrate, potentially leading to lower spreads.

Price discovery

Integration and harmonisation will likely lead to consolidation among market participants—trading venues, investment vehicles, Central Clearing Counter Parties and Central Securities Depositories. The entire chain for completing a trade will operate more smoothly, with fewer obstacles and less friction. Supply and demand for capital should meet more efficiently, resulting in quicker and more accurate price discovery.

Complement Savings & Investment Union measures

Integrating financial markets and centralising supervision is only one, albeit large, part of the puzzle. Another key part is mobilising savings into risk-bearing investments, either through individual savings accounts or, more effectively, auto-enrollment into pension plans. Before capital can flow freely, it must be released from risk aversion and low interest rates. Increasing available capital will reinforce liquidity and depth by enlarging the order book.

The Market Integration Package can also benefit retail investors. Costs for retail investment products must be sharply lower across the European Union, by banning inducements, improving competition or, ideally, both. Amendments to facilitate cross-border supervision could increase competition, while centralised supervision may lower compliance costs. This could support consolidation in the fund sector,

resulting in fewer but larger investment vehicles operating at lower cost while deploying capital more effectively.

Moreover, data collection must be centralised with common definitions and shared data standards. This lowers costs and friction for market participants and ensures European supervisors agree on what exactly they measure and supervise.

Only integrated markets and coordinated supervision can deliver the liquidity Europe needs

What else is needed

Foremost, political courage is required to think beyond national interests and institutional remits. We must step over our own shadow and accept short-term sacrifices to make this transformative and necessary step for the long term. Getting the proposed package through the political process will be difficult enough. More challenging work will follow when insolvency and tax rules must be harmonised across the European Union to truly reap the benefits of the single market.

There are also practical steps: how will ESMA and the National Competent Authorities work together? We can draw on examples from the European Central Bank's supervision of Europe's largest banks and from the recently established Authority for Anti-Money Laundering and Countering the Financing of Terrorism. Many models are possible, each with its own advantages. Above all, the arrangements must ensure that markets benefit from the efficiency centralised supervision can bring, while retaining the expertise, knowledge and networks of local authorities.



NIKOLAJ KOSAKEWITSCH

President of Nasdaq
Copenhagen, Head of European
Equities, Commodities
and Sales – Nasdaq

Rebuilding visible liquidity: Strengthening Europe's market foundations

Liquidity is increasingly invisible as bilateral and dark trading bypass lit markets.

European securities markets are being reshaped by three reinforcing trends. Passive and automated investment strategies now dominate execution flows, increasing reliance on accurate, real-time pricing signals. Retail trading patterns are evolving, with digital platforms and smart-order automation directing more activity towards intermediated execution channels. And as the theme of extended or continuous trading hours gains attention in Europe, debate will be required about sustaining liquidity across longer sessions.

These trends are reshaping liquidity provision, but they magnify a deeper challenge: a growing share of European liquidity is no longer publicly visible. Increasing volumes are executed through bilateral internalisation and dark mechanisms where access is restricted, transparency is limited, and displayed depth is structurally thinner.

As more flow migrates away from lit venues, public markets increasingly reflect only a partial, filtered view of true supply and demand.

This “visibility gap” directly affects market-making. Automated strategies amplify small distortions in displayed prices, and when liquidity is concealed, price discovery is less robust. Market makers face higher uncertainty and can quote more cautiously, reducing posted size and widening spreads—especially during periods of stress, when the need for transparent reference prices is greatest. Retail internalisation reinforces this dynamic: as retail orders are increasingly executed off-exchange, lit venues lose depth and informational value, creating a feedback loop that further incentivises bilateral execution.

The trend toward continuous or extended trading hours is another factor. While it has the potential benefit of attracting new liquidity from other time zones, stretching activity across a longer trading day may have a dilutive effect. Evidence-based calibration is therefore essential to avoid amplifying existing fragmentation.

Underlying market-structure features compound the issue. Internalisation reduces pre-trade transparency by routing orders into restricted environments. Dark and large-in-scale mechanisms obscure actionable quotes. Post-trade fragmentation among many CSDs limits how efficiently liquidity providers can deploy capital across borders. And inconsistent data standards make it harder to stitch together a clear cross-market picture, raising the operational cost of quoting competitively.

Additional targeted reforms are indispensable to restore visible liquidity.

The EU Market Integration Package recognizes some of these issues and proposes meaningful steps. Strengthening EU-level supervision for significant market operators, with clear delineation between ESMA and NCAs, can reduce regulatory divergence and improve predictability for liquidity providers. Post-trade measures—such as reciprocal CSD links, issuer choice, and harmonised settlement standards—would reduce friction that inhibits cross-border liquidity formation.

Market-data reforms are equally important. A phased, investor-centric Consolidated Tape—built initially on

high-quality top-of-book data—will be essential to give a comprehensive view of transactions across the market and to strengthen overall transparency. However, even a strong and efficient tape cannot, on its own, resolve the decline in price formation or the fragmentation of liquidity caused by the shift toward bilateral and dark execution. The tape can illuminate activity, but not replace the visible, competitive quoting that drives true price discovery—even with an extension to include venue attribution and SIs. Without broader measures to bring liquidity back to lit, unrestricted accessible venues, the Consolidated Tape will reflect existing opacity rather than reverse it.

Additional targeted reforms are indispensable to restore visible liquidity. Europe should:

- Rebalance incentives toward lit trading, tackling structural asymmetry—such as tick-size effects—that divert flow to bilateral channels.
- Increase transparency expectations for internalised trades, ensuring price improvement is measurable and meaningful.
- Operationalise post-trade interoperability with binding timelines so liquidity can move freely and efficiently across markets.
- Deepen Europe's long-term investor base by encouraging pension participation, retail engagement, and financial education—strengthening natural liquidity that underpins resilient markets.

Europe today does not lack liquidity; it lacks visibility of liquidity and price formation. When a large share of trading occurs in bilateral or dark environments with restricted access, lit markets lose their central role in price formation. The Market Integration Package moves in the right direction, but ensuring deeper, more resilient and internationally competitive markets will require confronting opacity head-on and re-establishing lit, multilaterally accessible venues as the anchor of European market structure.



DR. MATTHIAS VOELKEL

Chief Executive Officer -
Boerse Stuttgart Group

Tokenisation as a driver for Europe's capital market: Why we need a DLT Pilot Regime quick-fix

For years, Europe has discussed building a true Capital Markets Union. The diagnosis is unchanged: without deeper and more integrated financial markets, Europe will fall behind. EU households hold about EUR 33 trillion in savings, yet Europe's capital market is still around three times smaller than that of the United States, limiting scale, liquidity, and global competitiveness. Europe must stop "admiring" the problem, and act instead.

In December, the European Commission presented its Market Integration & Supervision Package (MISP), which aims to remove cross-border regulatory barriers. Whether it delivers on its goals depends on political agreement after difficult negotiations. What Europe must achieve is clear: it must overcome national siloes and fragmentation, but instead foster market infrastructure capable of scaling innovation rapidly. One key lever is tokenisation – meaning the development of a market structure for DLT-based financial instruments.

DLT in market infrastructure can reduce intermediaries, enable near real-time settlement, and enhance

efficiency through automation via smart contracts. In cross-border markets in particular, tokenisation simplifies processes, shortens value chains, lowers costs, shortens settlement from T+2 to near-instant (where appropriate), and reduces reconciliation risks. Nowhere is this potential more evident than in post-trade, where Europe's fragmentation remains most pronounced, as the Letta Report highlights. There are 18 clearing and 21 settlement markets in the EU, constraining scale and competition. DLT has the power to unify Europe's capital markets – for the benefit of investors and issuers.

At Boerse Stuttgart Group – Europe's sixth-largest exchange group, with strategic pillars in both capital markets and digital and crypto business – we firmly believe in the potential of DLT market infrastructure. Instead of the current national vertical silos, we need horizontal European DLT-powered platforms. That is why we built Seturion, the first pan-European settlement platform for tokenised financial instruments. Seturion is designed to remove cross-border friction and enable efficient settlement across Europe. With its open and modular architecture, it is open to all banks, brokers, trading venues, and tokenisation platforms across Europe. Its regulatory foundation is the DLT Pilot Regime.

Across Europe, market participants are already building DLT-based infrastructure for issuance, trading, and settlement. Yet progress is slowed by an overly restrictive regulatory framework. The DLT Pilot Regime was designed as a pilot – and it shows. Aggregate volume within the Pilot Regime is capped at EUR 6 billion, eligible assets are restricted, and licences are limited to six years. Unsurprisingly, only a handful of authorisations have been granted. Market demand exists, but regulation constrains investments and scale.

Without bold action on DLT regulation, Europe risks falling behind in global capital markets.

The European Commission's proposal as part of the MISP addresses these weaknesses with higher thresholds (up to EUR 100 billion), broader scope covering all financial instruments, and permanent licences. These changes are important to strengthen transparent,

regulated secondary markets for tokenised securities.

The real risk, however, is delay. Global competition is intensifying. In the United States, regulators are actively advancing efforts to move capital markets "on-chain." Through innovation exemptions and No-Action letters, firms such as Nasdaq and DTCC can enable large-scale tokenised trading and settlement swiftly.

The EU was once a regulatory pioneer in DLT market infrastructure but now risks falling even further behind. Even though the MISP addresses some of the issues, the legislative complexity of the whole package risks slowing practical improvements to the DLT Pilot Regime. If Europe moves too slowly, it will lose investment, market share, and influence over global standards – creating new strategic dependencies.

Europe must act swiftly.

For that reason, EU co-legislators should act decisively and take an unconventional route by carving out elements related to the DLT Pilot Regime from the broader legislative package. Instead, they should pursue a targeted **DLT Pilot Regime Quick-Fix** that will be negotiated as a stand-alone legislative file containing at least the following elements:

- allow all financial instruments under the DLT Pilot Regime
- significantly raise volume thresholds
- remove per-instrument volume caps
- make licences permanent
- ensure immediate applicability upon entry into force
- and please drop the "pilot" in the name

I am confident Europe can change. It can build a framework for a more competitive, unified, and innovative capital market, and make our European economy stronger for the challenges ahead. Much needed reforms – like a DLT Pilot Regime Quick-Fix – are within our reach. Now is the time to be bold, ambitious, and fast.