

## ENHANCING AND SIMPLIFYING CAPITAL MARKET SUPERVISION AND REGULATION



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### From experience to execution: An ESMA ready to deliver

Europe's capital markets will not reach their full potential without deeper integration. Fragmentation continues to limit scale, efficiency and competitiveness, even as markets themselves operate increasingly across borders. A unified approach in the Single Market is therefore essential – one that allows integration to take hold and is supported by supervision that enables, rather than constrains, that objective.

The Market Integration Package responds directly to this challenge. By strengthening EU level supervision for the most significant and cross border market infrastructures, it aligns supervisory arrangements with the way Europe's markets should function. After fifteen years of direct supervisory experience, ESMA has demonstrated the ability and organisational maturity required to deliver on this proposal.

Since its creation, ESMA has steadily built specialised supervisory capabilities across an expanding range of mandates. It directly supervises a highly heterogeneous population of entities – from systemically important

market infrastructures to specialised transparency and data providers – located across many EEA Member States. ESMA's supervisory scope also includes major third country firms from the UK, the US, Switzerland and Asia. The breadth of geographical reach and diversity of business models has given ESMA a practical, system wide understanding of EU capital markets that cannot be developed within purely national silos.

In getting to this point, ESMA has repeatedly demonstrated its ability to absorb new and complex mandates. From credit rating agencies to critical benchmarks to systemically important non-EU CCPs, working together with national supervisors, ESMA has built expertise, designed tailored supervisory frameworks and delivered effectively and credibly. These arrangements have also been tested under stress, including during the pandemic and major geopolitical shocks, when EU market infrastructures continued to operate smoothly.

This experience has shaped a supervisory model that has become increasingly risk based, data driven and outcome focused. ESMA combines strong gatekeeping with ongoing risk prioritisation, proportional engagement and a graduated toolkit. Portfolio and thematic approaches allow similar risks to be addressed consistently across firms and mandates, while advanced analytics, dashboards and early warning indicators support timely intervention. Crucially, these methods are not only effective but efficient: they are designed to scale across sectors.

Efficiency gains are a central benefit of EU level supervision. Targeted supervision at EU level allows expectations to be set once rather than many times and scarce supervisory expertise and resource to be brought together (to focus on where it adds most value). For market participants, this translates into fewer duplicative, or at times, contradictory requests, clearer supervisory signals and lower compliance costs. For supervisors, it delivers a clearer EU-wide view of risks, more consistent mitigation and common supervisory outcomes – supporting a level playing field across the EU.

ESMA's experience has been built on bringing together national expertise, market intelligence and diverse perspectives into an increasingly shared

European understanding of risk and supervision. Through our collective work driving greater convergence, ESMA and national authorities have built trust, common methodologies and a stronger supervisory culture. This cooperative foundation will remain the bedrock of ESMA's future role: enabling more aligned supervision while preserving the richness of national experiences and ensuring that European oversight reflects the collective strength of its supervisory community.

At the same time, experience has also shown that supervisory convergence, while essential, has its limits and is not cost free. Achieving alignment across multiple authorities requires sustained coordination, extensive interaction, parallel processes and repeated reconciliation of approaches. In some areas, the cumulative cost of achieving and maintaining real convergence may simply exceed that of resolving divergence more directly through EU level supervision. More supervisory clarity and consistency for significant cross-border players should be better able to support integrated, scalable and liquid European markets. Where risks and market structures are inherently European, a single supervisory approach can be more effective than managing divergence after the fact.

**A single supervisory approach can be more effective than managing divergence after the fact.**

European integration does not happen by default; it must be enabled. As we seek to make the EU's capital markets more interconnected, supervision must shift from managing fragmentation to supporting scale and efficiency. The Market Integration Package reflects that choice. With fifteen years of hands on supervisory experience and a proven capacity to adapt, ESMA is ready to help turn integration into a practical and durable feature of Europe's capital markets.



## SÉBASTIEN RASPILLER

Secretary General – Autorité  
des Marchés Financiers (AMF)

### A strong political will is needed to push for European supervision

In the current geopolitical context, building the *Savings and Investment Union* (SIU) is fundamental to provide Europe with financial autonomy. This is the key for the European Union to develop its economy and be in the position to make the relevant political choices sovereignly.

Within the SIU project, the recent publication of the *Market Integration and Supervision Package* (MISP) by the European Commission is a key milestone. There is indeed a sense of urgency in enhancing the growth and attractiveness of EU capital markets. The French *Autorité des Marchés Financiers* strongly supports this legislative package and calls for a clear political momentum to push the negotiations forward rapidly both in Council and Parliament.

With its MISP proposal, the European Commission aims at suppressing barriers to concentration stemming from the heterogeneity of national rules and at reducing obstacles to the free movement of capital within the European Union: this is the right way forward.

The proposals are particularly important in the field of supervision, a key parameter for further market

integration. The current system is largely sub-optimal, with supervision remaining highly fragmented in Europe which has severe detrimental impacts on its financial sector and the Internal Market. Implementing EU-level supervision is therefore crucial at this point. Member States have had this discussion in the past, without result, let us not spoil this opportunity to deliver before it is too late for the Union.

To achieve this goal, the Commission proposes a thorough reform of the EU supervisory framework, modifying the powers, competencies, governance and funding of ESMA. Specifically, it proposes to expand ESMA's role and to transfer the direct supervisory authority over significant trading platform operators and pan-European market operators, significant CCPs and CSDs, and all crypto-asset service providers (CASPs).

These proposals are in line with what the AMF has pushed for, i.e. a central supervision for entities meeting a set of high level objective criteria: a pan-European and cross-border business, a degree of systemicity, the existence of a clear gain in efficiency should supervisory expertise be concentrated within a single authority, and a risk of regulatory arbitrage if it is not. The MISP deserves support as direct supervision by ESMA will enable faster, more effective responses, safeguarding financial resilience. By entrusting ESMA with direct supervision of the largest cross-border players, the EU will send a clear signal of its willingness and ability to enforce its rules in a consistent way. This will create a more predictable and stable environment that can foster trust, enhancing thereby European markets' attractiveness for investors.

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European supervision is also a prerequisite for the simplification of the EU regulatory framework. One of the main reasons why EU regulations are so detailed and prescriptive is the lack of supervisory convergence among market regulators. Today, national supervisory authorities can operate with widely divergent regulatory interpretations, undermining investor protection, regulatory coherence, a level playing field across the EU and the competitiveness of European capital markets. Hence the need for detailed and prescriptive rules that might limit these effects.

In parallel with its proposals for more European supervision, the Commission rightly puts forward other concrete proposals in the MISP, aiming at simplifying and streamlining the regulatory framework in the EU and to harmonize the Rulebook - notably with the transfer to regulations of entire sections of EU law currently contained in directives, and the elimination of national options and minimum harmonization clauses (thus preventing gold-plating by Member States). These evolutions are necessary, as the current system contributes to the European red-tape problem that undermines the collective efforts towards a more principle-based and agile regulatory framework.

Finally, the idea that more powers for ESMA would necessarily undermine the role of national regulators is a myth. Not only are national regulators bound to play a central role in ESMA governance, but they would continue to have the local expertise and be best placed to supervise products and detect market abuse.

European-level supervision will undoubtedly be the most politically difficult issue in the negotiations, but it is also the most essential prerequisite to financial markets integration so it is important that the co-legislators do not miss this unique opportunity to give the EU these tools to build more efficient markets and compete efficiently at global level.



## CARLO COMPORTI

Commissioner – Commissione Nazionale per le Società e la Borsa (CONSOB)

### What role for the supervisory pillar in the Market Integration Package?

One of the key components of the Market Integration Package ('MIP') is a major revision of the supervisory framework applicable, among others, to trading venues and post-trading market infrastructures – including DLT market infrastructures – and crypto-assets service providers. In its attempt to remove the remaining barriers that still prevent the full integration of the European financial market, the Commission has identified the current supervisory framework as a major deterrent.

Looking at the impact assessment that accompanies the proposal, it is evident that such consideration is mostly driven by the challenges that firms currently face when dealing with multiple supervisors with different supervisory approaches.

Indeed, despite the progress made in recent years, a certain degree of supervisory fragmentation across the EU persists. This is detrimental to the single market, both for market operators—whose legitimate expectation is that the common rulebook should be applied uniformly across the Union—and for

investors, who should be reassured that they receive the same level of protection irrespective of the location of service providers.

Beyond the institutional design, the single market rests on the trust that all participants can place in its proper functioning. Once this precondition is ensured, integration and consolidation naturally emerge as positive spill-over. In this respect, supervision plays an important role, but should be regarded as an enabler, being one of the tools for reducing barriers. By contrast, relying too heavily on supervision to shape the market, beyond its institutional role, may prove ineffective.

To reinforce trust in the single market, supervision should address the legitimate expectations of common and consistent supervisory standards. Ensuring a coherent supervisory approach across the Union should remain a top priority and be supported with stronger emphasis and enhanced powers. The proposal already contains important elements in this regard, such as new tools for ESMA and a new decision-making process. However, further improvements could be envisaged—for instance, by allowing ESMA to ensure that Level 3 measures are effectively applied.

The debate about the potential centralisation of supervision should be guided by principles of proportionality and subsidiarity, in order to deliver the expected benefits. Above all, firms and investors need predictable and common supervision, not necessarily a single supervisor. Policy decisions in this area should rely on a careful assessment of the actual functioning of the market and ensure a clear allocation of roles and responsibilities for legal certainty, as well as a structured cooperation framework to avoid redundancies, inefficiencies, and increased overall costs. This suggests following a pragmatic approach that allows for adjustments over time and gradual implementation. One-size-fits-all is not an option for supervision.

In certain areas, particularly for significant crypto-assets service providers and significant DLT market infrastructures, the benefits of supervisory centralisation are widely recognised, given their pan-European dimension and the need to ensure an orderly and consistent development of these innovative operators in the European landscape, including by developing a central competence centre in technological innovation.

In other areas, including trading and post-trading infrastructures, a gradual approach appears advisable.

These entities play a central role in the financial eco-system in a context that remains primary fragmented due to differences in company, securities, taxation and insolvency laws across Member States. In this context, a hub-and-spoke model based on effective cooperation between NCAs and a central supervisor – empowered to ensure effective and consistent supervisory approaches – would be more suitable to address the limitations of the current supervisory architecture.

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**The establishment of supervisory colleges, chaired by ESMA, would be an important step forward.**

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In particular, the establishment of enhanced supervisory colleges chaired by ESMA, with the involvement of the relevant NCAs, would be an important step forward. These colleges should be able to organise internal mechanisms of joint supervision and take decisions with cross border relevance, while matters of purely national significance should remain at national level. This would address market requests for a single supervisory voice, while **preserving** proximity to national ecosystems and allowing for the timely identification of locally specific issues. In the medium to long term, this would foster the emergence of a single supervisory practice, with ESMA providing prompt and binding solution in cases where the authorities within the college fail to reach a common view on regulatory and supervisory issues. At the same time, supervisory expertise, currently held only by national supervisory authorities, would be progressively transferred to ESMA, creating the conditions for possible future centralisation.



## CORENTINE POILVET- CLEDIERE

LSEG Country Head for France  
and CEO of LCH SA – LSEG

### Scale is strategy: supervising Europe as a Union, not a patchwork

The Market Integration and Supervision Package (MISP) represents a genuine inflection point in the evolution of EU level supervision of cross-border market infrastructures. Since the early days of EMIR, the supervisory framework for EU CCPs – including LCH SA – has been characterised by a complex, multi-layered governance model involving National Competent Authorities (NCAs), ESMA, and supervisory colleges. While well-intentioned, this structure has too often led to lengthy pre-submission engagements, overlapping information requests, and divergent supervisory interpretations, slowing innovation and weakening the EU’s competitiveness. Even with clearer processes and more prescriptive timelines under EMIR 3, the underlying architecture has remained largely unchanged, leaving CCPs to operate in a fragmented supervisory environment.

Against this backdrop, the European Commission’s proposal to transfer the direct supervision of significant CCPs to ESMA is both welcome and necessary. We would expect ESMA, acting as a single supervisor, to serve as a cornerstone of fair competition among significant

EU CCPs. By placing those institutions on an equal supervisory footing, a unified authority will foster healthy competitive tension, encouraging higher standards, innovation, and improved service quality across the clearing landscape. These benefits are not merely theoretical. Where ESMA already exercises direct oversight, most notably in the supervision of Tier 2 CCPs such as LCH Limited, experience shows that centralisation delivers clearer expectations, more coherent processes, and a supervisory dialogue that is materially easier to navigate.

For the reform to fully deliver, however, several design features warrant careful attention.

First, the criteria for determining “significance” must be objective, transparent, and consistently applied. This is essential to avoid supervisory arbitrage and to ensure that CCPs with comparable cross-border reach fall under EU level supervision. The framework should support competitiveness, rather than incentivising firms to restructure their activities to remain below supervisory thresholds.

Second, the interaction between ESMA and NCAs must be calibrated so as not to recreate the very complexity the reform seeks to eliminate. Cooperation with NCAs and central banks of issue remains essential but should not result in parallel or sequential processes. The guiding principle should be clear: ESMA must act as the single supervisory interlocutor, with national authorities providing expertise without duplicating oversight. This approach reflects our experience with the current CCP Supervisory Committee, which we consider functioning efficiently.

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**The EU cannot achieve  
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wide supervisor.**

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Finally, EU level supervision will encompass a diverse set of entities, including firms that may not be significant but fall within scope due to their inclusion in broader groups. It is therefore essential that ESMA’s supervisory approach remains proportionate, ensuring that non-systemic entities within financial market infrastructure groups are not subject to supervisory processes designed for globally systemic CCPs.

If these considerations are properly addressed, the benefits of centralisation could be transformative.

A single supervisory authority enforcing a harmonised rulebook would materially accelerate product approvals by reducing extensive pre submission engagement. It would deliver consistent interpretations across Member States, reduce legal uncertainty for cross border operators, eliminate duplicative processes, and significantly curtail divergent data requests. Supervision at EU level will also expose ESMA to a broader range of market scenarios, business models, and stress experiences across jurisdictions. This wider supervisory vantage point would strengthen ESMA’s overall risk management capabilities and enhance its ability to identify emerging systemic risks in a timely and consistent manner. Finally, the EU level is the appropriate one to engage with non-EU supervisors, providing a coherent external voice for the Union and avoiding fragmented international supervisory interactions that could disadvantage EU CCPs. Above all, it would also enable Europe’s leading CCPs to innovate and compete globally on an equal footing with peers in jurisdictions that already benefit from more streamlined supervisory regimes.

Ultimately, the MISP reflects a reality long recognised by market participants: the EU cannot achieve a genuinely competitive clearing landscape without a single EU wide supervisor. EMIR 3 has delivered meaningful progress, but only a fully centralised ESMA regime can provide the speed to market, consistency of implementation, and operational clarity required to strengthen Europe’s clearing ecosystem. If designed proportionately and implemented with discipline, this shift can reduce friction, reinforce financial stability, and enhance the EU’s attractiveness as a global clearing hub, without recreating the layers of oversight it seeks to remove.



## PILAR MARTÍNEZ

Head Public Affairs EU and Latin America – SIX Group

### Fixing the Foundations: Strengthening EU Markets through smarter regulation

The European Union is confronting the cumulative effects of regulatory dysfunction, which have created a fragmented and suboptimal environment for financial markets. Although the past decade has seen progress toward regulatory harmonisation, significant barriers persist due to divergent national interpretations and transposition of EU law, as well as inconsistent supervisory practices across Member States. This fragmentation has curtailed cross-border market participation by increasing complexity and compliance costs. As a result, activities that could be based within the EU are increasingly relocating to third countries, where regulatory frameworks are more coherent and more likely to attract rather than deter investors and companies.

Addressing this challenge has become increasingly urgent. The proposed Market Integration and Supervision Package (MISP) seeks to respond by streamlining supervision and converting directives into directly applicable regulations. However, the scale and scope of these reforms imply a complex and demanding implementation phase. This raises a fundamental consideration:

the EU should reassess the legislative process itself rather than focusing solely on new rules.

Too often, this process is redundant, inefficient and ineffective, creating unnecessary burdens and uneven playing fields that ultimately erode the competitiveness the EU is striving to restore.

Implementation is not a secondary consideration but a decisive factor in determining whether integration objectives are achieved. Supervisory effectiveness depends not only on the design of rules, but also on the clarity, predictability and consistency of the procedures through which they are applied. Changes in supervisory responsibilities, reporting channels or authorisation processes inevitably require significant operational adjustments by supervised entities. Without careful coordination, such changes risk increasing costs, creating uncertainty and reintroducing fragmentation through practice rather than through law.

During transition periods, clarity on procedural responsibilities, timelines and decision-making processes is essential. Clear transitional guidance and effective communication between supervisors and supervised entities are critical to avoiding duplication, inconsistent requests and the loss of high-quality information—all of which increase compliance burdens without improving supervisory outcomes.

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**Implementation is not a secondary consideration but a decisive factor for integration objectives.**

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Cost-effective implementation also requires a disciplined commitment to simplification. True simplification does not mean marginally adjusting existing rules, but critically reassessing regulatory requirements and retaining only what is strictly necessary. If stakeholders remain uncertain about how new or revised obligations will be implemented, including applicable timelines and enforcement practices, legal uncertainty and compliance costs will persist.

Cross-border activity must also be fully embedded in the design and implementation of the rules if the Single Market is to remain viable. While the EU has its own institutional and legal specificities, the financial ecosystem

necessarily extends beyond national borders. Proportionality must therefore be placed at the core of implementation. A uniform supervisory framework that fails to reflect differences in size, complexity and systemic relevance will discourage market-driven integration and undermine competitiveness.

More broadly, the success of the Market Integration Package will depend on the quality of coordination during its implementation, including clear sequencing of reforms, realistic transitional periods and sustained dialogue between authorities and market participants. Without a simplified regulatory framework grounded in proportionality and burden reduction, capital and business activity will continue to migrate away from Europe. Achieving a successful Savings and Investments Union depends as much on how rules are implemented as on how they are written.

Finally, greater emphasis must be placed on long-term orientation. The development and revision of regulatory frameworks are inherently lengthy processes, often shaped by extended negotiations. Ambitious packages may be celebrated at inception, yet by the time they enter into force, market conditions and global dynamics may have already shifted. EU co-legislators must therefore adopt a more forward-looking and time-efficient approach to avoid building an ecosystem that is outdated before it becomes operational.

What is ultimately at stake extends far beyond any single legislative package. The real question is how far behind the EU can afford to fall before the damage becomes irreversible—before Europe is relegated to a secondary role on the global stage. This is not merely a crisis of competitiveness, but a challenge to Europe's capacity to deliver prosperity and opportunity for future generations.



## NICHOLAS BEAN

Chief Executive Officer –  
Bloomberg Trading Facility B.V.

### Supervisory evolution is an output to be calibrated against SIU outcomes

#### Output versus outcome

The intended outcomes of the Savings and Investments Union (SIU) can be summarised as follows: i) stronger competitiveness and autonomy within the EU, through ii) the unification of capital markets, to iii) facilitate the channelling of savings into investment.

The Market Integration and Supervision Package (MISP) highlights the unified element of this: “to tackle the challenges to the EU’s competitiveness, it is vital to create truly integrated and deeper European capital markets that are accessible to all people and businesses across the EU”.

A coarse narrative exists that supervisory centralisation is additive to achieving a unified capital market. Yet it is important to remember that centralised supervision is an output to assist in achieving the SIU outcomes – and not an outcome in and of itself.

In planning for the success of the SIU, it is critical to keep the distinction between output and outcome in mind. Outputs need to be calibrated – shaped,

tailored and refined – to achieve the desired outcome.

#### The case for central supervisory calibration

Markets are inherently complex, encompassing an extensive array of asset classes, venue types and trading protocols. The EU market is even more so, given local market nuances, but diversity should not be confused with fragmentation. Efforts to unify capital markets only need to occur where there is genuine fragmentation.

The Pareto principle would posit that 80% of the challenges to achieving the SIU’s outcomes will stem from 20% of the market infrastructure. Centralising supervision across 100% of market infrastructure currently under discussion risks centralised supervision becoming an outcome in and of itself, rather than an output to deliver the SIU’s outcomes.

This is not to say that central supervision is problematic; quite to the contrary, in the long term it is essential. The key observation being ‘in the long term’. A shift to centralised supervision will require time to accommodate adjustments in ESMA’s operating model, particularly in overseeing trading venues with unfamiliar, diverse and complex business models.

In the meantime, centralised supervision should be calibrated to optimise its contribution to the SIU’s outcomes. Where centralising supervision of certain activities, services or entity types does not advance that outcome, they should fall out of scope. This targeted approach will give ESMA the strongest chance of contributing to the success of the SIU.

**An evidence-based approach reflecting asset, trading, and market differences is key to calibration.**

#### Key factors for central supervisory calibration

In relation to Trading Venues (TVs), the only answer I have come across to the question “who is experiencing fragmentation and compliance complexity?” relates to multi-jurisdictional equity platforms. The MISP has a word count for ‘shares’ of 79, whereas for ‘bonds’ it’s 9. At the time of writing, the market capitalisation of the

EU equity markets is €~16.41 trillion, but the outstanding issuance of EUR-denominated bonds is €~27.45 trillion.

Extending the scope of TVs subject to centralised supervision beyond those currently experiencing challenges operating on a pan-European basis, to include TVs that are not, has little connection to the SIU’s objective of unifying capital markets – and it certainly does not reduce compliance costs.

Indeed, a near-term maximalist approach to centralised supervision may prove detrimental. ESMA would face an unnecessary burden, which experience informs may result in the imposition of supervision models created for TVs that are challenged by fragmentation upon those that are not. Both being a net negative for non-equity markets and the interests of the SIU.

#### The nature of central supervisory calibration

An evidence-based approach reflecting the functional differences between asset classes, trading models and market segments is essential to the calibration process. The current trend appears to be an output with a bias towards multi-jurisdictional equity platforms.

This aside, a pragmatic, staged approach is essential for long-term success. Supervisory convergence should be strengthened first, with any expansion of direct centralised supervision considered only once solid foundations are in place.

The distinct characteristics of EU national markets will persist under any model of centralised supervision. Developing more integrated NCA-ESMA teams, building upon existing hubs of expertise, is a logical primer to the long-term objective of fully centralised supervision.

Better information sharing would underpin this convergence. The accuracy, timeliness and completeness of data flowing from NCAs to ESMA, and vice versa, should be optimised. This may require the removal of legislative and technical barriers – and ideally include an autonomous AI data strategy.

#### Conclusion

Centralised supervision is an output which should be calibrated against evidenced challenges which stand in the way of the SIU outcomes. Pursuing centralised supervision in a maximalist manner for the optics of it may well prove detrimental to the SIU.



## FABRICE DEMARIGNY

Partner, Global Head  
of Financial Markets –  
Forvis Mazars

### Creating an EU “supervisory efficiency test”

The European Union’s capital-markets supervisory framework is increasingly misaligned with the depth and complexity of today’s integrated financial markets. While regulatory harmonisation has advanced through the Capital Markets Union (CMU) and the Savings and Investment Union (SIU), supervision remains predominantly national, fragmented, and uneven across Member States. This creates notable inconsistencies in enforcement, exposes the EU to regulatory arbitrage, and weakens the credibility and efficiency of the Single Market for financial services.

Unlike banking supervision—centralised after the financial crisis under the Single Supervisory Mechanism (SSM) to address systemic risk—capital-markets supervision must serve multiple objectives: **market transparency, investor protection, market orderliness, integrity, and the prevention of regulatory arbitrage.** These objectives are inherently interdependent and increasingly cross-border in nature. Yet the EU still relies on 27 national competent authorities applying EU rules with varying intensity and capacity, leading to divergences in outcomes and supervisory effectiveness. ESMA’s direct powers remain limited,

often assigned only in response to specific failures rather than as part of a structural strategy.

To overcome this structural mismatch, the EU should apply a **supervisory efficiency test**—a functional, evidence-based mechanism to align the level of supervision with the actual degree of market integration for any given financial product, service, or market participant. Such test would assess integration across measurable dimensions such as **standardization of products or services, passporting intensity, market concentration, cross-border investor participation, supervisory landscape, risks of breaches in the level playing field and enforcement fluidity.** These indicators would allow an objective integration measurement that can be matched to the most appropriate supervisory model (national, mutual recognition, coordinated supervision, colleges of supervisors, or direct ESMA supervision).

The increasing complexity and cross-border nature of EU financial markets – driven by shifting savings patterns, financial innovation, digitalisation, and the policy ambitions of the SIU – point to a continued trend toward deeper integration. However, this integration is inherently uneven. Not all financial services, products, or actors evolve at the same pace or reach the same level of cross-border penetration. As a result, a one-size-fits-all supervisory model is neither realistic nor efficient. There will continue to be a mix of national, mutually recognised, and supranational supervision across different market segments, depending on the degree of integration and systemic relevance.

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**An EU “supervisory  
efficiency test” will allow  
a supervision linked to  
market integration.**

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Against this backdrop, the supervisory efficiency test offers a pragmatic and adaptive tool for aligning oversight arrangements with market realities. Its core objective is to periodically assess whether the existing supervisory model for a given product, service, or market player continues to meet its intended goals in an efficient and proportionate manner. Such a test would ideally be triggered at predefined intervals, such as the expiration of a legislative review clause, or in response to significant market developments, regulatory innovations, or shifts in cross-border activity.

A supervisory efficiency test ensures that **supervisory design follows market reality**, not political competition. By grounding decisions at demonstrable levels of integration, the test directly supports the core objectives of capital-markets supervision:

**Transparency:** Integrated markets require uniform data, reporting, and disclosure oversight.

**Investor protection:** Cross-border retail and institutional activity demand consistent supervisory intensity.

**Market functioning:** Efficient and orderly market functioning depends on coherent rule enforcement across jurisdictions.

**Integrity and anti-arbitrage:** Proper measurement of integration identifies where divergent national enforcement creates supervisory arbitrage risks.

Ultimately, the supervisory efficiency test is a tool for supervisory realism. It acknowledges the diversity of European capital markets while recognising the necessity of supervisory convergence in areas where integration is deepest, and risks are most pronounced. It enables the EU to move beyond institutional inertia and make meaningful progress toward a capital markets union that is not only integrated in name, but also coherent in oversight. Embedded into the EU’s legislative review cycle, this test would offer a politically feasible, adaptive path toward more coherent, proportionate, and resilient supervision.