

POST-TRADING INTEGRATION: EXPECTED IMPACTS OF THE MARKET INTEGRATION



KLAUS LÖBER

Chair, Central Counterparties Supervisory Committee – European Securities and Markets Authority (ESMA)

MISP: strengthening Europe's post-trade backbone

Building deeper and more efficient capital markets has been a central ambition of EU policymakers for over two decades. Today, demographic pressures, geopolitical instability and intensifying global competition make this goal more urgent than ever. The Market Integration and Supervision Package (MISP) is an ambitious legislative initiative to build a truly integrated EU financial market by adjusting multiple pieces of legislation. In post-trade in particular, MISP builds on earlier reforms such as EMIR 3 and goes a step further, aiming for a more efficient, scalable and innovative post-trade ecosystem.

Since 2024, EMIR 3 has significantly reinforced the EU clearing ecosystem. Beyond reducing exposures to non-EU CCPs, it introduced modern and proportionate prudential requirements, strengthened supervisory convergence and enhanced resilience and oversight. Yet some improvements have brought operational downsides, including new

and sometimes duplicative procedures. As markets evolve, resilience alone is no longer sufficient: efficiency and integration must also be part of the equation.

That need is becoming increasingly evident. Execution cycles are shortening, reliance on cloud service, Artificial Intelligence (AI) and Distributed Ledger Technology (DLT) is growing, and clients increasingly expect infrastructures to provide service or be accessible 24/7. New service models are emerging, challenging traditional financial market infrastructures (FMIs). In this context, post-trade fragmentation is not only costly but strategically detrimental. Without deeper integration, the EU risks falling behind other jurisdictions where scale and technological adoption is easier to achieve.

MISP addresses several of the operational, legal and regulatory barriers that are pivotal to achieve deeper post-trade integration. Some of the key measures include more direct and coordinated supervision; further promoting T2S as a pan-European settlement platform; and extending Settlement Finality Directive (SFD) protections to DLT-based systems. These actions aim to reduce friction, support cross-border activity and enable the safe adoption of new technologies.

Extending SFD protection to DLT-based infrastructures tackles a major source of legal uncertainty. Settlement finality and protection against insolvency interference are pillars of post-trade stability. Ensuring these safeguards apply regardless of underlying technology allows innovation to develop within well-understood risk boundaries.

MISP is part of a broader strategic effort to strengthen Europe's capital markets.

Industry reactions have generally welcomed efforts to make the CSDR and SFD more technologically neutral. This shift could facilitate tokenised collateral, greater automation and more efficient settlement cycles. But legislation alone is not enough. Progress depends on both EU-wide harmonisation and strengthened legal clarity, as well as the

identification and mitigation of new risks. Innovation must evolve alongside common standards so that technology becomes a force for convergence rather than a new source of fragmentation. Effective interoperability between traditional infrastructures and new market entrants will be essential.

Supervision also plays an enabling role as part of this. Building on EMIR 3's enhancements, MISP envisages a stronger role for ESMA. A more centralised supervisory architecture can reduce divergent interpretations, streamline approvals and steer markets toward greater consistency and integration.

Ultimately, these measures aim to make Europe's post-trade environment clearer, more predictable and easier to operate across borders. By reducing legal uncertainty and operational friction, they help firms innovate safely and adopt new technologies with confidence. Centralising key supervisory responsibilities will create a more consistent level playing field, eliminate parallel processes and support faster, more agile decision-making. Together these steps enable more harmonised and scalable post-trade services.

Despite progress, EU post-trade integration remains incomplete. National legal divergences, tax procedures and operational incompatibilities still generate friction. These issues require coordinated, long-term policy efforts. MISP cannot resolve everything, but it provides a coherent framework to move decisively in the right direction.

MISP should therefore not be seen as an isolated reform but as part of a broader strategic effort to strengthen Europe's capital markets in support of the Savings and Investments Union, and Europe's long-term economic stability, growth and prosperity.



SAMUEL RILEY

Chief Executive Officer,
Clearstream Securities Services –
Clearstream Holding AG

Innovation meets trust: Europe's next-generation post-trade infrastructure

Against the backdrop of geopolitical instability and fragmented European capital markets, restoring Europe's competitiveness and resilience is a key challenge. By focusing on redirecting retail savings into productive investments, the European Commission's ambition to build a competitive Savings and Investments Union (SIU) rightly identifies that a more integrated, digital, and accessible capital market is essential for sustainable growth in Europe.

The Market Integration and Supervision Package (MISP) is an important step in the right direction, providing the necessary catalyst to dismantle barriers and to build a truly digital and integrated pan-European post-trade infrastructure that can compete globally.

The MISP's vision for a more European integrated post-trade landscape is one that Clearstream actively pioneered for decades. The concept of a central European hub that simplifies cross-border investment through a single point of access is at the very core of Clearstream's pan-European solution. This established CSD hub provides

clients with a single securities account for extensive connectivity, with our Central Securities Depository (CSD), Clearstream Europe, acting as the largest single-entry point to the pan-European settlement platform TARGET2-Securities (T2S) and our International Central Securities Depository (ICSD) catering to global markets. This integrated network provides a secure and highly efficient gateway connecting investors to 19 European CSDs, demonstrating that a harmonized post-trade system is a present-day reality that can be scaled. Thereby, Clearstream contributes to drive the integration of a still too fragmented market. This is the SIU's spirit in action.

The MISP rightly recognizes that the robust structural framework provided by the hub model must be combined with a strategic focus on deepening direct T2S connectivity. Clearstream fully supports this approach, as maximizing settlement volumes on the still "empty highway" T2S is essential to fully leverage the platform's core advantages. The key to increasing settlement on T2S is leveraging volume-based discounts, creating a more cost-effective and integrated post-trade environment for all participants. In parallel, we strongly support enhanced transparency for internalized settlement to create a fair and competitive European landscape. However, the structural imbalance with non-CSD post-trade settlement flows in the bilateral sphere amounting to 500% of the total EU CSDs' volume needs to be addressed by more stringent requirements to ensure that the benefits of centrally settled transactions in terms of stability, transparency and resilience are harnessed.

The SIU's success hinges on digital post-trade infrastructure that is innovative and resilient.

To unlock the SIU's full potential, we must build upon this stable foundation by fully embracing digital technology. Clearstream's commitment, which is deeply anchored in our claim "where innovation meets trust", is to lead this transformation by operating a fully hybrid financial market infrastructure that seamlessly connects traditional and digital assets classes. This offers benefits such as 24/7 availability and the integration of new forms of money, including the wholesale central bank digital currency (CBDC), which is currently being developed with the ECB as well as our partnerships with diverse

stablecoin issuers. Thus, Clearstream is demonstrating its commitment to a hybrid financial market infrastructure through key innovations: The centerpiece, our D7 platform, digitizes the entire securities value chain for same-day, zero-touch issuance, while our position as one of the first to receive a MiCA license combines the trust of traditional finance with the efficiency of digital solutions.

While embracing such innovation, we must safeguard the principles of stability that underpin investor confidence. An unconditional right to access as proposed under the MISP will increase operational complexity and costs while jeopardizing financial stability. To create a globally competitive market, innovation cannot remain confined to parallel regimes like the DLT Pilot Regime. Instead, crisis proven financial markets regulation like MiFID, EMIR and CSDR need to be modernized, for example by allowing tokenized collateral, integrating DLT related concepts directly into the core regulatory frameworks and adopting the terminology. It is imperative that we avoid unbundling core CSD functions, as this will introduce unnecessary systemic risk by fragmenting liability and liquidity and creating new points of failure within the post-trade ecosystem.

The future of capital markets is digital and financial market infrastructures, including CSDs, are at the heart of this transformation. **The SIU's success hinges on digital post-trade infrastructure that is innovative and resilient.** This requires a committed partnership model. Regulators can provide a clear and stable framework that encourages responsible innovation, while infrastructure providers continue to build open, interoperable, and resilient systems.



VIKESH PATEL

Global Head of Clearing &
President – Cboe Clear Europe

Open access: A foundation for innovation, competition and lower costs

Over a decade ago, the shift to open access created meaningful choice in clearing by allowing venues to connect to multiple CCPs, including where such CCPs like Cboe Clear had interoperable arrangements in place. This improvement was long-demanded by market participants, bringing greater choice and competition to post-trade activities and creating a more efficient and integrated market structure in the process. More than 49 venues now benefit from this framework, demonstrating how competition can thrive when barriers fall, providing choice and thereby enabling consolidation and integration. But competition is only part of the story. Open access, coupled with interoperability in the equity clearing space, has materially reduced settlement costs for market participants. Through netting of cleared open positions across venues, which occurs as a result of open access links and interoperability, we estimate settlement costs have fallen by roughly 70% since open access began—an exceptional success that shows what structural reform can deliver. We believe Europe can go further.

Codifying interoperability within the open access provisions of MISP is the answer.

MISP: Beyond a Debate about Central Supervision

MISP is not merely a question of centralised oversight. MISP is an opportunity to structurally improve Europe's post-trade ecosystem. By mandating interoperable clearing for the largest equity exchanges, we estimate policymakers can unlock an additional 40% reduction in settlement costs. A fully interoperable system benefits investors by potentially reducing fragmentation and promoting efficient capital allocation—consistent with longstanding objectives across EU policy discussions.

MISP proposes a framework to enhance connectivity among Europe's CSDs. Improving these links may help reduce frictions, but we can accelerate this efficiency even further by requiring clearing interoperability across the largest equity venues. The principle is simple: when participants can net more, they settle less—and everyone benefits.

**MISP is an opportunity
to structurally improve
Europe's post-trade
ecosystem.**

Central Supervision: A Means, Not an End

While MISP extends beyond the question of who supervises Europe's infrastructure, the supervision debate remains important. Cboe is not opposed to central supervision, but it must demonstrably benefit markets and investors. Central supervision must simplify the current oversight structures that are in place, promote and accelerate harmonisation of underpinning market practices, including regulatory and other processes, which act as barriers adding friction and cost to European trading and post-trading. It is idealistic and unrealistic to expect that central supervision without the aforementioned reform will help grow European markets or attract global investment. What matters is supervision that is efficient, collaborative, proportionate, and supportive of competition and innovation—while preserving strong customer protections and market stability. This will enable markets to innovate and invest, and incentivise investors to choose Europe as a destination for growth.

1. *Based on internal analysis.*



BERNARD FRENAY

CEO European Markets –
Euroclear S.A.

Building effective connectivity for a more integrated EU post trade landscape

The Market Integration Package marks an important step toward reducing fragmentation in the European post-trading environment. By strengthening market connectivity and introducing a clear framework for CSD hubs, the Commission acknowledges the relevance of scale, predictability and efficiency for the functioning of European capital markets. Euroclear welcomes this direction. Euroclear Bank already fulfils a hub-like role through its broad access to fixed income, equities and funds, and the proposal provides a sound basis for enhancing such models further.

The package also recognises the need for more consistent rules for setting up links between CSDs. This should help remove uncertainty for market participants and reduce duplication of effort across the industry. Within the Euroclear group, we have undertaken our own integration projects to create efficiencies across our CSDs. Examples include the single settlement platform serving Belgium, France and the Netherlands, as well as the ongoing work to deepen operational alignment across our Nordic CSDs. These initiatives are internal steps towards greater coherence, aimed

at supporting local ecosystems while leveraging group capabilities.

Although CSD-to-CSD links play an important role, market participants already use several channels for accessing foreign markets. Direct memberships in foreign CSDs, local sub-custodian models and other infrastructure arrangements allow cross-border activity to flow efficiently when appropriate. CSDs remain the natural homes for fixed income markets, and to a significant extent for international ETFs, where the benefits of centralised issuance and settlement are well established. In the equities space, however, patterns of access have historically been more diverse. As the Market Integration Package creates a more predictable environment, we expect the role of CSDs in equities to grow, and Euroclear is preparing to support that shift by reinforcing its footprint and service offerings.

The mandatory connection of significant CSDs to T2S is another meaningful feature of the package. Central bank money settlement brings well-recognised benefits in terms of consistency and friction reduction. Euroclear Bank has already committed to connecting to T2S, and this will help meet the interoperability expectations set out in the Commission's proposals. Implementing these requirements will nevertheless require careful sequencing and clarity around the minimum level of servicing that CSDs are expected to provide through mandatory links. These elements are essential to ensuring that increased connectivity translates into real operational value for the market.

**Connectivity helps, but
deeper harmonisation
remains essential for
true market integration.**

Yet connectivity alone cannot fully resolve Europe's underlying fragmentation. Many of the most persistent obstacles stem from differences in national market practices, tax procedures, corporate law, insolvency regimes and issuer requirements. These variations continue to create operational complexity for cross-border investors. Strengthening links between CSDs can improve access, but it does not automatically harmonise how assets are serviced. For the Market Integration Package to deliver its full impact, progress on legal and procedural convergence will need to advance

in parallel. On this point, the 28th regime could play an important role to deliver a single rulebook for certain market segments.

Euroclear is committed to contributing to these objectives. Our strategic programmes include expanding Euroclear Bank's coverage across all EU asset classes, advancing our T2S connectivity plan, continuing group-wide integration efforts across our CSDs and investing in service improvements that combine local strengths with group scale. We are also actively engaged in the development of digital market infrastructures. The work underway on DLT applications and tokenisation reflects our belief that technology, when aligned with clear regulatory frameworks, can enhance efficiency and resilience for European markets.

The Market Integration Package provides a constructive and forward-looking framework. Strengthened connectivity, clearer governance around CSD hubs and enhanced transparency measures have the potential to support a more competitive and integrated post-trade environment. To reach the vision of a truly unified European capital market, this infrastructure progress should be accompanied by further work on harmonisation and legal alignment. Euroclear stands ready to support this effort through practical actions, continuous dialogue and the delivery of resilient and efficient market infrastructure.



HAROUN BOUCHETA

Head of Public Affairs, Securities Services – BNP Paribas

Competitiveness as a compass: assessing market integration post-trading measures

The European Commission's recent "Market Integration and Supervision Package" (MISP) marks a pivotal moment for the future of post-trade financial market infrastructures (FMIs) in the EU. The proposal aims to enhance connectivity among FMIs, particularly central counterparties (CCPs) and central securities depositories (CSDs). As the EU strives to build robust and competitive capital markets, it is crucial that the regulatory framework prioritizes the competitiveness of both European markets and their players. A competitiveness-first approach should be the guiding principle when evaluating and refining these proposed measures.

1. Open access, interoperability, and FMIs connections

MISP's tougher conditions for refusing access or data sharing between CCPs and trading venues, together with the "right to designate any CSD", rightly promote openness and interoperability. While these steps are commendable, they do not

fully dismantle entrenched silos or guarantee genuine user choice.

For instance, "preferred" clearing models limit users' options, as trades are routed to a venue's default CCP, restricting cross-CCP clearing.

To foster a more competitive landscape, the framework must facilitate access to trading venues for interoperable CCPs and enable clearing between different "preferred" CCPs. This would expand choice and drive efficiency, benefiting market participants and ultimately investors.

2. Centralised supervision and internalised settlement: balancing oversight and cost

Centralized supervision under ESMA offers potential for harmonized oversight in FMIs. However, safeguards are essential to prevent excessive costs for intermediaries and investors.

The review of internalised settlement reporting and increased price transparency must be approached with caution, given past shortcomings in methodology. Any new regulatory framework should be preceded by thorough analysis to ensure effectiveness and avoid unintended consequences. Moreover, imposing public fee transparency on custodians, whose roles differ fundamentally from market infrastructures, could clash with existing competition rules and also hinder the cost reduction trend created driven by innovation.

The ultimate success of these measures hinges on their capacity to boost competitiveness.

3. Enhancing connectivity: CSD hubs, T2S links, and CSD passport provisions

The creation of CSD hubs and reciprocal links among CSDs, along with direct T2S connections, are positive steps toward greater integration and lower costs. Yet, vigilance is needed to ensure these measures do not impose undue burdens on intermediaries and investors.

When it comes to CSD passport, maintaining respect for national corporate laws is vital to legal certainty.

Furthermore, ESMA's mandate to develop a standardized fee grid for CSDs should be clarified to enable meaningful price comparability and stimulate competition.

4. European depositary passport: protecting investors amid greater integration

The strategic goal of a unified EU capital market is laudable. However, the depositary's role in safeguarding assets and monitoring flows is central to investor protection.

The timing for a full depositary passport is inopportune, given ongoing AIFMD II implementation and the risk of regulatory instability. Prior harmonization of investor protection rules, bankruptcy, and tax laws is essential before introducing a passport, to prevent legal uncertainty and inspire investor confidence.

Increased operational complexity and risk of concentration among depositaries could also threaten competition and financial stability, especially if concentrated in jurisdictions with favorable frameworks.

5. DLT pilot regime: accelerating innovation and market evolution

The proposed amendments to the DLT pilot regime – removing time limits, extending coverage, and raising thresholds – are welcomed regulatory choices to foster innovation.

However, further increased thresholds and faster procedures for their adjustment are needed to keep pace with market developments.

The opening of DLT Notary and DLT Central Maintenance Account services to broader participants is positive, but threshold levels should reflect the scale of investments required. Given the slow uptake of the current regime, an accelerated review and entry into force are recommended, rather than waiting for MISP negotiations to conclude.

Conclusion: competitiveness as the guiding principle

MISP lays the groundwork for enhanced connectivity and integration of EU market infrastructures. Yet, the ultimate success of these measures hinges on their capacity to boost competitiveness among European markets and players. This must be the compass guiding regulatory choices. Concrete steps include enabling true interoperability, ensuring cost-effective oversight, harmonizing legal frameworks, and supporting innovation through flexible regimes. By prioritizing competitiveness, the EU can realize its vision of integrated, dynamic, and resilient capital markets that attract investment, foster innovation, and protect participants.