

Post-trading integration: expected impacts of the MISP

1. Objectives and key measures of the MISP in the post-trading space

A policymaker explained that the Market Integration and Supervision Package (MISP) responds to long-standing barriers to post-trade integration recently confirmed by the core findings from the 2025 targeted consultation on EU capital market integration: insufficient connectivity across post-trade infrastructures is a major barrier to deeper liquidity pools and effective market integration. The package aims to reduce fragmentation through regulatory harmonisation, enhanced interconnectivity across the value chain and greater use of scale efficiencies, with the objective of reducing costs and facilitating cross-border activity. A central element is the hub-and-spoke model among CSDs, under which major hub CSDs would interconnect and smaller spoke CSDs would link to at least one hub CSD. This is complemented by measures to simplify the establishment of inter-CSD links and to allow CSDs to provide cross-border services without additional national requirements, through improvements to the CSD passporting framework.

Strengthening the role of T2S is another key component of the package. While T2S has introduced a degree of centralisation, the current setup does not yet enable seamless cross-border operations. Mandatory connectivity to the T2S platform for CSDs that settle in one of the platform's currencies is therefore envisaged. Combined with increased inter-CSD connectivity, this would support the development of a network of interconnected nodes allowing participants in any EU CSD to settle transactions across the Union. This is expected to improve efficiency and foster competition between settlement infrastructures, ultimately benefiting issuers and investors.

Legal harmonisation complements these measures. Converting the Settlement Finality Directive into a regulation is intended to increase legal certainty, notably with regard to conflict of laws, the scope of participants and instruments, and system designation. In parallel, updating key concepts and definitions to accommodate DLT aims to ensure that new settlement models can operate within a clear and consistent legal framework.

Last but not least, more integrated supervision at EU level of significant cross-border post-trading infrastructures is also an essential prerequisite for deeper integration.

2. Connectivity measures of the MISP

2.1 Connectivity among post-trade infrastructures

An industry speaker considered that the MISP connectivity measures are moving in the right direction, but that care should be taken to ensure that the benefits of connectivity

are fully realised. In the clearing space, connectivity has already developed over the past decade, notably in cash equities through open access and interoperability, reducing fragmentation and lowering barriers to cross-border activity, with around 75% of European equity volumes now covered. Enhanced connectivity can also contribute to delivering lower costs, improved service levels, greater innovation and increased netting efficiencies. However, existing models do not always provide genuine optionality. In practice, interoperability is in some cases closer to "preferred clearing", where trades are routed to a trading venue's default CCP unless both counterparties have selected the same CCP, limiting user choice and competition.

A second industry speaker emphasised that post-trade integration is primarily an economic rather than a technical issue. Europe's infrastructure is significant, but it lacks scale and liquidity concentration. The MISP post-trade connectivity and passporting measures create the conditions for market-driven integration and could generate efficiency gains and economic value if further integration at the level of the single market can be achieved without undermining resilience or innovation. The CSD hub model recognises an existing market reality, where liquidity has already concentrated in certain infrastructures due to scale effects that reduce friction and costs. Formalising these hubs can reinforce efficiency.

Connectivity, however, creates value only when it leads to liquidity concentration. Cross-border links must reflect actual demand and provide access to liquidity pools, otherwise they add cost without integrating markets. Proportionality is therefore critical, as mandating universal connectivity regardless of demand and potential flows risks increasing complexity and costs, particularly in areas such as asset servicing, corporate actions and investor services, which are not easily standardised. Connectivity should follow user and investor demand and economic rationale, ensuring that it reduces overall all-in costs for users, including connectivity costs, rather than imposing uniform connectivity requirements across all markets to increase the number of connections.

A third industry speaker outlined that the MISP measures improving access between trading venues and CCPs, as well as the MiFIR article 34 provisions allowing participants to designate any EU CSD for the settlement of transactions, are positive but insufficient to address existing dominant positions and siloed structures. Preferred clearing models restrict user choice, as trades tend to be routed to a trading venue's default CCP, limiting the benefits of interoperability. Facilitating access to trading venues for interoperable CCPs and enabling clearing between different preferred CCPs, which is currently not possible, would expand choice and improve efficiency, benefiting market participants and end-investors. Increased interconnections among EU CSDs through a hub-and-spoke model and mandatory

T2S connections for euro and DKK settlement are also positive developments likely to enhance competition and reduce costs. Implementation will however generate significant costs, requiring investment, project management and operational adjustments, with a risk that these costs are eventually passed on to clients and investors.

An official concurred that the MISP reinforces trends already visible in the market, including the development of hub-and-spoke structures and increased CSD links. Making all ISINs available for settlement could also improve the usability of these links, which are currently used mainly for simpler instruments. More broadly, success will not depend on regulation alone, as a number of remaining barriers relate to market practices, in particular the handling and effective use of settlement instructions and operational data.

2.2 Role of T2S and connectivity to T2S

An official noted that mandatory connections to T2S may have limited immediate quantitative impact, as around two thirds of EU CSDs are already connected and some remaining CSDs are not in scope as they do not offer euro or DKK-denominated settlement. However, the qualitative impact could be significant, as frictions persist between T2S and non-T2S CSDs and their respective ecosystems, particularly in transfers and in the movement of securities positions (realignment) between T2S CSDs and ICSDs (international CSDs), which are not fully seamless today. Mandatory connections to T2S could therefore improve automated connectivity between these environments and support more efficient and integrated settlement operations.

The official added that further progress does not require major upgrades to T2S or additional regulation. Several barriers identified in the AMI-SeCo report relate to market practices, notably the handling and effective use of standard settlement instructions (SSIs) and operational data. While SSIs are exchanged and correctly filed, their updating and use in local systems could be improved. Combined with mandatory links, such market-led improvements could enhance settlement integration without waiting for further regulatory or technological changes.

An industry speaker emphasised that T2S is a key enabler but not a complete solution. Market coverage remains incomplete across the EU and, even with mandatory connections to T2S, integration will take time, as fragmentation in legal, operational and asset servicing layers remains difficult to address.

Another industry speaker welcomed the focus on CSD hubs and T2S connectivity in the MISP, noting that their group's structure already reflects these objectives through its ICSD which is connected to all EU CSDs, includes automated position management with T2S and provides a pan-European single-entry point. Around 54% of the group's transactions are already settled in T2S. This model reduces friction between T2S and ICSD environments and illustrates how integration can be achieved through market-led solutions. Partnerships with other trading and clearing infrastructures also support flexibility in asset location, connectivity and execution across Europe,

although building such connectivity has required a long-term effort of several years. Market-led initiatives can further support these developments. A significant migration of international ISINs currently settled outside T2S is underway, expected to increase T2S volumes by around 6–8% and contribute to deeper liquidity pools.

The industry speaker also stressed that T2S has a market responsibility as an infrastructure alongside private actors. Recent and upcoming T2S changes planned for 2026 to facilitate cross-border flows represent progress, but scaling remains a key challenge. Attracting greater settlement activity to T2S depends in part on pricing, as T2S costs currently represent the most expensive component of settlement and require collective attention. In addition, while settlement conducted outside central infrastructures (internalisation) can contribute to efficiency, greater transparency on these flows is needed to ensure a level playing field and equal opportunities across market participants. Faster adaptation is also required, as developments in other jurisdictions notably the US highlight greater flexibility and speed in responding to market and regulatory changes.

3. Remaining integration challenges and harmonisation needs

3.1 Harmonisation needs and prospects of the 28th regime

An industry speaker emphasised that connectivity is necessary for market integration but must be complemented by addressing the barriers that continue to hinder integration. The key issue is whether the regulatory framework enables scale, choice and competition. Experience in clearing shows that interoperability delivers benefits when combined with harmonised risk standards and approaches. CCPs are major participants in CSDs, as their role in clearing generates large volumes of settlement instructions, and they are therefore directly exposed to remaining barriers. The barriers that have the greatest impact on achieving European scale are no longer technical but are mainly legal, operational and governance related. A key source of friction is the layering of additional national operational requirements on top of EU rules, which increases costs and complexity for CSD participants, limits cross-border choice and reduces the ability for European markets to scale. MISP measures such as CSD passporting, greater freedom of issuance and support for cross-border activity can improve cross-border access, but do not deliver end-to-end harmonisation, as legal and operational divergences will persist across markets.

A policymaker noted that further action is needed beyond the MISP measures to address the legal and fiscal barriers to cross-border settlement and obstacles to the cross-border exercise of shareholder rights, which continue to create legal uncertainty and operational costs, even if some frictions can be mitigated by cross-border service providers. The proposed EU 28th regime adopted in March 2026 can contribute to addressing those barriers. The regime introduces an optional single set of corporate rules that companies, particularly innovative firms, can choose

instead of navigating multiple national regimes. Initially focused on company law, the regime is designed to evolve over time. Stakeholder input will be important to assess its relevance for clearing and settlement. A possible review of the Shareholder Rights Directive, supported by a public consultation open until 6 May, is also relevant for capital markets integration.

A second industry speaker agreed that remaining fragmentation is not technical or related to the settlement engine, but driven by differences in legal, tax and operational set ups across Member States. Key barriers relate to insolvency rules, withholding tax, corporate actions and other national constraints such as data centre location, which can override EU rules and reduce choice. An optional 28th regime could act as a pragmatic accelerator of harmonization. Where full convergence of national rules is not feasible, such a regime could provide a single rulebook for cross-border issuance and settlement for issuers and investors seeking pan-European reach. Market developments already show demand, with companies listing in one country and settling in another. Although it would add a further layer to existing frameworks and some complexity, the 28th regime could reduce part of the friction in a pragmatic way, without requiring full harmonisation of existing frameworks.

An official highlighted that the public sector has an important role in addressing legal barriers, including through options such as the 28th regime, targeted national changes or coordinated action among Member States. Certain national requirements, such as local constraints on dematerialised bonds or uncertainties under frameworks like the German electronic securities law, create challenges for non-resident participants and can be clarified without needing major legislative reform. In parallel, market participants need to advance industry standards in areas such as tokens, corporate events and collateral management. Many practices can be aligned regardless of the underlying technology, building on work such as the AMI-SeCo barrier report.

3.2 CSD and fund depository passporting

An industry speaker emphasised that, in the MISP CSD passporting proposals, the provisions in Articles 23 and 49 of the CSDR, which require continued application of national corporate and securities laws in cross-border activity, should be maintained. Preserving these references is important to ensure legal certainty, as national laws will continue to apply in practice. They remain compatible with simplified passporting procedures and are necessary to ensure legal clarity and operational stability.

The industry speaker also noted that the MISP proposes the introduction of a fund depository passport. However, fund depository services remain subject to divergent national rules regarding investor protection, fund operation, bankruptcy, asset protection, segregation and supervision, and the duties of depositories vary across Member States. Current conditions therefore do not support the introduction of a full European passport. A step-by-step approach is required, starting with prior harmonisation, to avoid legal uncertainty and preserve client trust. The timing of this measure is also not appropriate. The AIFMD II review introduced a derogation allowing cross-border appointment of depositories in

specific cases, notably where local supply is limited, which will apply from April 2026 and should be assessed before further changes are considered. The potential impact of introducing a full passport should also be further assessed, as it could lead to increased concentration of depository services in a limited number of jurisdictions, potentially driven by tax and social factors, and reduce competition in a segment where more competition is needed.

4. Role of tokenisation and DLT in post-trade integration

A policymaker highlighted the need to assess whether new technologies, including DLT and tokenisation can help alleviate long-standing barriers in the post-trade space. This was the idea behind the DLT pilot regime, which has been operational since March 2025. The reform of the DLT pilot regime proposed in the MISP aims to make the regime more attractive by increasing its scale, broadening its scope and introducing greater flexibility. In parallel, amendments to the settlement finality framework aim to adapt core legal concepts, such as the definition of systems, participants and settlement finality, to DLT-based operations and improve legal clarity, thereby supporting the development of these technologies.

An industry speaker emphasised that tokenisation should be implemented in a way that supports integration rather than recreates fragmentation. This requires interoperability with existing infrastructures and sufficient liquidity pools, as the emergence of multiple DLT platforms would risk replicating current inefficiencies. The 28th regime could also play a role in this context, provided it remains optional, by offering a common legal framework that may reduce fragmentation.

Another industry speaker agreed that regulation and technology should act as enablers rather than sources of additional fragmentation and complexity. In practice, existing regimes such as MiCA, the DLT Pilot Regime and CSDR are not fully interconnected, creating a risk of fragmentation. At the same time, the market will remain hybrid in the foreseeable future, with traditional and DLT-based infrastructures operating in parallel. Tokenisation and DLT should therefore be approached as part of a broader effort to digitalise and further integrate financial activities. DLT can address certain inefficiencies but will not resolve all post-trade challenges and existing infrastructures will continue to play a central role in areas such as clearing, equities and liquidity management. In this context, the 28th regime, combined with digitalisation, can contribute to efficiency gains. The ability to move assets and access data in digital form, together with a framework enabling the standardised treatment of data, for example for corporate actions or tax, can reduce costs and improve efficiency.

An official agreed that digitalisation and tokenisation will develop alongside continued improvements in traditional infrastructures. The Eurosystem's Appia and Pontes projects aim to support this evolution by enabling DLT and token use while improving the broader ecosystem. Tokenisation can enhance efficiency by streamlining parts of the value chain, reducing operational frictions and

encouraging a rethink of legacy rules and processes. However, simply replicating existing systems on new platforms would not deliver meaningful benefits. The development of standards is also essential to enable interoperability, including consistency between traditional and DLT frameworks in the definition and treatment of securities. Tokenisation is not a panacea, but it offers an opportunity to improve efficiency and, through greater standardisation, support integration and the objectives of the SIU.

Wrap up

The Chair noted that post-trading is essential for cross-border investment, capital markets integration and financial stability, yet remains structurally fragmented in Europe. There was broad agreement that the MISP has the potential to deliver tangible progress, particularly on connectivity and fragmentation, although implementation details, incentives and governance will be decisive in determining its effectiveness.

Complementary issues remain to be addressed in areas where convergence of national rules is difficult, notably legal barriers linked to corporate, securities and insolvency laws, for which the use of an optional 28th regime could play a role. Differences in market practices, including operational processes, asset servicing and the use of infrastructures, also continue to create frictions and need to be addressed in parallel.

Tokenisation also has important implications for post-trading, with a need to ensure that it supports integration rather than creates new fragmentation. The transition towards a hybrid environment combining traditional and DLT infrastructures is the most realistic scenario in the foreseeable future, raising supervisory challenges, notably the need to ensure a consistent approach to risk across different technologies and a consistent treatment of securities regardless of format. In addition to tokenisation and DLT, the collateral directive is a further area where policy work may be needed.