ASSET MANAGEMENT AND THE MISP

MARCO ZWICK
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Supporting a competitive EU fund market with MISP and the PRIIPs review

The Market Integration and Supervision Package (MISP) aims at reducing fragmentation by means of increased regulatory convergence, the avoidance of national gold-plating of European regulations, and the removal of supervisory barriers to cross-border investment fund management, distribution and administration. In that sense, MISP will also support the Savings and Investments Union's stated objective to "create better financial opportunities for EU citizens, while enhancing our financial system's capability to connect savings with productive investments.". This will most certainly be achieved by reconciling better harmonised regulation with the need for operational efficiency and cost management of product manufacturers and with the demand of retail and professional investors to have an increased access to financial products which are governed by transparent and clear rules applied in the same way across the EU.

The outstanding success of UCITS demonstrates the value of a pragmatic EU framework grounded in trust, demonstrated resilience and market expertise. UCITS is the example to follow when designing a financial product with an outreach to investors in European and non-European countries. The "retailisation" of alternative investment funds (AIFs), possibly the creation of a EU passport for EU AIFs, as opposed to the current sole availability of a EU passport for alternative investment fund managers – as well as the distribution of future other financial products responding to consumer needs – should follow the UCITS example. As an example, the MISP proposal to remedy the current process on cross-border marketing by removing, inter alia, the ex-ante reviews of marketing communications by host National Competent Authorities (NCA) in addition to the review already performed by the home NCA, will support the objective of quicker "time to market" and of a harmonized approach to informing investors across multiple jurisdictions.

> UCITS is the example to follow when designing a financial product with an outreach to investors...

In addition to the proposed MISP framework, the Retail Investment Strategy package also introduces a number of amendments in the area of investor disclosures and product marketing, most notably through targeted revisions to the Packaged Retail and Insurance based Investments Products (PRIIPs) Regulation. These amendments are intended to enhance the quality, accessibility and comparability of pre-contractual information provided to retail investors, while simplifying certain existing requirements as well as addressing specific shortcomings identified in the current framework. They clarify the definition of a PRIIP, introduce a new "Product at a glance" section in the Key Information Document (KID) by means of a dashboard, require the inclusion of information on sustainability objectives, and revise the presentation of performance information. The proposal also streamlines the rules governing updates to the KID, maintains its concise format, and improves digitalisation by requiring the KID to be made available in a structured electronic and machine-readable format. These amendments are expected to facilitate the cross-border distribution of investment products by further harmonising investor disclosures, enhancing the comparability and accessibility of PRIIPs across EU Member States, and supporting digital distribution channels. Together, these measures should also reduce practical barriers to cross-border marketing, thereby contributing to a more integrated EU retail investment market.

The CSSF contributes actively to the development of the regulatory technical standards (RTS) under the revised PRIIPs framework. Through its contribution to this process, it seeks to further enhance the existing disclosure regime by improving the clarity, comparability and usefulness of the information provided to retail investors, thereby strengthening investor protection and supporting the cross-border distribution. However, the envisaged timetable for the development of such RTS is likely to pose considerable challenges, as it allocates only a limited period for both the drafting of the technical standards and the consumer testing which is necessary to ensure that the revised disclosures are comprehensible and effective.

The MISP and the PRIIPs reviews have the potential to reinforce the EU fund industry's competitiveness, provided their implementation avoids unnecessary complexity and excessive costs that could ultimately fall back on investors. The ongoing commitment expressed by the European Commission to simplify regulation and to reduce the burden of implementation will certainly benefit market actors as well as NCAs in their endeavor to ensure compliance with regulations by, at the same time, prioritising the creation and authorisation of those financial products that will really assist EU consumer transition from savers to investors.

JÉRÔME REBOUL

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Single supervision for asset managers is a precondition for market integration

The European Commission's proposal with its Market Integration and Supervision Package (MISP) falls far from ambitious but the direction of travel is clear. The harmonisation of the authorisation process and the move of certain cross-border marketing provisions from UCITS and AIFM directives into the Cross-Border Distribution Regulation should help reducing divergences in national transpositions.

The current fragmented supervision is one of the highest barriers we need to surmount to support the development of a pan-European investment funds' market. As mentioned in our recent position paper published with the Dutch AFM, we believe that a single supervision for asset managers is a precondition for genuine market integration. **A unified supervision would ensure consistent supervisory outcomes across the EU** as only one interpretation of the European rule book would then apply.

The defenders of the *status quo* seem to disregard the accrued regulatory arbitrage at which national competent authorities (NCAs) may be subject to from asset managers. The ever-increasing complexity and level of details of the European legislation, in an attempt to reduce the margin for interpretation by national competent authorities, may actually have opposite effects and leave room for interpretation (e.g., when the level of details increases to cover all possible outcomes, some may be missed and new ones can emerge over time). Such flexibility for interpretating legal texts can actually diminish the power of competing supervisors to impose firm interpretations to asset managers, which have the ability to make regulatory arbitrage when choosing where to domicile their funds. This can lead, in certain circumstances, to a supervisory race to the bottom, which becomes even more concerning in a context where new and more sophisticated asset classes are being made available to retail investors. Especially if they reside in a different Member State than the one where the fund is domiciled.

A unified supervision would ensure consistent supervisory outcomes across the EU.

From an investor protection perspective, how the supervisory duties are split between the home and the host NCAs is essential. When they have an issue, retail investors generally complain to their NCA rather than to the management company's or fund's authorities if they are located in different Member States. This reality is by itself a strong argument to keep the existing prerogatives of host NCAs concerning the marketing documentation of funds commercialised in their jurisdiction, at least until a unified supervision that ensures same supervisory outcomes is in place and effective. A standardised marketing documentation is not appropriate for retail investors of different Member States; and it is not only a matter of language but also a matter of using a language and content that national retail investors can understand.

In the same vein, the AMF welcomes the MISP's proposals to grant ESMA more powers to identify supervisory divergences and treat them more rapidly than is the case today. ESMA should be able to mandate corrective actions to address supervisory shortcomings that hinder the effective exercise of passporting rights by asset management firms. So far, the AMF's experience of supervisory convergence tools is that they are slow and complicated to use. Voluntary colleges, however, are useful to exchange information between authorities, even though each NCA remains autonomous in supervising "their" part of the group, while none has a clear global responsibility on the group's situation.

From a financial stability perspective, we can easily acknowledge that investment funds, with approximately EUR 20.5 trillion of assets under management, have a non-negligible footprint in certain economic sectors. As these exposures continue to increase, alongside the interconnections with other financial market participants, it becomes more and more crucial for competent authorities to be able to assess the risks of those aggregated exposures. To this point, the ongoing work on the integrating fund reporting and the MISP proposals to integrate the authorization process of funds and managers via an ESMA data platform are welcome.

To conclude, all modernisation projects have an initial cost, specially to adapt technological systems and organisational structures. I strongly believe that, overall, the balance would remain largely positive in favour of European investors, but also to the European economy, by contributing to achieve the Saving and Investment Union's objectives, which are to *"create better financial opportunities for EU citizens, while enhancing our financial system's capability to connect savings with productive investments"*.

MARTINA TAMBUCCI

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Rethinking EU asset management: the role of the depositary passport

The objective of the European Commission, in addressing the asset management area as part of the MISP package of proposals, was to promote further expansion of the sector and greater scale, as well as wider cross-border distribution. Some might note that these same drivers also underpinned the earlier 'cross-border distribution of funds' package. However, that initiative mainly refined the existing framework by removing obstacles and inefficiencies identified through operational and supervisory experience. By contrast, the asset management sector has been re-examined under the MISP from a broader and more ambitious perspective.

Within the Master Directive which is part of the MISP, a set of measures are designed to align the UCITS and AIFMD regimes and reduce national divergences in transposition and supervision. A new concept of large EU groups of management companies and AIFMs, to be identified by ESMA and subject to annual supervisory review, is introduced, along with a fee framework to ensure that the costs of ESMA's new functions are also borne by those groups. The proposal also simplifies authorisation and cross-border notification procedures, removes the UCITS obligation to draw up a KID where this would overlap with PRIIPs, recognises and streamlines intra-group delegation and introduces a depositary passport.

The aspect that most clearly distinguishes this set of measure and highlights the European legislator's greater level of ambition, with regard to the sector, is precisely the creation of a depositary passport.

In promoting this significant development, the EC highlights a starting point for the asset management sector, characterised by a significant concentration of the industry in just a few countries. Among the various factors that may have led to this concentration, the presence (albeit only implicit) of a link between the location of the management company and that of the custodian bank is also identified. Consequently, those countries where banks are not sufficiently structured or sophisticated to offer this service are also at a disadvantage in terms of the ability to develop their own investment funds' industry.

> **The depositary passport represents the true added value of the MISP as of asset management.**

The EU custodian market is characterised by a high degree of concentration in the safekeeping of assets on behalf of clients, with this activity being concentrated in the hands of a small number of entities. As also highlighted in a peer review conducted by ESMA in 2025 (on the supervision of depositary obligations), in the countries whose authorities were examined the top five UCITS and AIF custodians account for between 67 and 100 per cent of all assets held in custody in the respective jurisdictions. This aspect is therefore also highly significant from the perspective of systemic risk containment. Without any corrective action, the situation can only continue as it is or even get worse, given the degree of rigidity that generally characterises relations between banks and their customers.

However, there are many obstacles to the effective functioning of such a passport regime. Firstly, the persistence of significant differences in the underlying national laws. Indeed, the introduction of the depositary passport should be accompanied by a more harmonised regulatory framework not to run the risk of exacerbating the negative effects of the divergences clearly highlighted by the aforementioned ESMA peer review (which may not be adequately addressed solely by a substantial commitment to convergence in the supervision of custodians). Secondly, the effects of the potential increase in competitiveness that would be introduced are unpredictable, both within the internal market and in relation to the wider landscape. It is not entirely clear, in fact, whether the benefits of the passport scheme might paradoxically lead to a strengthening of dominant positions, or rather result in genuinely greater competition – which, however, could ultimately benefit either European entities or those from outside the EU.

In essence, the depositary passport represents the true added value of the MISP as of asset management, but a common set of rules at Level 1 should be carefully considered to deal with the functions of the depositary and the criteria applicable to their exercise, the identification of the relevant framework applicable to depositaries operating cross-border, the allocation of tasks and responsibilities of the NCAs involved in cross-border depositary activities and, potentially, the insolvency regime. This is specifically needed for a twofold reason: the extremely delicate and central role that depositaries play as an independent supervisory layer (under UCITS and AIFMD) regarding valuation, investment restrictions and leverage limits, which is of the utmost importance from both a macroprudential and investor protection perspectives, and the significance that the MISP package sought to attach to investment funds due to their potential to mobilise and channel savings towards the revitalisation of the European economy.

SAMANTHA RICCIARDI
Head of EMEA – Fidelity International

From savers to investors: Why MISP's distribution reforms matter

Europe does not lack savings; it lacks efficient channels to turn savings into investment. The Commission has highlighted that EU households hold around €10 trillion in bank deposits, while Europe faces additional annual investment needs of €750-800 billion by 2030.

This is one of Europe's key challenges. As the EU needs to finance innovation, boost competitiveness and improve retirement outcomes, too much household wealth remains in cash rather than being invested in productive assets.

Moving people from savers to confident long-term investors is essential if Europe is to build deeper capital markets and improve financial resilience.

However, the savings-investment gap is striking. Fidelity's Be Invested Global Study 2026 found investors target annual returns of 7.3%, with 65% confident they can meet their long-term goals. Yet many Europeans continue to hold significant levels of cash with deposits accounting for 40.8% of EU household financial assets.

Encouraging savers to invest will require confidence, education, advice, attractive investment solutions and, critically, efficient distribution.

This is where the Market Integration and Supervision Package (MISP) can make a meaningful contribution. EFAMA's latest research shows that advice-based intermediaries account for 80% of retail fund distribution in Europe and banks alone represent 57% in the EU making them one of the most important levers to increase retail participation in capital markets.

If Europe wants to move more citizens towards investing, ensuring distribution channels work efficiently will be just as important as encouraging people to invest.

The cross-border distribution elements of MISP therefore deserve particular attention because they are among the parts of the package most likely to improve retail outcomes directly. The proposals would remove the current 30-day delay before a UCITS or AIF can be marketed in another Member State, create a single ESMA notification channel, harmonise marketing rules and end outdated local agent requirements.

These may appear to be technical changes, but they have real implications for investors. Every unnecessary regulatory hurdle ultimately limits choice, increases costs or delays access to investment solutions.

By reducing unnecessary complexity, firms can bring products to market faster, operate more efficiently across Europe and increase competition. For investors, that means earlier access to a broader range of products, more consistent disclosures and a better access to best-in-class strategies regardless of where they are domiciled.

The clearest retail gains in MISP come from improving cross-border distribution.

This should not be underestimated. The Commission's analysis shows that EU stock market capitalisation stood at around only three-quarters of EU GDP in 2024. Distribution frictions are part of that problem.

When firms are navigating multiple filings, divergent marketing rules and local-presence requirements, costs rise and scale is lost before the investor ever sees the product. By reducing these barriers, MISP enables asset management firms to scale funds more efficiently across borders, strengthen competition and improve product availability in smaller markets that cannot sustain the same domestic range of investment solutions.

In that sense, the package is not simply about administrative simplification; it is about making the Single Market work more effectively for citizens.

The direction of travel is positive, but success will ultimately depend on how it is implemented. Simplification must be tangible with a central notification process to replace multiple national procedures.

The same is true of the legal, operational and supervisory conditions around the reform. The final framework requires common templates, clear turnaround times and a principles-based approach to marketing documentation that remains investor-friendly across different media and distribution models.

Operationally, authorities will need interoperable systems, common data standards and a genuine commitment to ensuring firms only need to submit information once. Consistent supervision across Member States will also be essential.

Notably, the joint statement from the E6 countries placed strengthening cross-border fund distribution at the heart of its recommendations, recognising the potential to lower costs, widen participation and support investment for growth, while advocating proportionate convergence tools rather than complex duplicative structures. Maintaining that focus will be important if Europe is serious about building deeper capital markets.

While MISP won't in itself complete the savers-to-investors journey, it can materially improve one of its key enablers: distribution. If implemented with ambition and discipline, it can widen access to best-in-class products, improve competition, lower unnecessary operating costs and make the promise of the Single Market more tangible for retail investors. Without that, the savers-to-investors agenda risks remaining a political aspiration rather than a practical reality.

STÉPHANE JANIN

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MISP: how to enhance the competitiveness of EU-based asset management companies?

The MISP aims at making the SIU more integrated. In terms of legislative approach, the new keyword is "simplification".

But beyond that overarching objective and approach, how may the MISP be used as a booster to increase the global competitiveness of EU-based asset management companies?

That issue of global competitiveness is critical, not only for the EU asset management companies themselves, but also as a prerequisite to enhance the financing component of EU sovereignty.

From that dual perspective, several uncertainties remain today, in the context of the current political negotiation of the asset management part of the MISP package.

On the positive side of it, there is a very wide consensus across EU institutions to make the EU investment fund market less fragmented. The review of the Cross Border Distribution of Fund (CBDF) legislation will probably achieve that objective, by meaningfully shifting many provisions from a Directive to a Regulation and reducing potential barriers in host Member States to the benefit of a more actual Single Market.

However, on two core aspects, the asset management part of the MISP negotiation has still to be improved and clarified, if the EU wishes to make its asset management companies more competitive at global level.

> Simplify delegation arrangements for EU and non-EU subsidiaries in EU asset management undertakings.

One core aspect regards the need for facilitating investment management delegation arrangements, in the case of delegations across subsidiaries of an EU asset management undertaking. Today the same EU obligations apply whenever we delegate to subsidiaries belonging to our own EU asset management undertaking or alternatively to pure third parties. In practice, it does not make sense, as we already comply internally with the same corporate standards (starting from EU regulatory provisions) for all our subsidiaries - wherever they are located in the world. Why then should we carry out additional ongoing regulatory due diligence and monitoring on those subsidiaries as if we were delegating to pure external third parties? Of course, we agree that EU delegating entities should remain legally responsible for their delegations and should not become letter-box entities either. But the lack of differentiation between the two types of delegation arrangements, i.e. being internal or external, ends for us with burdensome and useless tasks, and associated significant costs. To simplify such delegation arrangements for EU and non-EU subsidiaries applying the same corporate standards within EU asset management undertakings, we are therefore asking for a lighter regime for internal delegations as compared to external ones: that would be a great achievement for the competitiveness of EU asset management companies.

The other core aspect with room for improvement regards the EU supervisory framework, which should not be made more complex. In the medium term, we totally acknowledge that the role of ESMA will become more critical in the EU and we wish to enhance it. But in the short term, we have to avoid the risk of cumulative supervision on us, by both national competent authorities and ESMA: once again on the ground of competitiveness for EU asset management companies, we have to simplify, and not complexify, obligations. First, in the area of fund reportings to regulators, we are asking to make ESMA the single recipient of our fund reportings, while today we have to provide for multiple fund reportings to all the national competent authorities where our funds are domiciled across the EU (e.g. France, Luxembourg, Ireland, Germany, etc.). Alternatively, a single fund reporting by us to ESMA would become a true win-win: for us, a single IT process and administrative stream of reporting; for ESMA, becoming the central collector of our fund data. Second, in the area of coordination colleges for asset management companies active across the EU, we are not against enhancing coordination among NCAs (with the possible participation of ESMA), but the solution to be found must be as simple as possible. We think that some core aspects should be set: that coordination framework should give a prominent role to the lead supervisor of the asset management companies being considered; and the thematic reviews carried out from industry samples by such a coordination framework should end with public conclusions promoting anonymized best practices to the wider industry – as a way for regulators to educate and make converge the EU industry in a constructive manner (e.g. as done successfully by the French AMF through its "spot controls").

Still, a very important question mark remains ahead of us, regarding the MISP negotiation: as the Package is covering more than a dozen of various texts related to Financial Markets, the political will for getting a fast adoption of the overall package should not lead to consider the asset management part as secondary as compared with other MISP topics such as digital finance, market or post-market ones. The EU needs a stronger and more competitive asset management industry – it must be done.

ADRIAN MULRYAN
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Upgrading the plumbing of Europe's Savings and Investments Union

Europe's challenge is not a lack of savings, but a failure to mobilise them. Around €10 trillion remains parked in low-yield bank deposits, while the Draghi Report estimates that Europe will need an additional €750-800 billion of investment annually to support competitiveness, drive innovation, and finance the energy transition. The question is how to bridge that gap.

Addressing this challenge lies at the heart of the European Union's Savings and Investments Union (SIU). The objective is clear: encourage greater participation in capital markets, mobilise private savings and ensure capital can flow efficiently to productive investment opportunities across the Union. Several Member States, including Ireland, are already exploring national savings initiatives aimed at helping households participate more actively in long-term investing. The central question is no longer whether Europe has sufficient savings (households save €1.4 trillion a year, against €800 billion in the United States) but whether its financial system can deploy those savings efficiently across borders and at scale.

However, increasing the pool of available capital is only part of the solution. The other challenge is ensuring that capital can move efficiently across borders. This is where the Market Integration and Supervision Package (MISP) becomes important. If SIU provides the vision, MISP upgrades the "plumbing". Put simply, if Europe wants to mobilise savings at scale, it needs a market framework that allows capital to move more efficiently across the Union.

The European fund industry already plays an essential and global role in connecting savers with investment opportunities. UCITS and AIFs allow investors across Europe to access diversified portfolios while helping channel capital towards businesses, infrastructure and public markets. Yet, despite decades of market integration and the global success of the UCITS passport, cross-border distribution remains more complex and costly than necessary. Firms continue to navigate differing national procedures, interpretations and supervisory practices that create friction in what is intended to be a single market.

The MISP proposals seek to reduce these barriers. Efforts to streamline marketing notifications, limit divergent national requirements and create more efficient administrative processes are welcome. While technical in nature, these reforms would have practical consequences: lower operational costs, greater scalability and better access to investment solutions for European investors.

If SIU provides the vision, MISP upgrades the plumbing.

MISP also rightly seeks to promote greater supervisory convergence. Integrated capital markets require confidence that common rules are applied consistently across Member States. Asset managers operating across the EU benefit when supervisory expectations are clear, predictable and proportionate.

At the same time, supervisory convergence should not be confused with supervisory duplication or centralisation. The European asset management industry is already subject to extensive oversight by national competent authorities, supported by ESMA's existing convergence tools. Policymakers should therefore focus on proportionate, risk-based supervision that strengthens consistency across the Union without creating unnecessary additional layers of oversight or increasing costs for investors.

Ireland provides a practical illustration of what successful European market integration can achieve. As Europe's second-largest investment fund domicile, with over €5 trillion in investment fund assets and more than 9,000 funds and sub-funds, Ireland has developed an ecosystem that supports cross-border investment. Ireland also accounts for around 70% of European ETF assets, making it the leading domicile for ETFs in Europe. Irish-domiciled funds are distributed across the EU and in more than 90 countries worldwide, enabling savings from different jurisdictions to be pooled and invested efficiently through a common European regulatory framework.

At a time when many Member States are exploring national savings and investment initiatives, the Irish experience offers an important lesson: mobilising savings is only half the challenge. Those savings must also be able to move efficiently across borders to achieve scale, diversification and productive capital allocation. Such initiatives are most likely to succeed when supported by an integrated European framework that allows capital to be deployed wherever investment opportunities are most productive.

MISP alone will not complete the Savings and Investments Union. Important questions remain around taxation, pensions, financial literacy, competitiveness and broader capital markets integration. But by reducing costs, increasing certainty and improving access to investment opportunities across borders, it can make a meaningful contribution to the broader objective.

SUSAN
REVELL

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Building on success: the future of asset management

Europe's agenda to grow deeper, more connected capital markets is central to its broader drive to marshal the investment needed to enable structural changes and unleash productive economic growth. Asset managers are key to that growth.

Europe already has one of the world's most integrated asset management industries. Thanks to the UCITS and AIFMD passporting frameworks, firms can establish products in one Member State and offer them across the EU, giving millions of investors access to a broad range of investment opportunities. This is a major European success story — one that has made UCITS a trusted investment product globally - but one that cannot be taken for granted.

The next phase of the Savings and Investment Union should build on these foundations by making cross-border fund distribution as seamless as possible. The Commission's proposals under the Market Integration and Simplification Package (MISP) provide an important opportunity to reduce unnecessary friction, enhance Europe's attractiveness as a location for asset management and preserve the appropriate standards of investor protection that underpin confidence in European markets.

We particularly welcome the move towards "passporting upon authorisation". Today, operational and supervisory divergences between Member States can delay product launches and create unnecessary costs for firms seeking to distribute funds across Europe. Simplifying these processes would lower the cost of doing business for firms of all sizes, accelerate access to markets and make Europe's fund passports work more effectively.

These benefits would extend well beyond the industry. More efficient cross-border distribution would enable funds to achieve greater scale by reaching investors across the EU more easily. Larger funds can spread fixed costs over a broader investor base, helping to reduce costs for end investors while improving choice and access. This is precisely the type of practical integration that strengthens European capital markets while delivering tangible benefits for end investors.

Digitalisation can also play an important role. More consistent digital processes and greater standardisation of regulatory reporting can reduce duplication, improve data quality and streamline interactions between firms and supervisors. Initiatives such as an ESMA-run reporting platform could support this objective, provided they are designed around a "define once, report once" principle that avoids creating duplicate reporting obligations or additional layers of cost.

Alongside digitalisation, effective and efficient supervision will remain a cornerstone of Europe's competitive asset management industry. As cross-border activity continues to evolve, further strengthening supervisory coordination can enhance the efficiency and consistency of supervision, while preserving the clear expertise and accountability of national competent authorities.

As policymakers consider supervisory reforms, it is equally important to distinguish between the needs of different financial sectors. Unlike some other market participants, asset management does not require a single centralised supervisor to support an integrated market. The priority should instead be to improve supervisory convergence while avoiding duplication and ensuring that existing structures work more effectively together, benefiting supervisors and supervised entities.

Our experience at BlackRock illustrates the value of this approach. For several years, we have participated in a voluntary supervisory college, which brings together our principal supervisors from across Europe in a single forum. The arrangement has improved information sharing, reduced the risk of multiple and uncoordinated information requests and enabled more coordinated engagement, while fully respecting the responsibilities and expertise of national supervisors. It has strengthened supervisory understanding without introducing additional decision-making layers.

This model offers a practical blueprint for the future. Standardised information sharing and coordination forums can enhance efficiencies across borders while allowing national supervisors to retain responsibility for local investor protection. Such an approach delivers greater consistency without creating unnecessary complexity or overlapping oversight.

Europe's asset management industry already shows what successful Single Market integration can achieve. The next stage should focus on removing the remaining operational barriers that prevent firms from serving investors seamlessly across borders. By facilitating cross-border distribution, reducing duplication and strengthening supervisory cooperation through proportionate tools, Europe can enhance competitiveness, deepen its capital markets and help more Europeans move form savers to investors. That is a genuine win-win for the industry, for regulators and, most importantly, for European investors.

BEN POTT
International Head of Public Policy & Government Affairs – BNY

Why the EU needs a full depositary passport

The publication in December 2025 of the European Commission's Market Integration and Supervision Package (MISP) has given a major boost to the debate on a European depositary passport. It should now be treated not as a narrow technical reform, but as a core building block of an integrated single market for financial services.

European legislation prohibits the provision on a cross-border basis of depositary services to European investment funds; this means that European depositaries must be located in the same member state as the investment fund for which they provide depositary services. There is just a limited exemption from this prohibition for alternative investment funds (AIFs) located in a few member states.

The proposals in the MISP would allow European banks and investment firms to provide depositary services on a cross-border basis; they would in effect create a depositary services passport for banks and investment firms. This is essential if the EU is serious about removing structural barriers that prevent capital, funds and specialist services from operating at true European scale.

Since December 2025, the debate on the depositary passport has focused on two main questions. The first is whether there should be a passport; the second is, if there is a passport, whether, and what, additional safeguards should be introduced.

Most participants in the debate express support for the principle of a single market and recognise that the lack of a depositary passport means there is no single market in depositary services. European depositaries and investment funds therefore continue to operate in segregated national markets, limiting scale, reducing choice and increasing costs for investors and asset managers.

This matters directly for the Savings and Investment Union (SIU) which seeks to mobilise European savings, deepen capital markets and improve investment outcomes but will remain incomplete if a critical part of the fund value chain remains locked behind national borders.

. As part of the MISP, the European Commission has introduced a set of safeguards to accompany the introduction of the depositary passport. And yet many participants in the debate argue that these safeguards are insufficient, and that additional safeguards are needed before a passport can be introduced.

Among the additional safeguards that have been suggested are a pan-European mechanism for the authorisation of depositaries, direct supervision of depositaries by the European Securities and Markets Authority (ESMA), and granting all member states the ability to decide whether to allow their investment funds to use a depositary located in another member state.

A depository passport is a core building block of an integrated single market for financial services.

Each proposal should be assessed against the same objective: whether it helps create a genuine European market for depositary services, or whether it preserves national fragmentation under a different name.

There is a rationale for the creation of a pan-European mechanism for the authorisation of depositaries. This would bring the authorisation process for depositary services in line with the authorisation process for the provision of MiFID-related services, for which a pan-European passport currently exists. The creation of a pan-European mechanism for the authorisation of depositaries would replace existing, and in some cases complex, national mechanisms and authorisation requirements.

There is also potentially a rationale for the direct supervision of depositaries by ESMA. However, this is a much more complicated proposal, and it would raise significant issues, including the risk of duplicate supervision. The more immediate priority should be a coherent supervisory framework that enables cross-border provision while preserving effective national authority access to information and inspection rights.

Giving member states the discretion to determine whether to accept depositaries from other member states would alleviate the problem of a limited number of depositaries in some member states. But it would not create a single market for depositary services. Cross-border provision would remain dependent on a decision by the competent authorities of the member state of the investment fund, and in many cases member state authorities would have an incentive to refuse access to their national market to cross-border providers.

Such a discretion would favour depositaries from member states with larger fund markets. That outcome would be inconsistent with the logic of the SIU and with the EU's objective of building deeper, more competitive and more integrated capital markets.

If the EU wants the SIU to be credible, a full depositary passport should be treated as part of its core architecture. Safeguards that are designed as pan-European safeguards are most appropriate as safeguards for the introduction of a full pan-European passport for depositary services. A partial or optional model would leave the market fragmented and would fail to deliver the scale, competition and investor choice that the reform is intended to achieve.