EUROPEAN CENTRAL BANK

EUROSYSTEM

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Presidency of the Council

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The AMI-SeCo's observations on the Market Integration and Supervision Package (MISP)

Dear Ms Lalucq, Ms Cunningham and Mr Berrigan,

I am writing to you in my capacity as chair of the Eurosystem's Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo). The AMI-SeCo represents a wide community of financial market stakeholders including national and international Central Securities Depositories (CSDs), market participants, Eurosystem central banks and industry associations. In addition to fulfilling its governance responsibilities with respect to the Eurosystem's TARGET2-Securities service (T2S), the AMI-SeCo focuses on fostering harmonisation of securities settlement, collateral management and post-trade services in Europe.

The AMI-SeCo welcomes the European Commission's proposed Market Integration and Supervision Package, and strongly supports the Commission's vision on removing barriers and unlocking the full potential of the EU single market for financial services.

The aim of this letter is to share with the EU law-makers considerations on the elements of the MISP that relate to securities post-trade infrastructures and services. In September 2025, the AMI-SeCo published a comprehensive report taking stock of remaining barriers to the integration of the EU post-trade services market ('the report'). The report leverages on previous similar stock takes by the 2001 / 2003 Giovannini reports and the report by the European Post-trade Forum (EPTF) published in 2017. Consistent with those earlier reports, the report finds that several and significant barriers to post-trade integration persist in the domains of

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fundamental law (incl. regulation and supervision frameworks), asset servicing and settlement.[1] The root causes for several of these barriers relate to lack of harmonised legal / regulatory requirements across Member States of the Union. However, there are also numerous issues with market practices where, rather than law-makers or regulators, market participants would have to adjust their practices to facilitate better integration.

Based on the findings of the report, the following are key observations by the AMI-SeCo on the post-trade related elements of the MISP:

- **Important measures on promoting seamless cross-border access and cross-CSD settlement.** The MISP proposes to include in the CSD Regulation the mandatory establishment of bilateral CSD links between significant CSDs (defined as CSD hubs) and all other CSDs. In addition, it proposes that the scope of such links is extended to all financial instruments available in the issuer CSD. Finally, the MISP proposes that CSDs offering settlement in T2S settlement currencies connect to T2S and offer the possibility to settle via T2S to their participants.

  The AMI-SeCo strongly supports the objective of these proposed measures which could contribute to dismantling several of the remaining barriers in relation to cross-border settlement and market access. The report identified several issues related to restrictions on location of settlement by stakeholders where a key factor is the limited availability of cross-CSD settlement. T2S is used by more than two-thirds of the EU CSDs already and offers a highly efficient way of managing interoperable links for settlement. The measures included in the MISP would greatly contribute to unlocking the potential of T2S and bring the EU closer to the original T2S vision of seamless cross-border and cross-CSD settlement[2]. However, further progress on resolving the barriers identified by the AMI-SeCo in relation to restrictions of use and suboptimal set-up of cross-CSD links – both in T2S and across the EU - is indispensable to achieve that.

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[1] The AMI-SeCo and its predecessor, the T2S Advisory Group, have actively contributed to fostering market integraiton in securities post-trade services also by expressing their views consistently when answering to public consultations on the Capital Market Union initiative (2015, 2017 and 2020) and in letters sent to the European Commission (2018, 2020). In June 2025, the AMI-SeCo shared key messages on this matter in the context of the European Commission's public consultation on the integration of EU capital makrets. The AMI-SeCo publishes regular reports on compliance with market standards in post-trade services, most recently the 16th T2S Harmonisation Progress Report, the 11th SCoRE Compliance and Progress report and the December 2025 Corporate Events Compliance Report.

[2] AMI-SeCo recalls in addition that the ECB opinion on the MISP package (Opinion of the European Central Bank of 9 April 2026 (CON/2026/13)) notes that "The requirement for links to be established in T2S should be adapted to the specificities of central bank-operated CSDs, considering that those only record specific financial instruments and do not provide their participants with access to other securities, as all Member States with a central bank-operated CSD also have privately operated CSD(s) to provide commercial services.".

In the absence of an equivalent large-scale harmonisation of national requirements on asset servicing and underlying legal frameworks governing (securities holding and servicing as well as tax processing and insolvency rules), the proposed “hub and spokes” model for CSD links could induce additional implementation and operating costs.The remaining operational and legal complexities could continue limiting cross-border integration even where full technical connectivity between CSDs is achieved. It is therefore important that the new requirements introduced by the MISP on CSDs are kept proportionate and do not lead to the unintended abolition or increase in the costs of additional CSD services, such as offering innovative / value-added services for digital assets or international securities. Furthermore, while the MISP reinforces the vision of free choice of location of settlement, connectivity and open access throughout the value chain (i.e. beyond CSDs, including also trading venues and CCPs) remain subject to readiness by such infrastructures and the demand by their participants. In practice, this requires established connectivity between the relevant CSDs, trading venues and CCPs and the ability to support settlement arrangements efficiently.

- **Key opportunities to improve regulatory compliance and passporting by targeted measures and centralised / convergent supervision.** The MISP contains important proposed measures in streamlining CSD passporting and achieving a higher convergence in supervision of CSDs. On CSD passporting and freedom of issuance the proposal aims to remove the existing provision from the CSD Regulation which qualifies freedom to select an issuer CSD by an issuer on the latter’s national corporate law requirements. This measure is of great importance towards a competitive CSD market. However, it is important to keep awareness that, without an underlying harmonisation aiming to remove idiosyncratic requirements linked to the domestic CSD in national corporate laws, such limitations will continue to exist and apply in the underlying legal requirements. Thus, the proposed measure should be perceived as a first (albeit important) step towards the vision of full freedom of choice of issuance.

  The MISP contains a sophisticated set of proposals to overhaul the supervisory framework for significant CSDs by promoting further convergence and centralisation of supervision. Although supervisory practices were not in the direct scope of the report, several barriers relate to lack of harmonisation of supervision of CSDs and other post-trade service providers active across borders. Thus, the AMI-SeCo welcomes these proposals as they are expected to contribute to the resolution of several issues related to CSD passporting, outsourcing and regulatory reporting. Regarding reporting in particular, further progress on standardisation of the regulatory reporting and alleviation of the regulatory burden across EU jurisdictions is particularly important for all post-trade service providers.

- **Good basis and momentum to improve integration in transversal areas such as messaging and common identifiers.** The MISP proposes a stronger regulatory coordination in joint adoption of open, international communication standards in the trading and post-trading layer, including communication between issuers, CSDs and CSD participants. In particular the Commission would receive authorisation to issue Regulatory Technical Standards on the detailed requirements in this domain (based on ESMA's recommendations). The AMI-SeCo strongly welcomes this proposal and perceives it as a key opportunity in progressing the efficiency of messaging and data exchange in issuance and post-trade services. It is essential that securities reference and corporate events data is exchanged between stakeholders according to harmonised rules and following the same standard data model, with the issuer CSD serving as the repository of 'golden record'. This is in line with the AMI-SeCo's work on the ISO20022 messaging migration strategy[3] and also with the industry efforts in standardising communication in the context of the EU's T+1 changeover.

- **Lack of measures regarding key legal / regulatory barriers to integration related to fundamental law and to asset servicing.** While clearly stating a vision of a fully integrated EU securities post-trade services landscape, the MISP does not address these barriers as it does not include proposals on asset servicing and fundamental law (securities laws, relevant part of civil codes, corporate laws, insolvency laws), which are areas that have been considered (at least politically) to be national competence by Member States so far. The existing EU acts relevant for post-trade services (CSDR, DLTR, EMIR, etc.) cover only the core infrastructure layer but not activities and services which are performed subject to such idiosyncratic national requirements. Such lack of harmonisation is also the reason why establishing and using CSD links to settle and hold securities across borders is often considered costly by CSDs and their participants. Furthermore, this fragmentation will also affect the emerging ecosystem of digital (i.e. based on distributed ledger technologies, DLT) securities which raises the risk of Europe falling behind in the global competition for capital. Nevertheless, the AMI-SeCo recognises that there is ongoing work (outside of the formal context of the MISP) that provides opportunities to progress towards integration in this domain via the ongoing review of the Shareholder Rights Directive (SRD2), and the recently proposed 28th regime for a common EU corporate legal framework which could be further extended to (elements of) securities law.
- **Insufficient momentum towards greater harmonisation of tax procedures.** The MISP does not address processing of withholding or financial transaction tax which is one of the most important barriers to market integration today. Although the ongoing implementation of the FASTER Directive covering withholding tax procedures is expected to bring improvements in cross-border withholding tax processing, the Directive leaves too much room for Member State opt outs and divergences. Furthermore, the highly

[3] For more details see "AMI-SeCo ISO 20022 Migration Strategy" – December 2025

diverging and fragmented processes of collecting financial transaction taxes across Member States remain unaddressed.

- **Forward-looking proposals on digital (DLT-based) securities.** The MISP proposes to enhance the DLT Pilot Regime Regulation (DLTR) by significantly increasing the activity thresholds and the scope of assets while adjusting licensing requirements and exemptions with the aim of increasing proportionality and scalability. In addition, a key proposal is made for the industry to set up a standardisation forum to address interoperability challenges which are more and more visible in this new, emerging ecosystem. These measures are strongly supported by the AMI-SeCo. It is expected that the new DLTR, together with the Eurosystem's single work programme building on Pontes and Appia, will strongly promote a European DLT-based ecosystem for securities. Interoperability standards should be created taking into account interoperability between DLT-based infrastructures and existing market infrastructures, in order to support a smooth and progressive transition towards DLT environments and ultimately foster a widespread adoption and the creation of a single pool of liquidity. However, as noted in the report, harmonisation to a pan-European framework of national corporate and securities law, as well as national tax and insolvency legislation, remain key and necessary ingredients also for digital securities. To address this, a targeted harmonisation or an extension of the idea of the 28th regime to cover also such areas, at least for digital securities, should be considered by the law-makers.

The AMI-SeCo will continue its work on addressing the barriers identified in the report, including those which stem from market practices and not from regulatory or legal differences across Member States. It stands ready to provide its continued support with respect to fostering integration of European post-trade services and to provide additional technical and operational expertise from the entire community of financial market stakeholders represented in the AMI-SeCo.

Yours sincerely,

Thomas Vlassopoulos

Chair of AMI-SeCo