

# Further development of capital market integration and supervision within the Union

2025/0383(COD) - 04/12/2025 - Legislative proposal

**PURPOSE:** to amend key financial services regulations to update and align EU financial market rules to support seamless cross-border financial activity, improve supervision, and adapt to technological and market developments.

**PROPOSED ACT:** Regulation of the European Parliament and of the Council.

**ROLE OF THE EUROPEAN PARLIAMENT:** the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

**BACKGROUND:** this initiative is part of the European Commission's Market Integration and Supervision Package, aimed at deepening EU capital market integration, reducing fragmentation, and strengthening supervisory convergence across the Union as part of the Savings & Investments Union (SIU) strategy.

The proposed master regulation amends a broad set of existing EU financial regulations:

- The European Securities and Markets Authority (ESMA) Regulation
- The European Markets Infrastructure Regulation (EMIR)
- The Markets in Financial Instruments Regulation (MiFIR)
- The Central Securities Depositories Regulation (CSDR)
- The Distributed Ledger technology Pilot Regulation (DLTPR)
- The Markets in crypto-asset Regulation (MiCA)
- The Cross-Border Distribution of Funds Regulation (CBDR)

That regulation proposal will also include targeted amendments, in line with the changes proposed to the ESMA regulation aimed at making EU supervision more efficient, to:

- The Central Counterparties Recovery and Resolution Regulation (CCPRRR)
- The Securities Financing Transactions Regulation (SFTR)
- The Credit Ratings Agency Regulation (CRAR)
- The Benchmark Regulation (BMR)
- The simple, transparent and standardised (STS) securitisation Regulation
- The European Green Bond Regulation (EuGB Regulation)
- The Environmental, Social and Governance (ESG) rating Regulation

CONTENT: the Commission's proposed regulation **amends a broad set of existing EU financial regulations** in order improve the functioning of the single market in financial services by addressing persistent fragmentation both within and across relevant sectors (trading, post trading, asset management and crypto asset services). The general objective of this initiative is to integrate EU capital markets and improve the functioning of the EU single market in financial services for the benefit of investors, businesses and the wider EU economy. This contributes to the SIU's core objective to enable access to a wider range of financial opportunities for investors and businesses and to mobilise savings for productive investment.

The proposal will contribute to achieving the general objective through the following specific objectives.

#### ***Enable further market integration and scale effects***

The proposed amendments aim to remove barriers to integration in the core sectors of trading, post-trading and asset management, and improve the ability of market actors to operate more seamlessly across Member States, thereby enabling market integration and scale. It will foster competition, ensuring that scale benefits are effectively passed on to end users.

#### ***Enable integrated supervision***

The initiative aims to address the shortcomings and inefficiencies in the current supervisory framework, by tackling inconsistencies and complexities arising from fragmented national supervisory approaches. It aims to make supervision more effective, more conducive to **cross-border activities**, and more responsive to emerging risks, while reducing unnecessary burdens on firms. Across the board, the initiative aims to strengthen the use and effectiveness of the supervisory convergence tools of the European Securities and Markets Authority (ESMA), and introduce new tools, thereby supporting a single market for financial service.

#### ***Achieve simplification***

The proposal aims to streamline regulatory requirements, making cross-border activities more cost-effective. Simplification is pursued in several ways: moving certain provisions from directives to regulations; narrowing the scope for nationally imposed 'gold-plating' measures; refining Level 2 empowerments; streamlining overlapping, costly and inefficient supervisory arrangements; and more generally removing barriers in EU and national frameworks for market operators and investors.

#### ***Improve supervisory powers and enhance the role of ESMA***

The amendments aim to strengthen the use and effectiveness of supervisory convergence tools and powers, focusing on ESMA and its governance. Supervisory powers would also be transferred to ESMA for the most significant and cross-border market infrastructures (central counterparties, CSDs and trading venues) and for all crypto-asset service providers (CASPs). ESMA would also have a reinforced role in fostering supervisory convergence for undertakings for collective investment in transferable securities (UCITS) and alternative investment funds (AIFs) marketed on a cross-border basis.

#### ***Facilitate innovation***

Lastly, the proposed amendments aim to remove regulatory obstacles to distributed ledger technology (DLT), with a view to creating a framework to enable the use of new technologies in the provision of financial services.