



Association des Banques et Banquiers, Luxembourg
The Luxembourg Bankers' Association
Luxemburger Bankenvereinigung

ABBL engagement on the Market Integration and Supervision Package (MISP)

Subject: Market Integration and Supervision Package (MISP) — Council agreement on key elements and ABBL engagement

Date: 14 October 2026

1. Purpose and status

This briefing note informs members of the agreement reached by the Economic and Financial Affairs (ECOFIN) Council on **9 October 2026** on the key elements of the Council's negotiating position on the European Commission's Market Integration and Supervision Package (MISP).

The package comprises three legislative files under the ordinary legislative procedure:

- **2025/0381 (COD)** — proposed Regulation on settlement finality in payment and securities settlement systems;
- **2025/0382 (COD)** — proposed Directive amending UCITS, AIFMD and MiFID II; and
- **2025/0383 (COD)** — proposed Regulation amending selected financial-services Regulations, including the ESMA, EMIR, MiFIR, CSDR, MiCA, Cross-Border Distribution of Funds and DLT Pilot Regulations.

The Council's agreement addresses several central elements of the package, including ESMA direct supervision, asset management, the depositary framework, crypto-asset service providers (CASPs), the Pan-European Market Operator (PEMO) concept and ESMA governance.

This is an important political milestone, but it does **not** yet constitute formal adoption of the Council's General Approach. The final negotiating texts remain subject to legal and linguistic finalisation and formal adoption by the Council.

The detailed provisions, including definitions, eligibility criteria, thresholds, governance arrangements and transition provisions, will therefore need to be assessed carefully once the final texts are available.

2. ABBL engagement

The ABBL has actively engaged throughout the MISP process, combining member expertise and technical analysis in Luxembourg with continuous EU-level advocacy.

ABBL supports measures that facilitate market integration, reduce unnecessary complexity and remove unjustified cross-border barriers. At the same time, the Association has consistently advocated for a **convergence-first, proportionate and evidence-based approach** to supervision. Direct EU-level supervision should be limited to entities with genuine cross-border and systemic relevance and should be underpinned by clear, transparent and operationally workable criteria.

“The Council’s agreement on key elements of its negotiating position points towards a more targeted and proportionate supervisory model. Direct ESMA supervision should focus on entities with a genuine cross-border and systemic footprint, rather than becoming the default. The final legal text must now translate this direction into clear, workable and objective criteria.”
— **Marilyn Rinck, Head of Banking Regulation, Financial Markets and ESG, ABBL**

The Council’s political direction is broadly consistent with several key ABBL messages, notably the need to avoid automatic centralisation of supervision and to preserve a meaningful role for national competent authorities, particularly where they retain primary supervisory expertise and proximity to the entities concerned.

3. Key Council outcomes

The following section reflects the broad direction of the Council’s agreement on key elements of its negotiating position. The final provisions remain subject to completion and formal adoption of the legal texts.

Asset-management supervision

The Council’s approach seeks to reduce regulatory complexity and cross-border barriers for asset managers, including through targeted simplifications for intra-EU groups.

Importantly, the Council’s published position does not indicate a transfer of direct supervision of asset managers to ESMA. Its asset-management focus is on cross-border simplifications and the depositary framework, rather than on direct ESMA supervision of asset managers.

This is broadly consistent with ABBL’s position that direct ESMA supervision should not be presumed for the asset-management sector in the absence of a clearly demonstrated cross-border or systemic rationale. The final provisions should preserve supervisory effectiveness, legal certainty and appropriate accountability across the fund-management value chain.

Depository framework

The Council confirms its intention to introduce an optional cross-border depository framework. Under the envisaged approach, Member States would retain the choice to permit funds established in their jurisdiction to appoint a depository located in another Member State.

This would not amount to a mandatory EU-wide depository passport. It instead appears intended to preserve national discretion, while providing additional flexibility where national authorities consider such an option appropriate. The practical implications will depend on the final legal conditions, safeguards, supervisory responsibilities and any operational requirements attached to the framework.

ABBL has consistently advocated for a cautious, evidence-based approach. Any evolution of the current depository framework must preserve robust investor protection, effective oversight, clear liability arrangements and appropriate proximity between funds, depositaries and competent authorities.

ESMA direct supervision

The Council supports direct ESMA supervision of the most significant cross-border trading venues, central securities depositories (CSDs) and central counterparties (CCPs). The agreement envisages refined criteria for determining which entities should fall within ESMA's direct remit.

A targeted approach is preferable to a blanket transfer of supervisory powers. However, the practical impact will depend on the final definition of "most significant", the relevant quantitative and qualitative thresholds, the allocation of tasks between ESMA and national competent authorities, and applicable transition arrangements.

The Council's position also envisages a **two-year transitional period** for ESMA to assume its new direct-supervisory responsibilities. This transition period will be important for operational readiness, delegation arrangements, data flows, supervisory cooperation and continuity of oversight.

Pan-European Market Operator

The Council also supports the Pan-European Market Operator (PEMO) concept and has adopted amendments intended to clarify and broaden eligibility.

The PEMO initiative could contribute to greater integration and choice in EU equity markets. Its practical significance will depend on the final eligibility conditions, governance arrangements, trading and post-trade interfaces, and the interaction with existing trading venues, CSDs and other market infrastructures.

ABBL considers that any such initiative should support competition, interoperability and cross-border access, while preserving financial stability, investor protection and a level playing field between different types of market infrastructure.

Crypto-asset service providers

For CASPs, the Council proposes restricting ESMA's direct supervision to the most significant cross-border providers, rather than extending it to all CASPs as envisaged in the Commission's original proposal.

This appears to be a more proportionate approach, provided that the final thresholds and qualitative criteria are transparent, objective and genuinely connected to cross-border significance and systemic relevance. It will also be important to clarify the allocation of powers between ESMA and national competent authorities, including supervisory cooperation, data exchange, enforcement and transition arrangements.

ESMA governance

The Council's position foresees a new full-time ESMA Executive Board of six members, including the Chair. The Executive Board would be responsible for operational management and entity-specific supervisory decisions, while the Board of Supervisors would retain responsibility for regulatory decisions, strategic direction, budget and supervisory convergence.

The proposed model is designed to strengthen ESMA's operational capacity as its direct-supervisory responsibilities develop, while retaining a collective role for national competent authorities in strategic, regulatory and convergence-related matters. Its effective functioning will depend on the final delineation of responsibilities and governance safeguards.

4. DLT and tokenisation

ABBL continues to call for a DLT framework that is workable in practice and capable of supporting the responsible scaling of tokenised financial instruments and digital market infrastructures.

The MISP includes targeted amendments to the DLT Pilot Regulation. While these do not constitute a comprehensive replacement of the regime, they are relevant to the future operating environment for DLT-based trading and settlement models. The current DLT Pilot Regime continues to rely on national authorisation and supervision, with ESMA playing an important coordination and supervisory-convergence role.

ABBL will continue to advocate for a framework that provides practical solutions on:

- Legal certainty and settlement finality;
- Interoperability between DLT-based and conventional infrastructures;
- Proportionate and scalable operational requirements;
- Clear authorisation, supervisory and prudential expectations;
- Appropriate conditions for the cross-border use of tokenised financial instruments.

A successful EU framework should enable innovation under robust safeguards, rather than limit DLT-based market development to isolated pilot activity.

5. Legislative-file tracker

File	Instrument and subject	European Parliament status
2025/0381 (COD)	Proposed Regulation on settlement finality in payment and securities settlement systems; repeal of Directive 98/26/EC; and amendment of Directive 2002/47/EC on financial collateral arrangements.	Commission proposal published on 4 December 2025. The file is before the European Parliament's ECON Committee in first reading. A draft report was published on 11 June 2026, with amendments tabled on 20 July 2026. The procedure is listed as awaiting committee decision.
2025/0382 (COD)	Proposed Directive amending UCITS, AIFMD and MiFID II regarding further capital-market integration and supervision. This file includes the principal asset-management and depositary provisions.	Commission proposal published on 4 December 2025. The file is before ECON in first reading. A draft report was published on 11 June 2026, with amendments tabled on 27 July 2026. The procedure is listed as awaiting committee decision.
2025/0383 (COD)	Proposed Regulation amending selected EU financial-services Regulations regarding further capital-market integration and supervision. This file includes the main ESMA-supervision, governance, market-infrastructure, CASP and DLT Pilot Regime elements.	Commission proposal published on 4 December 2025. The European Parliament is preparing its first-reading position. The procedure is listed as awaiting committee decision.

6. Next steps

The Council will now finalise the legal texts ahead of formal adoption of its General Approach. Meanwhile, the European Parliament is progressing with its committee-level negotiations, with regular shadow rapporteur meetings taking place ahead of the ECON vote scheduled **for 1 December 2026**, when the Committee is expected to adopt its first-reading negotiating position.

Interinstitutional negotiations can begin once the two co-legislators have established their respective mandates. The two-year transition period envisaged for ESMA's new direct-supervisory responsibilities will be particularly relevant to implementation planning by supervised entities, national competent authorities and ESMA itself.

"The Council's agreement marks an key milestone, but the focus must remain on the MISP's core objectives: reducing fragmentation and fostering a more integrated and competitive Capital Market Union. The final provisions should ensure legal certainty and a proportionate framework that facilitates cross-border activity and avoids duplication."

— **Chiara Chiodo, EU Affairs Adviser, ABBL/ALFI/ACA EU Representative Office**



The ABBL will continue to engage closely with members, Luxembourg authorities, EU institutions and partner associations.

The Association will focus in particular on:

- The final scope and criteria for ESMA direct supervision;
- The safeguards surrounding any cross-border depositary arrangements;
- The operational and governance implications of the PEMO initiative;
- Reforms needed to ensure that the DLT framework can function effectively at scale.

Annex — Legal and institutional sources

- European Commission, COM(2025) 941 final, 2025/0381 (COD) — Proposal for a Regulation on settlement finality.
- European Commission, COM(2025) 942 final, 2025/0382 (COD) — Proposal for a Directive amending UCITS, AIFMD and MiFID II.
- European Commission, COM(2025) 943 final, 2025/0383 (COD) — Proposal for a Regulation amending certain Regulations concerning capital-market integration and supervision.
- Council of the EU, press release, “Savings and investments union: Council agrees key elements of crucial measures to deepen EU capital markets”, 9 October 2026.
- European Parliament Legislative Observatory (OEIL) — procedure files for 2025/0381 (COD), 2025/0382 (COD) and 2025/0383 (COD).
- ABBL, ABBL Position Paper on the Market Integration and Supervision Package (MISP), 18 March 2026.