EU RegCORE Client Alert

Financial Services

July 2026

Examining the June 2026 Rapporteur reports on MISP

QuickTake

On 11 June 2026, the European Parliament's Committee on Economic and Monetary Affairs (**ECON**) published two draft reports on the Market Integration and Supervision Package (**MIP** or **MISP**), marking the Parliament's first substantive legislative engagement with the Commission's proposals published in December 2025. These draft reports represent the most far-reaching legislative repositioning of EU capital market supervision since the original Commission proposals assessed in our December 2025 Client Alert.[1]

The two draft reports are: (1) Rapporteur Markus Ferber's draft report (PE 789.866) on the proposed Master Regulation (procedure 2025/0383(COD)), amending the ESMA Regulation, EMIR, MiFIR, CSDR, MiCAR and other regulations; and (2) Rapporteur Eero Heinäluoma's draft report (PE 789.867) on the proposed Master Directive (procedure 2025/0382(COD)), amending the UCITS Directive, AIFMD and MiFID II. Both are first-reading positions under the ordinary legislative procedure. The ECB issued its opinion on 9 April 2026;[2] the EESC opinion was adopted on 18 March 2026. Reasoned opinions asserting non-compliance with subsidiarity have been submitted by the Czech Chamber of Deputies and the Italian Chamber of Deputies.

In several areas — notably the extension of ESMA direct supervision to all CCPs and CSDs, the creation of direct ESMA supervision for significant asset management groups and depositaries, and the introduction of a

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[1] Available here.
[2] See our coverage here.

competitiveness mandate — the Parliament goes substantially beyond the Commission's proposals. In other areas — notably crypto-asset services providers (**CASPs**) — the Parliament moderates the Commission's centralisation ambition. Market participants should recalibrate their planning against this materially changed legislative landscape.

Key elements of the Parliament's position include:

- **Wider ESMA direct supervision for FMIs.** The Parliament extends ESMA direct supervision to all EU CCPs and all 32 EU CSDs, eliminating the Commission's "significant"/"less significant" distinction. ESMA also becomes the direct supervisor of significant asset management groups and gains direct supervisory powers over depositaries.

- **Narrower ESMA scope for CASPs; new competitiveness mandate.** The Parliament scales back the Commission's blanket ESMA oversight of all CASPs to a tiered significance-based model. A statutory secondary competitiveness objective for ESMA is introduced — a structural addition absent from the Commission's proposal — together with enforcement safeguards including a Board of Appeal interim relief mechanism.

- **ESMA governance and institutional changes.** The Parliament introduces material modifications to ESMA's governance structure including double voting rights for Executive Board members, a capital markets practice experience requirement, a Commission voting seat on the Board of Supervisors and a supervisory secondment programme to build common supervisory culture.

- **Fee protections and enforcement safeguards.** An explicit prohibition on double-charging by ESMA and NCAs, with annual ESMA reporting on NCA fee levels. A Board of Appeal safeguard permits interim suspension of ESMA enforcement action pending appeal; the threshold for breach-of-Union-law investigations is raised.

- **Asset management reforms.** Direct ESMA supervision of significant asset management groups (≥EUR 100bn UCITS / ≥EUR 150bn AIFMD), new efficient portfolio management technique requirements (90% revenue return floor), macroprudential stress testing for open-ended AIFs and tightened non-cooperative tax jurisdiction exclusions.

- **Trading venues and systematic internalisers.** The national surveillance authority role would be converted from permanent to a three-year transitional period, after which ESMA would assume full market surveillance. ESMA would be required to report within three years on whether significant systematic internalisers should be subject to direct supervision. Mandatory SI rulebook publication and tick-size price improvement requirements would be introduced.

Crucially, these reports are first-reading positions of the ECON Committee, and the full Parliament plenary and Council trilogue negotiations remain ahead.

The subsidiarity concerns raised by the Czech and Italian Chambers of Deputies — both asserting non-compliance with the subsidiarity principle — signal that the transfer of supervisory powers to ESMA will face political resistance from certain Member States.

Equally, the ECB has provided its opinion (9 April 2026) on MISP and the EESC's opinion was adopted on 18 March 2026.

The degree to which the Parliament's expansive vision of ESMA direct supervision (particularly the extension to all CCPs and CSDs, as well as large asset managers) survives Council scrutiny is likely to be a key battleground in trilogue. Regulated firms should engage proactively in the legislative process at this stage, given the scale of the structural changes proposed.

Key takeaways

How the Parliament's position differs from the Commission's MIP proposals

The following table summarises the most material divergences between the Commission's original MIP proposals (as assessed in our December 2025 Client Alert) and the Parliament's ECON Committee first-reading position:

Entity Type/ Issue	Commission Proposal (December 2025)	Parliament Position (June 2026)	Action for firms if full Parliament Position followed
CCPs	ESMA supervises "significant" CCPs; NCAs retain less-significant CCPs	ESMA supervises ALL EU CCPs; significance distinction eliminated	Prepare for ESMA as sole competent authority; review fee exposure
CSDs	ESMA supervises "significant" CSDs (~15 of 32); NCAs retain less-significant CSDs	ESMA supervises ALL 32 EU CSDs; significance distinction and colleges eliminated	Transition planning for ESMA supervisory relationship; college dissolution
CASPs	ESMA becomes single supervisor of ALL CASPs	ESMA supervises only "significant" CASPs; NCAs retain non-significant CASPs; ESMA retains sole market abuse competence	Assess significance criteria; significant CASPs prepare for ESMA authorisation; non-significant CASPs continue with NCA supervision; all subject to ESMA market abuse competence
Asset Managers	ESMA conducts annual REVIEWS of groups ≥EUR 300bn AUM	Direct ESMA SUPERVISION of significant groups (≥EUR 100bn UCITS / ≥EUR 150bn AIFMD); review for non-significant groups ≥EUR 50-150bn	Significant groups prepare for ESMA as direct supervisor; review securities lending arrangements; update prospectus disclosures; reassess third-country fund domiciliation
Depositaries	EU depositary passport; ESMA convergence influence	EU depositary passport PLUS direct ESMA supervisory powers (inspections, fines, management bans)	Prepare for dual supervisory engagement (prudential NCA + ESMA); assess cross-border depositary service opportunities; update governance frameworks for ESMA inspection readiness
Trading Venue Surveillance	National surveillance authorities retain permanent role	National surveillance role becomes TRANSITIONAL (3-year sunset); ESMA to assume full market surveillance	Significant trading venues prepare for full ESMA oversight post-transition; SIs monitor ESMA report on potential direct supervision; continue PEMO and open access planning

Entity Type/ Issue	Commission Proposal (December 2025)	Parliament Position (June 2026)	Action for firms if full Parliament Position followed
Securities Lending	No specific revenue return floor or profit-sharing restrictions	90% revenue return floor; prohibition on intra-group profit-sharing	Review fee-sharing arrangements and disclosure practices
Fees	Harmonised ESMA fee principles; no explicit double-charging prohibition	Double-charging prohibition; NCA fee reduction obligation	Monitor ESMA annual fee reviews; challenge unreduced NCA fees
ESMA Competitiveness Mandate	No statutory competitiveness objective	Secondary statutory objective for competitiveness and international attractiveness of EU capital markets; mandatory competitiveness chapter in annual report; competitiveness assessments in RTS/ITS development	Factor competitiveness mandate into ESMA engagement and consultation responses; invoke mandate when challenging disproportionate supervisory measures or rule-making

The sections that follow analyse each of these divergences in detail, with particular focus on the implications for market participants.

Direct supervision of CCPs — Full ESMA oversight

Our December 2025 Client Alert identified that the Commission's proposal would give ESMA direct supervision of "significant" CCPs, with colleges rationalised for non-significant CCPs. The Parliament's position goes substantially further: ESMA would become the sole competent authority for supervision of all CCPs in the Union. The significant/less-significant distinction, the significance-determination procedure and the CCP colleges framework would all be deleted. ESMA would need to develop comprehensive cooperation arrangements with the national competent authority in the Member State where the CCP is established, the ECB, other central banks of issue, competent authorities for trading venues and CSDs served by the CCP and the competent authority for the most active clearing members. ESMA would calibrate the intensity of its supervisory engagement to the size, nature and systemic relevance of each CCP in accordance with the principle of proportionality.

All EU CCPs, including smaller or domestically focused ones, should prepare for ESMA as their sole competent authority. This would entail new fee structures, direct ESMA reporting and adaptation to ESMA's supervisory methodology. Clearing members and clients should expect greater consistency in prudential requirements across CCPs. The action point in our December 2025 Client Alert to assess whether a CCP qualifies as "significant" would be superseded — under the Parliament's position, all CCPs would fall under ESMA if indeed this continues to be included in the draft.

ESMA competitiveness mandate

The absence of a statutory competitiveness mandate for ESMA is identified by Rapporteur Ferber as "the most significant structural deficiency" in the Commission's proposal. The Parliament introduces a secondary competitiveness objective, requiring ESMA to have "particular regard to the competitiveness and international attractiveness of Union capital markets" when exercising its powers.

The proposed mandate is operationalised through:

(i) a mandatory “competitiveness chapter” in ESMA’s annual report;

(ii) a requirement that the Union supervisory handbook consider the impact of supervisory expectations on competitiveness;

(iii) competitiveness assessments in the development of RTS/ITS; and

(iv) cooperation arrangements between ESMA and NCAs that seek to minimise compliance burdens on market participants.

The competitiveness mandate represents a significant structural addition that aligns ESMA’s objectives more closely with global regulatory competitors such as the US SEC and UK FCA, both of which operate under statutory mandates that include market competitiveness considerations.

Direct supervision of CSDs — Full ESMA oversight

Our December 2025 Client Alert noted ESMA supervision of “significant” CSDs with less-significant CSDs remaining under NCAs. The Parliament would extend ESMA’s competence to all 32 EU CSDs authorised under CSDR. The significance criteria, significance lists, significance-determination procedure and the entire significant/less-significant distinction would be deleted. CSD colleges would be abolished for all CSDs.

Given CSDs’ central role in securities markets and the fact that most settlement in EU CSDs occurs in central bank money, ESMA would need to develop deep and comprehensive cooperation arrangements with the ECB and other central banks of issue. Supervisory fees would need to be proportionate, non-discriminatory among comparable CSDs and should not create competitive disadvantages relative to third-country CSDs. The delegated act would need to include a methodology for benchmarking fees against supervisory charges levied by comparable authorities in major third-country jurisdictions.

CASPs — Tiered significance-based model

Our December 2025 Client Alert stated that ESMA would become the “single EU supervisor for CASPs”. The Parliament significantly scales this back. ESMA exercises direct supervision only over “significant” CASPs, assessed annually by reference to quantitative criteria (client base, assets under custody, cross-border reach). NCAs retain supervision of non-significant CASPs. The justification: blanket ESMA oversight of all CASPs, including SMEs operating in a single Member State, is “disproportionate and adds bureaucratic cost without supervisory gain”.

However, ESMA retains sole competence for market abuse enforcement across the entire crypto-asset sector, regardless of whether the person subject to investigation is a significant CASP, a non-significant CASP, or a natural or legal person not authorised under MiCAR. ESMA is designated as the single competent authority for the purposes of MiCAR Title V (market abuse), with a dedicated market monitoring and surveillance mandate.

Authorisation assessment timelines are differentiated under the Parliament’s tiered model: 40 working days for significant CASPs under ESMA, compared to 25 working days for non-significant CASPs under NCAs. This reflects the greater complexity of ESMA’s cross-border assessment mandate for significant entities.

Multi-issuer stablecoin framework

The Ferber report introduces a framework for multi-issuer e-money token (stablecoin) arrangements through a new Article 48a of MiCAR, enabling a Commission implementing act to permit multi-issuer stablecoin schemes on application by a Member State. Rapporteur Ferber describes this as closing “a structural gap in MiCAR’s architecture”.

This is a notable structural addition to MiCAR that was not present in the Commission's original proposal. The multi-issuer framework addresses arrangements where multiple issuers collectively back a single e-money token, potentially enabling more diversified reserve structures and reducing single-issuer concentration risk. Market participants in the stablecoin sector should monitor the development of criteria for Member State applications and the scope of the Commission's implementing powers. The framework may also have implications for existing stablecoin arrangements that could restructure to benefit from multi-issuer authorisation.

Trading venues and systematic internalisers — Market structure reforms

Our December 2025 Client Alert described a permanent split between ESMA (venue supervision) and national surveillance authorities (market integrity). The Parliament converts the Commission's permanent derogation for national surveillance authorities into a three-year transitional period, anchored in a binding ESMA readiness assessment. After the transitional period, ESMA is to assume full market surveillance responsibilities. If ESMA concludes it is not operationally ready, it must set out the measures required and expected timeline; the Commission must either propose an extension via delegated act or publish a statement explaining why no extension is warranted.

The Commission's delegated-act power to amend significance thresholds for trading venues is deleted — this determination must remain with Parliament and Council. This is a significant institutional safeguard. ESMA is required to submit a report within three years assessing whether systematic internalisers that meet comparable significance thresholds should also be subject to direct ESMA supervision, covering the cross-border dimension of SI activity, divergent national practices and implications for market integrity and investor protection.

The Ferber report also introduces significant market structure changes to the MiFIR trading architecture. Systematic internalisers are required to publish a rulebook disclosing access criteria, execution processes and fee structures. A mandatory minimum price improvement of one tick size over the best lit market price is introduced for SI executions, and the price improvement obligation is extended from retail orders to all orders. The liquid market classification methodology is redesigned to ensure a sufficiently high proportion of SI-traded instruments falls under pre-trade transparency. The Commission's proposed expansion of the consolidated tape scope is deleted.

Significant trading venues may need to prepare for ESMA as competent authority, initially alongside national surveillance authorities for market-integrity tasks during the transitional window. Systematic internalisers should monitor the ESMA report on future direct SI supervision closely. The removal of the delegated-act threshold power is a significant institutional safeguard that preserves co-legislator control over the supervisory perimeter.

Asset management — Direct ESMA supervision of significant groups

The most significant departure from the Commission's proposals in the Master Directive is the creation of direct ESMA supervision of significant asset management groups. Our December 2025 Client Alert described the Commission's approach as a review and coordination mechanism, not direct supervision. The Parliament transforms this qualitatively:

Threshold	Implication
UCITS: ≥EUR 100bn AUM + cross-border	Direct ESMA authorisation and supervision. ESMA publishes and annually updates a list of significant groups.
AIFMD: ≥EUR 150bn AUM + cross-border	Direct ESMA authorisation and supervision. Fees would need to be proportionate and reflect the complexity and risk profile of investment strategies.

Threshold	Implication
Non-significant groups: EUR 50-150bn	Annual ESMA review mechanism (lowered from Commission's EUR 300bn). More frequent reviews where justified concerns exist for investor protection, financial stability or market integrity.

Additionally, the Heinäluoma report introduces stringent new requirements for efficient portfolio management techniques (securities lending): (i) at least 90% of gross revenues would need to be returned directly to the fund; (ii) direct and indirect operational costs would not be permitted to include profit-sharing or revenue-splitting arrangements for the management company or any entity within the same group; (iii) detailed prospectus and annual report disclosures covering counterparty identity, collateral type and amount and breakdown of gross revenue, costs deducted and net revenue; and (iv) a UCITS would need to ensure it can recall any lent security at any time. The intra-group delegation exemption would be deleted for UCITS management companies.

The Parliament also reverses two specific Commission product-rule flexibilities. First, the Commission's proposed 15% securitisation concentration derogation (allowing UCITS to invest up to 15% in debt securities issued by a single entity for qualifying securitisations) would be deleted. Second, the Commission's proposed increase of the single UCITS-of-UCITS investment cap to 20% would be reduced back to 10%. These changes reflect the Parliament's investor-protection orientation and narrow the product-manufacturing flexibility that the Commission's proposals would have created.

The Parliament amends the AIFMD remuneration framework to require that AIFM remuneration policies align with the AIFM's business and sustainability strategy, objectives, values and interests. Additionally, a new provision would prohibit variable remuneration being paid through vehicles or methods that facilitate avoidance of Directive requirements or that reduce the tax liability of the employee.

Our December 2025 Client Alert highlighted that intra-EU group resource sharing would cease to be treated as "delegation" under both the UCITS Directive and AIFMD. The Parliament deletes this exemption for UCITS management companies, retaining the full delegation framework for intra-group arrangements. The December 2025 Client Alert's guidance that firms could "centralise functions like portfolio management, IT, compliance across their EU group without triggering complex delegation rules" does not hold under the Parliament's UCITS position. For AIFMs, the intra-group resource sharing exemption remains intact.

Harmonised rules of conduct and prudential standards

ESMA's power to develop guidelines on rules of conduct and prudential rules would be upgraded from a discretionary "may" to a mandatory "shall", with specific deadlines:

- 31 December 2027 for prudential guidelines and six months post-entry into force for conduct regulatory technical standards.
- The national discretions regime under both UCITS and AIFMD would be removed by 31 December 2028.

Management companies and AIFMs should expect a genuinely harmonised single rulebook for conduct and prudential requirements; firms relying on permissive national interpretations should begin preparing for alignment with ESMA-mandated standards.

Single central notification platform for fund distribution

The Heinäluoma report introduces a single central notification platform for fund distribution notifications, eliminating parallel national notification channels. This centralisation is intended to reduce administrative burden and delays associated with cross-border fund marketing. Management companies would submit distribution notifications through ESMA's platform rather than through multiple NCA portals, with the platform automatically routing notifications to the relevant host Member State authorities. Firms should factor this transition into their distribution operations planning and IT system requirements.

ESMA is required to publish a mapping report on legacy notification channels within 24 months of entry into force, providing clarity on the transition pathway from existing NCA portals to the centralised platform.

Host NCA supervisory fees would be brought within scope of an ESMA proportionality check, addressing a long-standing barrier to cross-border fund distribution. The delegated act empowerment under the Cross-Border Distribution of Funds Regulation for marketing communications would be reformulated on principles-based terms, explicitly acknowledging the structural differences between UCITS and alternative investment funds.

On white-label/initiator disclosure, the Parliament tightens the Commission's proposed evidence standard. Under the Commission's proposal, managers needed only to be "in a position to demonstrate, upon request" that they had taken reasonable steps to manage conflicts of interest. The Parliament removes the "upon request" qualifier, requiring managers to "demonstrate" compliance proactively at the time of authorisation. This is a subtle but practically important change for white-label operators and third-party initiator arrangements.

The Parliament also shortens the NCA extension period for assessing UCITS fund rule changes from the Commission's proposed one month to 15 days, accelerating the time-to-market for UCITS product modifications.

Depositary passport and ESMA direct supervision

The EU depositary passport is retained as described in our December 2025 Client Alert, but the Parliament would add direct ESMA supervisory powers over depositaries regulated under the UCITS Directive and AIFMD. ESMA's powers would include: (a) requesting information from depositaries, their employees and related third-party delegates; (b) conducting general investigations and on-site inspections; (c) issuing supervisory warnings, ordering cessation of non-compliant practices or temporarily banning individuals from management functions; and (d) imposing administrative fines and periodic penalty payments. ESMA would need to coordinate with the prudential banking authorities. This would create a dual supervisory framework: prudential NCA plus ESMA for depositary obligations.

ESMA governance and institutional changes

The governance changes complement the substantive supervisory reforms analysed above. Alongside the competitiveness mandate detailed earlier, the Parliament introduces material modifications to ESMA's governance structure:

Governance Element	Commission Proposal	Parliament Position
Executive Board voting	Five independent full-time members plus Chairperson	Executive Board members receive double voting rights in Board of Supervisors

Governance Element	Commission Proposal	Parliament Position
Experience requirements	Diverse supervisory expertise	Would need to include capital markets practice experience, market development or financial services industry operations. The capital markets practice experience requirement for Executive Board members is a significant industry-friendly amendment, reducing the risk that ESMA's leadership will consist exclusively of career supervisors. The competitiveness mandate provides a structural basis for regulated entities to challenge disproportionate supervisory measures or rule-making. Firms should factor these changes into their ESMA engagement strategies.
Commission representatives	One non-voting representative	Two voting representatives (economic/financial affairs and financial services)
Competitiveness mandate	No competitiveness objective	Secondary statutory objective for competitiveness and international attractiveness
Supervisory secondment	Not addressed	Structured programme for NCA officials assigned to ESMA for convergence activities, on-site inspections and peer reviews
Chairperson appointment	Council appointment based on Commission shortlist	Aligned with AMLA model — Parliament scrutiny before Commission nomination

Practical considerations

Having examined what the Parliament proposes, this section turns to what market participants should consider doing. The Parliament's position may require firms to reassess their regulatory planning. The following sets out priority actions, organised by urgency and entity type.

Immediate priorities (all regulated firms)

Regardless of entity type, firms should take the following steps now:

1. **Recalibrate against the Parliament's position.** Firms that structured their compliance planning around the Commission's December 2025 proposals should consider treating the Parliament's position as the new working assumption. In particular: (i) significance self-assessments for CCPs and CSDs may now be moot — all would fall under ESMA; (ii) asset management groups should assess whether they meet the lower Parliament thresholds (EUR 100bn UCITS / EUR 150bn AIFMD); and (iii) CASPs should assess whether they are likely to be designated "significant" under the forthcoming criteria.

2. **Map your future supervisory relationships.** Identify whether your firm would have ESMA as sole supervisor (CCPs, CSDs, significant asset management groups), dual supervisor (depositaries: prudential NCA plus ESMA for depositary obligations) or remain under NCA supervision (non-significant CASPs, non-significant asset managers). Update internal stakeholder briefings and board reporting accordingly.

3. **Review fee exposure.** The double-charging prohibition would mean NCA fees should reduce when supervisory competences transfer to ESMA. Firms should: (i) document current NCA fee levels as a baseline; (ii) monitor ESMA's annual fee reviews once operational; and (iii) be prepared to challenge unreduced NCA fees using the new statutory protections.

4. **Factor the competitiveness mandate into engagement strategies.** The new ESMA competitiveness objective provides a structural basis for challenging disproportionate supervisory measures or rule-making proposals. Firms should incorporate competitiveness arguments into consultation responses and supervisory engagement from now.

Sector-specific considerations

Beyond these cross-cutting priorities, firms should refer to the comparison table in the Key takeaways section for entity-specific action items. The following additional considerations apply:

- **Settlement Finality Regulation:** The SFR is a separate legislative file not addressed in these ECON draft reports. Our December 2025 Client Alert's analysis of the SFR remains the current baseline. Firms with exposure to both CSD services and settlement system designation should coordinate their planning across both files.

Third-country market participants

Firms with third-country elements should note the following implications:

- **Third-country CCPs**: The extension of ESMA direct supervision to all EU CCPs does not directly alter the EMIR equivalence and recognition framework for third-country CCPs. However, the consolidation of EU CCP supervision under ESMA may lead to greater consistency in ESMA's approach to comparable deference and supervisory cooperation with third-country authorities. Third-country CCPs serving EU clearing members should monitor whether ESMA's enhanced supervisory capacity affects the intensity of its engagement under the tiered recognition framework.

- **Third-country asset managers**: The Parliament's introduction of direct ESMA supervision for significant asset management groups applies to EU-authorised management companies. Third-country asset managers marketing AIFs or UCITS into the EU under national private placement regimes or the AIFMD marketing passport should assess whether their EU management company or AIFM falls within the significance thresholds (EUR 100bn UCITS / EUR 150bn AIFMD). The tightened non-cooperative jurisdiction exclusions — now including Annex II jurisdictions and AML high-risk list countries — may require reassessment of fund domiciliation and delegation arrangements.

- **Securities lending (asset managers):** The 90% revenue return floor and prohibition on intra-group profit-sharing would represent a significant tightening of the current framework. Asset managers should: (i) review existing fee-sharing arrangements with securities lending agents; (ii) assess whether current arrangements would comply with the new requirements; (iii) update prospectus and annual report disclosures; and (iv) ensure recall mechanisms meet the "at any time" standard.

- **Third-country CASPs and crypto-asset issuers**: The Parliament's tiered significance-based model for CASP supervision does not alter the territorial scope of MiCAR. Third-country CASPs seeking to provide services in the EU will continue to require EU authorisation. However, the concentration of market abuse enforcement competence in ESMA (regardless of CASP significance) may result in more consistent enforcement against market manipulation involving crypto-assets traded on EU platforms, including where third-country persons are involved.

- **SFR and third-country implications**: Market participants should note that the proposed Settlement Finality Regulation, once addressed by ECON, may contain additional third-country provisions relevant to the finality of settlement in systems operated by third-country CSDs. The extension of ESMA supervision to all EU CSDs may influence the approach taken in the SFR to equivalence and supervisory cooperation for third-country settlement systems.

Internal readiness

The supervisory changes may require corresponding adjustments to firms' internal operating models:

- **Supervisory relationship management:** Firms moving to ESMA supervision should consider establishing or strengthening their ESMA engagement capability. This may include: (i) identifying ESMA contact points and understanding ESMA's supervisory methodology; (ii) updating internal governance to reflect the new supervisory interface; (iii) preparing for ESMA's inspection and investigation powers; and (iv) noting the Board of Appeal interim relief mechanism as a procedural protection against enforcement action.

- **Data and reporting**: ESMA's new "report once" data platform would consolidate supervisory reporting across the EMIR, CSDR and MiFIR modules. Firms should consider: (i) assessing current reporting systems against ESMA's forthcoming common data dictionary requirements; (ii) budgeting for IT system upgrades to align with harmonised reporting templates; and (iii) engaging with industry working groups on data standards development. Additionally, the EMIR central database access provisions would be extended to the European Systemic Risk Board (ESRB) and the members of the European System of Central Banks in relation to their macroprudential tasks, enabling them to access information shared via the central database where relevant or necessary for the performance of their duties. This closes a gap in the macroprudential data architecture.

- **Securities lending (asset managers):** The 90% revenue return floor and prohibition on intra-group profit-sharing represent a significant tightening of the current framework. Asset managers should: (i) review existing fee-sharing arrangements with securities lending agents; (ii) assess whether current arrangements comply with the new requirements; (iii) update prospectus and annual report disclosures; and (iv) ensure recall mechanisms meet the "at any time" standard.

Legislative timeline and planning horizons

Firms may want to consider on calibrating their readiness activities against the following indicative legislative milestones:

- **ECON Committee vote**: The ECON Committee is expected to vote on both draft reports in Q4 2026. Amendments from other MEPs may modify the rapporteurs' positions, particularly on the more ambitious elements such as full CCP/CSD supervision and the ESMA competitiveness mandate.

- **Council general approach**: The Council's general approach is expected in late 2026 or early 2027. Member States with significant domestic FMIs (notably Germany, France, Italy and the Netherlands) are likely to seek modifications to the Parliament's full-supervision model for CCPs and CSDs. The competitiveness mandate and CASP significance thresholds are also likely Council negotiating points.

- **Trilogue negotiations**: Assuming both institutions adopt their positions by Q1 2027, trilogue negotiations could conclude by mid-2027. However, the scope of divergence between the Parliament's ambitious centralisation and likely Council resistance may extend negotiations. Market participants should plan for a range of outcomes between the Parliament's position and a moderated compromise.

- **Entry into force**: The Master Regulation and Master Directive anticipate entry into force 20 days after publication in the Official Journal, with substantive provisions applying 12-24 months thereafter. ESMA's assumption of direct supervisory responsibilities would likely be phased, with CCPs and CSDs transferring first, followed by significant asset management groups and CASPs. Market participants should anticipate a 2028-2029 operational transition window.

- **Critical path for market participants**: The most time-sensitive dependencies are likely to be: (i) ESMA's publication of significance criteria for CASPs and asset management groups (expected within 6 months of entry into force); (ii) ESMA's fee methodology delegated acts; (iii) NCA fee reduction adjustments; and (iv) the three-year transitional period for national surveillance authority roles in trading venue oversight. Firms should sequence their readiness activities to align with these dependencies.

Outlook

The Parliament's first-reading position represents a significant recalibration of the supervisory architecture for EU capital markets. The wholesale elimination of the significant/less-significant distinction for CCPs and CSDs, combined with the introduction of direct ESMA supervision for significant asset management groups, would constitute a qualitative departure from the Commission's original proposals.

Market participants that had structured their compliance planning around the December 2025 baseline — including significance self-assessments, NCA engagement strategies and fee budgeting — should treat the Parliament's position as the new working assumption for trilogue negotiations, whilst remaining alert to Member State pushback in Council on the scope of ESMA's expanded mandate.

- **ESMA operational readiness:** ESMA's capacity to absorb supervision of all EU CCPs, all 32 CSDs, significant CASPs and significant asset management groups simultaneously would be a critical dependency. Monitor ESMA's staffing plans, fee model development, IT platform buildout and the supervisory secondment programme implementation.

- **CASP significance criteria:** The quantitative criteria for designating CASPs as "significant" (client base, assets under custody, cross-border reach) have yet to be specified in Level 2 measures. These thresholds would determine the division of the CASP universe between ESMA and NCAs.

- **Asset management group significance lists:** ESMA's identification of significant asset management groups under the UCITS Directive and AIFMD thresholds — expected within 12 months of entry into force — would determine which groups move to direct ESMA supervision.

- **Macroprudential RTS:** The regulatory technical standards for system-wide stress testing and liquidity management tools for open-ended AIFs investing in less liquid assets would shape the operational burden for managers in the real estate, private credit and infrastructure sectors.

- **National discretions regime:** The removal of national discretions by 31 December 2028 under the Parliament's position would be a key harmonisation milestone. Whether this survives Council scrutiny is likely to be a key battleground in trilogue.

- **NCA fee adjustments:** Monitor NCA responses to the double-charging prohibition and whether NCA fees in transferred sectors are reduced proportionately. ESMA's first annual fee overview report (due 18 months after entry into force) would provide transparency.

- **Settlement Finality Regulation**: As noted above, the SFR is a separate legislative file not addressed in the current ECON draft reports. However, market participants should anticipate that ECON may adopt a similarly ambitious approach when it considers the SFR rapporteur's draft report. Firms with exposure to both CSD services and settlement system designation should coordinate their planning across both files.

Given the structural nature of the proposed changes, early and proactive engagement is advisable. Firms should consider prioritising: (i) mapping their current NCA supervisory relationships against the

Parliament's proposed ESMA competence transfers; (ii) reviewing fee exposure across multiple supervisory frameworks; (iii) for asset managers, assessing securities lending arrangements against the new 90% revenue return floor and intra-group profit-sharing restrictions; and (iv) for depositaries, preparing governance and control frameworks for dual ESMA/NCA oversight.

The legislative process remains fluid, but firms that anticipate the direction of travel — rather than await final text — are likely to be better positioned to absorb the operational and compliance burden of what may be the most significant restructuring of EU financial market supervision since the establishment of the ESAs in 2011. PwC Legal stands ready to assist.

About us

PwC Legal is assisting a number of financial services firms and market participants in forward planning for changes stemming from relevant related developments. We have assembled a multi-disciplinary and multijurisdictional team of sector experts to support clients navigate challenges and seize opportunities as well as to proactively engage with their market stakeholders and regulators.

Moreover, we have developed a number of RegTech and SupTech tools for supervised firms, including PwC Legal's Rule Scanner tool, backed by a trusted set of managed solutions from PwC Legal Business Solutions, allowing for horizon scanning and risk mapping of all legislative and regulatory developments as well as sanctions and fines from more than 2,500 legislative and regulatory policymakers and other industry voices in over 170 jurisdictions impacting financial services firms and their business.

Equally, in leveraging our Rule Scanner technology, we offer a further solution for clients to digitise financial services firms' relevant internal policies and procedures, create a comprehensive documentation inventory with an established documentation hierarchy and embedded glossary that has version control over a defined backward plus forward looking timeline to be able to ensure changes in one policy are carried through over to other policy and procedure documents, critical path dependencies are mapped and legislative and regulatory developments are flagged where these may require actions to be taken in such policies and procedures.

The PwC Legal Team behind Rule Scanner are proud recipients of ALM Law.com's coveted "2024 Disruptive Technology of the Year Award" and the "2025 Regulatory, Governance and Compliance Technology Award in 2025".

If you would like to discuss any of the developments mentioned above, or how they may affect your business more generally, please contact any of our key contacts or PwC Legal's RegCORE Team via de_regcore@pwc.com or our website.

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