

BLUEPRINT SERIES 35

BREAKING THE DEADLOCK

A single supervisor to unshackle Europe's capital markets union

Nicolas Véron



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BRUEGEL BLUEPRINT SERIES

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Layout and cover design: Hèctor Badenes Rodríguez

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ISBN: 978-9-078910-62-6

Acknowledgements

The author expresses sincere gratitude for their substantial feedback to Dariusz Adamski, Patrick Amis, Pablo Anaya Longaric, David Bailey, Elena Banu, Marc Bayle de Jessé, Agnès Benassy-Quéré, François-Régis Benois, Pervenche Berès, Jesper Berg, Andreas Beyer, Graham Bishop, Sylvain Broyer, Fredrik Bystedt, Jacopo Carmassi, Zsolt Darvas, Olivier Debande, Xavier Debrun, Fabrice Demarigny, Otilia Dhand, Andrea Enria, Carey Evans, Philip Evans, Edouard Fernandez-Bollo, Felix Flinterman, Jakob Wegener Friis, Hans Geeroms, Heather Grabbe, Charlotte Grynberg, Łukasz Hardt, Patrick Honohan, Stefan Ingves, Jean-François Jamet, Jacek Jastrzębski, Benoît de Juvigny, Daniel Kapp, Johannes Lindner, Álvaro López Barceló, Aleksandra Mączyńska, Ivo Maes, Marcel Magnus, Șerban Matei, Cyprien Milea, Marie Montigny, David Murphy, Erik Nielsen, Robert Ophèle, Cosimo Pacciani, Peter Paluš, Francesco Papadia, Laura Parisi, Lucio Pench, David Pinkus, Fátima Pires, Guillaume Prache, Michalis Sotiropoulos, Kai Gereon Spitzer, Jo Swyngedouw, Pedro Gustavo Teixeira, Jim Turnbull, Sophie Vermeille, Jean-Pierre Vidal, Harald Waiglein, Pierre-François Weber, Thomas Wieser, Pehr Wissén and Pierre Wunsch. Warm thanks also to Rebecca Christie for in-depth review, to Stephen Gardner for outstanding editorial work, to Hèctor Badenes Rodríguez for quick and accurate design and production, and to Adam Posen and Jeromin Zettelmeyer for their encouragement and support. The text is the author's alone, including any inaccuracies and misjudgments.

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Foreword

Capital markets union (CMU) became a policy objective for the European Union in 2014, when European Commission President Jean-Claude Juncker coined the term. As Nicolas Véron observes in this masterful new Blueprint, there has been “*abundant CMU talk and limited CMU action*” since then. But why? How can a particular reform agenda both be embraced regularly by EU politicians of various national and ideological stripes – unlike hyper-divisive topics such as common deposit insurance or the creation of a common safe asset – and produce so little real progress?

While it is not Nicolas’s primary purpose to answer this question, it is possible to infer an answer. Unlike deposit insurance and common debt issuance, one can advocate for CMU without touching the third rail of EU governance: fiscal risk sharing and (potentially) redistribution. At the same time, most concrete reform steps involve what Nicolas calls “*framework conditions*” such as insolvency law, investment taxation and pension systems. While these conditions have massive implications for the capital market, their primary purpose is not capital market development. They are also deeply rooted in national fiscal and social models. Hence, it is unrealistic, in Nicolas’s view, to expect the ‘tail’ of CMU to wag the ‘dog’ of national pension reform (for example). Nicolas’s plea, therefore, is to focus EU-wide efforts on supervisory integration: the one reform that is both essential for the unification of capital markets and does not deeply interfere with fiscal sovereignty and national legal traditions.

To agree with Nicolas, one does not need to think that changes in framework conditions are unimportant or should be put on the back burner (I, for one, believe that a transition to a fully funded pension system in a country such as Germany, taking inspiration from its Nordic

neighbours, would be both good for Germany's pensioners and the development and productivity of its capital markets). But one needs a convincing answer to the following question: if supervisory integration is the sweet spot that Nicolas claims it is, why has it not happened already, and why would we expect it to work today?

The answer is three-fold. First, while reform of capital market supervision cuts much less deep than pension reform, or even the unification of banking supervision achieved in 2014-2015, it can have distributional implications and requires special interests to be overcome. Until recently, Europe lacked a crisis moment that would help to surmount these barriers. Second, that moment might now have arrived, with a shared sense that a deeper and better capital market is essential to both Europe's productivity growth and its economic security. Third, designing a common supervisory regime that does more good than harm is not straightforward: it is not just a matter of empowering the European Securities and Markets Authority, but also of changing its governance fundamentally.

The purpose of Nicolas's essay is to provide a blueprint for such a regime, in much greater depth than anything that has been written previously on the subject. In doing so, he pays attention not just to ensuring a good outcome, but also to addressing the political economy constraints that have prevented us so far from getting there.

Supervisory integration may not be the only important step toward CMU, but it is an essential step. Nicolas's Blueprint offers EU policymakers a convincing plan for how to make it happen. They should act on it.

Jeromin Zettelmeyer, Director of Bruegel
June 2025

1 Introduction

1.1 The longstanding goal of capital markets integration

The integration of Europe's capital markets has been on the institutional agenda since at least 1966, when the so-called Segré Report, on 'The Development of a European Capital Market', was published by what was then the EEC Commission. A year later, eminent financial historian Charles Kindleberger summarised the report's diagnosis: *"Many of the faults in the functioning of domestic capital markets, and institutional weaknesses, can be overcome by their progressive integration since the faults of functioning of national security markets are the result principally of their narrowness and compartmentalization"* (Kindleberger, 1967). His observation remains essentially true today.

There have been many attempts to fix the faults. In 2014, then European Commission President-elect Jean-Claude Juncker coined the term 'capital markets union' (CMU) and showcased it as a new policy project. Ten years later, the Commission rebranded the project as the savings and investments union (SIU), an all-encompassing scheme that would supersede the CMU and combine it with the banking union, a separate policy endeavour initiated in 2012.

In March 2025, the Commission set out its reform strategy for capital markets for the 2024-2029 European parliamentary term, announcing among other initiatives that it would *"make proposals in Q4 2025 to achieve more unified supervision of capital markets [...], including by transferring certain tasks to the EU level"* (European Commission, 2025, page 16).

This Blueprint retains the CMU label and focuses on the

corresponding reform agenda¹. It therefore leaves aside other SIU building blocks, mainly matters related to banking and insurance policies². Section 1.2 details the place of capital markets in the broader financial supervisory landscape, and the related semantics.

Most analysts and policymakers concur that the CMU project failed to deliver transformative outcomes in its first decade³. They also argue generally that Europe's need for better capital markets has never been greater⁴. Many experts and officials advocate supervisory integration, meaning further shifting of capital market supervision from the national

- 1 Auditing policy and audit supervision are included throughout the text in the consideration of capital market policies and supervision, even though capital markets and auditors are currently supervised by different bodies in most EU countries; see sections 1.2 and 3.1 and annexes B and C.
- 2 Possible interdependencies between CMU and the rest of the SIU agenda are summarily explored in Véron (2024c). The author has set out recommendations elsewhere for the completion of the banking union (Véron, 2024b) and, in co-authorship, for addressing other ongoing banking policy challenges (Mejino-López and Véron, 2025). Debates about the integration of insurance and occupational pension supervision are also not addressed here, even though it overlaps with capital-market structures. In the author's view, the specific political economy of the insurance and pensions sector justifies a separate reform track (see also section 5.2). For a holistic assessment of the separation of capital market supervision from banking and insurance supervision, see for example European Commission (2017), pages 168-171.
- 3 Failure is referred to here holistically and against the stated ambition that CMU would add up to a significant structural transformation of Europe's financial system. There have been discrete policy successes under the CMU agenda in the form of individual legislative acts, the implementation of which is ongoing, eg the creation of a European Single Access Point (ESAP) for information disclosed by listed companies and regulated financial firms. For analysis detailing the disappointing CMU delivery so far, see for example Arampatzi *et al* (2025).
- 4 Throughout this text and for the sake of readability, the focus is on the European Union and its 27 member states, with no reference to the specific challenges associated with non-EU members of the European Economic Area (Iceland, Liechtenstein and Norway), which implement the same body of EU legislation. Neighbouring countries, including Switzerland and the United Kingdom, and EU candidates such as Ukraine are also left outside the scope of this volume.

to the European level⁵. Views vary, however, on the importance of the supervisory integration theme in the reform agenda, and on how to best implement it (eg Bhatia *et al*, 2019; AFM and DNB, 2024; Draghi, 2024; ESMA, 2024a; Landais, Schnitzer *et al*, 2024; Letta, 2024; Noyer, 2024; Wyplosz, 2024; Arampatzis *et al*, 2025)⁶.

This Blueprint takes as the starting point, but does not reiterate, the economic case for CMU. That case, made by the above-cited contributions and many more, highlights the benefits for funding corporate growth and investment that would result from improved capital allocation and capacity, as well as greater ability to absorb asymmetric shocks and thus to buttress EU resilience and financial stability. Instead of repeating these benefits, on which there is now near-general analytical consensus, we focus on how best to secure them through capital market supervisory integration. The European Securities and Markets Authority (ESMA), established in 2011 as the EU-level hub for capital markets supervision, occupies a central place in the story⁷.

Section 2 explains why, in the coming years, supervisory integration should be the dominant priority of the EU legislative plan for CMU – both because supervisory integration is impactful and achievable and because alternative routes appear unachievable in the near term⁸.

5 This definition of supervisory integration is used throughout this text.

6 Spitzer *et al* (2024) provided a useful comparative summary of the respective recommendations of the Draghi, Letta, and Noyer reports, including those on supervisory integration. Ophèle (2024) provided further comparative analysis and extensive excerpts, also including the recommendations formulated by Lagarde (2023), Landais, Schnitzer *et al* (2024), Merler and Véron (2024) and two more reports from the French Association of Financial Markets and European League of Economic Co-operation.

7 Due disclosure: since 2013, the author has been an independent non-executive director of the trade repository arm of Depository Trust & Clearing Corporation (DTCC), which includes an entity (since 2019, DTCC Derivatives Repository Ireland) that is directly supervised by ESMA. This non-executive position is not the one from which the present text is written, and the author does not believe it generates a conflict of interest.

8 Section 2 expands on a earlier study by the author for the European Parliament

Section 3 describes the EU's current capital market supervisory landscape, an unwieldy and partly ineffective halfway house in which decision-making is shared between the national and European levels.

Section 4 looks in more depth at options for forceful capital market supervisory integration and makes the case for a holistic rather than *ad-hoc* approach, going all the way to a single supervisor built on the basis of ESMA. Rather than gradually transferring individual supervisory mandates to ESMA on an *ad-hoc* basis without altering the supervisory system's overall structure, the recommendation is to reform ESMA's governance upfront and then to transfer to it all capital market supervisory mandates in a planned multiyear transition, at the end of which national capital market supervisors would be phased out.

Section 5 outlines the corresponding reform endpoint, which we refer to as a 'multicentric ESMA', because its operations would be distributed across EU countries and it would accommodate the probable lingering multiplicity of financial centres within the EU. Section 5 also describes briefly the possible transition towards the multicentric ESMA steady state.

The recommendation of a multicentric ESMA as a single supervisor may sound ambitious. A previous attempt to reinforce the governance of ESMA, the so-called ESAs review⁹ proposed by the European Commission in 2017 (see Box 2), did not succeed. The EU policy environment, however, appears to be tilting increasingly in favour of capital market supervisory integration.

To state the obvious, the rapid developments associated with the second administration of United States President Donald Trump add

(Véron, 2024a), in which, however, the concept of a single multicentric ESMA had not yet been fully crystallised.

9 ESAs stands for European Supervisory Authorities; see section 1.2. See European Commission press release of 20 September 2017, 'Creating a stronger and more integrated European financial supervision for the Capital Markets Union,' https://ec.europa.eu/commission/presscorner/detail/en/ip_17_3308.

urgency to the debate about making CMU a reality¹⁰. Simultaneously, greater political emphasis on simplifying the business environment for the sake of EU competitiveness could contribute to structural change, because the current supervisory halfway house is a major reason for regulatory complexity in EU capital markets. The proposed multicentric ESMA, if properly designed, could represent a significant simplification once completed, though the transition towards that steady state would itself be complex.

Also supporting that recommendation is the fact that the main proof of concept for supranational financial supervision in the EU, European banking supervision with the European Central Bank (ECB) as its hub, has been broadly successful (eg Véron, 2024b). That point was not yet clear at the time of the ESAs review in 2017¹¹. Another proof of concept, the Anti-Money Laundering Authority (AMLA), established by EU legislation in 2024, is starting up promisingly even though it is not fully up and running at time of writing, further adding to the plausibility of effective European-level financial supervision.

As ever, some finance ministers and national capital market supervisors are bound to highlight reasons to preserve the *status quo* – as are many supervised entities. But heads of state and government may want something more meaningful to happen than in the previous decade or more of abundant CMU talk and limited CMU action. As

10 In one example among many, foreign policy scholar Constanze Stelzenmüller expressed that view in dramatic terms at a public event on 25 April 2025: *“capital markets union [...] is the only way in which we can mobilize private capital at scale [...] if we don’t mobilize this capital [...] Europe’s need to defend itself] turns into a political guns-versus-butter debate at home, and we all know who wins that: the extremists”* (author’s transcript of event video, ‘Europe’s future in 3D: Fiscal, trade, and defense challenges’, Peterson Institute for International Economics, minutes 43-44; available at <https://www.piie.com/events/2025/europes-future-3d-fiscal-trade-and-defense-challenges>).

11 That episode also included banking and insurance in its scope, thus making reform comparatively more difficult than with the single-minded focus on capital market supervisory integration proposed here.

detailed in section 2, supervisory integration is their only concrete option, at least under the assumption made throughout this volume that there is no prospect of either fiscal union or EU treaty change any time soon¹². Even though resistance to capital market supervisory integration is found entrenched in numerous places, it is not nearly as fundamental as that raised against European banking supervision before that was decided and implemented in 2012-2014. This resistance can be overcome.

Capital markets policy is a vast and sprawling domain. Non-specialist readers may find this volume a difficult read given all the arcane corners, not to mention a wealth of acronyms (listed in annex I). Conversely, capital market professionals may be dismayed by the many omissions, oversimplifications and shortcuts. The balance between too little detail and too much is hard to strike right. Apologies are offered for excesses and deficiencies on either side.

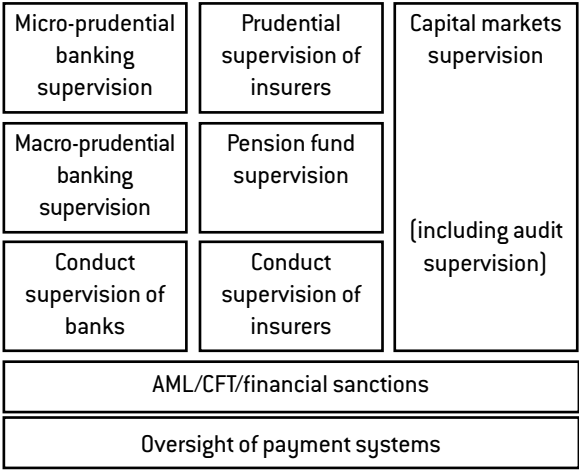
1.2 Capital market supervision within financial supervision and a terminological detour

Figure 1 sets out a scheme showing the different ‘modules’ of financial-sector supervision, consistent with widespread observed practice.

Financial terminology is treacherous, and a transatlantic difference should be noted upfront. In the US, what is referred to in this volume as supervision is often called ‘regulation,’ and supervisory authorities (supervisors) are thus referred to as ‘regulators.’ Throughout this volume, we retain the terminology used widely in Europe (and also in most international bodies), which distinguishes supervision from regulation, the latter being understood as setting the rules that supervisors enforce. Indeed, particularly in capital markets, ‘enforcement’ is another word used sometimes as practically synonymous with supervision, eg in matters of market abuse and accounting fraud.

12 ‘Fiscal union’ here is understood as a permanent shift from overwhelmingly national to largely European funding of public expenditure in the EU. Such a shift appears improbable without a corresponding identification of EU-level public revenue and enabling EU treaty change, as further detailed in section 2.6.

Figure 1: Stylised map of financial-sector supervision ‘modules’



Source: Bruegel.

Most jurisdictions do not assign each module in Figure 1 to a separate authority. Instead, they combine some of them in ways that vary considerably, including across EU countries, depending on idiosyncratic historical circumstances. Conversely, Figure 1 bundles audit supervision¹³ with the rest of capital market supervision into module C because of their functional interrelatedness, but, as detailed below, in multiple jurisdictions, audit supervision is assigned to a separate authority¹⁴.

One ostensibly rational way to allocate the mandates is known as ‘twin peaks’, a financial supervisory concept first articulated in the

13 Applicable standards and legislation often refer to the ‘oversight’ rather than supervision of auditors, and do not necessarily cover all types of audit. For readability, however, the rest of this text refers to ‘audit supervision.’ While audit supervision seldom attracts widespread attention, its importance was illustrated in 2020 by the Wirecard saga, in which the supervisory lapses of the audit supervisor played a role in the broader disaster (García Osma *et al*, 2020).

14 See Box 2 for jurisdictions outside the EU and annex C for EU member states.

1990s by supervisory practitioner Michael Taylor. Twin peaks, in that context, means introducing a divide between conduct-of-business supervision (mostly modules C, F and G in Figure 1) and prudential supervision (modules A, B and D) (Taylor, 1995). While the scheme in Figure 1 echoes that concept, it also highlights its overly stylised nature. Anti-money laundering (AML) and combating the financing of terrorism (CFT) supervision, to which one may add financial sanctions enforcement, can be viewed as part of conduct-of-business supervision, but also have distinctive features, not least in their interaction with intelligence and law enforcement agencies.

For banks in particular, prudential supervision includes different micro-prudential and macro-prudential components, respectively focused on individual supervised entities and on the system as a whole. Capital market supervision (module C) also integrates some prudential considerations, not least with respect to potentially systemic non-bank (and non-insurance) financial institutions. The latter prominently include market infrastructures such as central counterparty clearing houses and central security depositories, which are typically supervised by capital market supervisors, though central banks also play oversight roles¹⁵. In the last two decades, there have been many debates about systemic risks associated with other non-bank financial institutions, but without significant changes to individual jurisdictions' supervisory architectures, beyond the creation of generally light coordinating mechanisms¹⁶.

With that in mind, it is critical to remember that capital market

- 15 For an in-depth primer on financial market infrastructures, including CCPs and CSDs, see Banque de France (2018). Murphy (2024) provided a summarised introduction. Coeuré (2019) expanded on the responsibilities of central banks in that field.
- 16 These include the Financial Stability Oversight Council established in 2010 in the United States, the European Systemic Risk Board established in 2011 in the EU, and the Financial Stability and Development Committee, established in China in 2017 but phased out in 2023.

supervision, taken holistically, is primarily about conduct-of-business-supervision and enforcement to ensure public policy objectives, such as investor protection and market integrity – including by preventing securities issuers from making misleading disclosures or intermediaries such as investment fund managers from abusing their customers’ trust. In other words, capital market supervision is fundamentally about supporting public confidence in securities investment.

As such, capital market supervision is a broad category that includes supervision of multiple entities and activities¹⁷. Examples of supervised entities include all non-bank, non-insurance, non-pension-fund regulated financial firms such as investment services companies, asset managers, credit rating agencies, audit firms and financial infrastructures other than payment systems¹⁸. Examples of supervised activities include securities and derivatives trading and asset management. For readability, throughout this volume, we refer to these variegated supervised entities and activities as ‘segments,’ and to the authority granted by legislators to supervise a given segment as the corresponding ‘supervisory mandate.’ Annex A provides an indicative list of current capital market segments and supervisory mandates.

In the EU, financial supervision was exclusively done at the national level by national authorities until the early 2010s, though with some nonbinding European-level coordination, and leaving aside aspects of payment systems oversight (module I in Figure 1). The emergence of EU supranational supervision is thus very recent. It started in early 2011 as European-level coordination became formally more binding with the

17 The European Commission (2017, pages 61 and 132) estimated at the time the number of EU capital markets entities (not including auditors) at “*more than 20,000*” including “*2,500 Investment management companies, 8,250 Investment firms, 350 market infrastructures [...], 45 credit rating agencies and 10,000 issuers*”.

18 Payment infrastructures (module I in Figure 1) are typically not under the authority of capital market supervisors but under the ‘oversight’ of central banks, which own and operate some, though not necessarily all, of them. In practice, the distinction between oversight and supervision is fuzzy (Banque de France, 2018, page 316).

creation of ESMA, together with the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA). These three so-called European Supervisory Authorities (ESAs), despite their names, initially had no direct supervisory roles; ESMA was soon granted a direct supervision mandate over a small subset of module C, as detailed in section 3.2.

Supranational financial supervision expanded to a much larger scale when the EU adopted legislation establishing supervisory integration for module A in the euro area, known as European banking supervision or, synonymously, the Single Supervisory Mechanism (SSM), enacted in October 2013 and fully implemented by November 2014. In 2024, the creation of AMLA extended supranational EU supervision to most of module H, though technically not covering sanctions enforcement. Most other modules, including module C, remain predominantly national domains.

2 Transformative EU capital markets legislation boils down to supervisory integration

This chapter explains why integrating capital markets supervision is central to the EU-level legislative agenda for CMU. Supervisory integration uniquely combines near-term political feasibility with the potential for longer-term structural transformation. Other potential avenues for CMU-related legislation would have either marginal impact, or have no realistic prospect of adoption at EU level in current circumstances. Some CMU-related legislation at national level, such as the introduction of privately funded pension schemes, could be transformative, but those are matters for individual countries in which the EU's role cannot be more than peripheral (see the end of section 2.5).

Supervisory integration would be groundbreaking as it would provide an indispensable foundation for trust in capital markets on a European scale, which is currently lacking (section 2.1). As such, it would have more impact than many stakeholders realise. Unlike European banking supervision, it would not need to be complemented with a Europe-wide quasi-fiscal safety net for its full effect to unfold, including in terms of cross-border market integration (section 2.2). It is also a less radical proposition than it used to be, thanks to the proofs of concept that have successfully emerged in adjacent areas since the early 2010s (section 2.3).

There is an intrinsic interplay between capital market supervisory integration and regulatory harmonisation, the latter being understood

as EU legislation that eliminates differences between applicable national capital market rules. A generation ago, EU capital market regulation was arguably far from sufficiently harmonised for supervisory integration to be feasible. This is no longer the case thanks to considerable legislative work that has been done in the meantime, and despite the regulatory harmonisation project being not yet fully complete. Further capital market regulatory harmonisation would be no substitute for supervisory integration, and conversely, supervisory integration is arguably necessary for significant further regulatory harmonisation. It would also enable regulatory simplification, currently a prominent political theme (section 2.4).

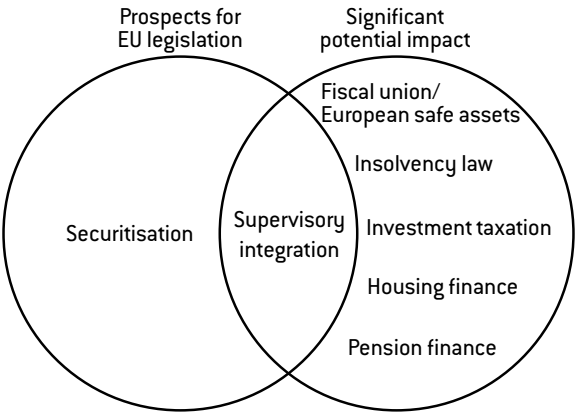
Beyond capital market regulation, capital market development is shaped by broader structural policies, referred to hereafter as ‘framework conditions.’ These include corporate and insolvency law, taxation, pension funding and housing finance. Structural policy areas such as these, however, are tied to persistently different national social models, and it appears unlikely that legislative breakthroughs at EU level could harmonise away those differences in the foreseeable future (section 2.5). Similarly, were a European fiscal union to happen, it would be a powerful catalyst for CMU, but that currently appears unlikely (section 2.6). Supervisory integration, however, requires neither the harmonisation of framework conditions nor fiscal union. It is therefore, by default, the only area of CMU reform in which transformative legislation can realistically be enacted at EU level in the near term¹⁹.

The argument is summarised simplistically by the Venn diagram in Figure 2²⁰.

19 One feature supporting the view that the prospect of supervisory integration is realistic is that all the corresponding EU legislation would be adopted by qualified majority on the basis of Article 114 TFEU. As a consequence, no single country or limited group of smaller countries would have the procedural capacity to veto the reform process.

20 EU-level securitisation reform is highlighted in Figure 2 as not having transformational

Figure 2: Indicative mapping of CMU-related reform options



Source: Bruegel.

2.1 Supervisory arrangements have consequences

Supervision does not create markets, but it shapes them more powerfully than is often acknowledged in Europe²¹. Supervision that is fragmented along national lines generates incentives for market fragmentation, whereas integrated supervision generates incentives for market

potential impact in terms of capital market development, despite its prominent mention in contributions such as Noyer (2024). For more in-depth analysis of this point, see Spitzer *et al* (2024), page 6, and Landais, Schnitzer *et al* (2024), pages 3-4.

21 The view that supervisory arrangements shape capital market development has been common in the United States. To cite only one recent example, then Commodity Futures Trading Commission chairman Rostin Benham stated on 8 January 2025 that “U.S. markets are the most liquid, transparent, deepest and desired in the world because of regulation [...] The comprehensive regulatory structure, perhaps the multi-regulatory landscape, is the reason that the U.S. markets are, partly, the best in the world and most desired in the world” (author’s transcript of event video, ‘Commodity derivatives regulation: Where do we go from here?’, Brookings Institution, around minute 54, available at <https://www.brookings.edu/events/commodities-regulation-where-do-we-go-from-here/>). The context makes clear that, as is customary in the US, ‘regulation’ in that quote means what in European and international parlance is referred to as ‘supervision’ (see section 1.2).

integration²².

Local supervision tends to favour local supervised entities or cartels and align with forms of financial nationalism, whereas supervision exercised on a larger scale tends to favour greater competition between multiple entities²³. Local supervisors, for example, may be more reluctant than a European supervisor to grant authorisations to innovative newcomers in order to protect local incumbents. Addressing the current fragmented and uncompetitive state of EU capital markets, a key stated objective of the CMU plan, could therefore be advanced by well-designed supervisory integration²⁴.

National supervisors nearly always favour the promotion and protection of a national capital market ecosystem, including national platforms for issuance and trading of financial instruments and national market infrastructures to support these, irrespective of whether or not such nationalistic objectives are explicitly part of their mandates. The parallel is obvious with the banking and financial nationalism seen in the run-up to the euro-area crisis that erupted in 2009, and several other episodes. In the wake of the euro-area crisis, it has become a consensus view that, in the words of one seasoned policymaker, national supervisors were “*handling ‘their’ banks with ‘kid gloves’ out of national interest*” (Dombret, 2015) – or more accurately out of the perception of

22 In theory, a model of radical regulatory competition among decentralised authorities, resulting in a ‘race to the top’ because market participants are attracted to effective supervision, has academic seductiveness and has been occasionally advocated as a possible option to address the CMU challenge (Heider *et al*, 2024). The race-to-the-top argument was originally made in matters of US corporate law (Romano, 1993) but remains controversial even in that context. Its applicability to EU capital market supervision is implausible and not further discussed here.

23 Adam Posen, ‘Liberalism needs central power’, *Financial Times*, 4 July 2007, <https://www.ft.com/content/73062009-6934-328e-ad8d-746329050f73>.

24 In the author’s experience, many economists tend to underestimate the discretionary power of supervisors and thus the importance of supervisory arrangements for a project like CMU. Most market practitioners, by contrast, fully realise the importance of supervision, but also generally have special interests that take precedence in their contributions to related public policy debates.

such interest among national policymakers.

This pattern was exemplified by the Wirecard scandal. Wirecard was a financial technology company that provided payment services and was granted a banking license by Germany's financial supervisor, BaFin, before the start of European banking supervision in 2014. It collapsed in June 2020 amid multiple allegations of fraud and complicity in money laundering; several convictions have subsequently been pronounced, and some related lawsuits are still ongoing at time of writing. The scandal had major capital market supervisory relevance, since Wirecard was a publicly listed company that entered Germany's reference DAX index in 2018. One analyst noted, with reference to the role of BaFin (which is also Germany's capital market supervisor) in the Wirecard saga, that *"it seems likely that BaFin, due to its limited institutional independence, approached the affair with some form of supervisory home-country bias, trying to support a domestic 'champion' facing international competition"* (Jakubeit, 2021). The unfortunate episode triggered the resignations of the heads of Germany's audit supervisor and of BaFin itself, respectively in December 2020 and January 2021.

The financial-nationalism bias is similarly pronounced in relation to market infrastructure. Of the EU's 14 counterparty clearing houses (CCPs), and of its 25 central security depositories (CSDs), ten and 21 respectively are the only such entities supervised in their home countries (as is immediately visible in annexes E and F)²⁵. No country has more than two such entities in each category. National fetishism in this area is reinforced by the historically iconic status of securities trading venues, which vastly surpasses their relevance in market structures, not least in central and eastern Europe where stock exchanges have understandably been celebrated as symbols of the post-Communist transition²⁶. This implies that the respective national

25 Based on the registers kept by ESMA and thus leaving aside some publicly owned CSDs, as detailed in annex F.

26 Relatedly, government ownership of market infrastructures is generally more

supervisors can be expected to be extremely reluctant to assent to any inward acquisition in the sector (ie by a buyer from another EU country) – which incidentally would lead to the disappearance of the sole supervised entity under their watch and therefore also of their own relevant supervisory department²⁷. Similar dynamics are at stake in other capital-market segments.

Another indication of the impact of supervisory geography on market structures is provided by the interrelatedness of sub-national supervision and a fragmented equity market landscape in Germany. In the list of regulated markets in the EU grouped by common owner (annex D), Germany stands out for its regional stock exchanges, which belong to five different groups: Berlin (Tradegate Exchange²⁸), Düsseldorf/Hamburg/Hannover (consolidated in BöAG Börsen since 2017), Frankfurt (Deutsche Börse, which also absorbed the Bremen stock exchange in 2007), Munich (Bayerische Börse) and Stuttgart

widespread in central and eastern Europe for regulated exchanges and CCPs, though not for CSDs if the significant presence of public entities as Euroclear shareholders is factored in (as documented in annexes D, E and F). In the latter case, however, public ownership is dispersed among several shareholders from various countries, including non-European countries.

- 27 The cases of Ireland and of the Baltic countries demonstrate that there is no intrinsic need for each EU country to have its own national CSD. Ireland used to rely on London-based CREST before Brexit, and subsequently migrated to Belgium-based Euroclear Bank. All three Baltic countries rely on Nasdaq CSD, based in Riga. There is no indication that the absence of a national CSD has penalised these countries, either in terms of economic performance or access of their governments to the bond markets. Specifically, the belief that keeping a national CSD helps national governments to issue sovereign debt does not appear to be supported by any rational argument, especially in the euro area where all countries share the same currency and payments infrastructure; it seems to be yet another case of nationalistic fetishism. On the contrary and all things being equal, maintaining a separate CSD infrastructure adds costs and makes it comparatively harder for sovereign issuers to access a broad investor base.
- 28 Deutsche Börse's voting rights in Tradegate Exchange GmbH were reduced from 60 percent to 43 percent in June 2022, so that the latter currently counts as a separate if affiliated group.

(Vereinigung Baden-Württembergische Wertpapierbörse). Uniquely among EU countries and market segments, Germany also has a subnational regime for regulated markets – they are supervised by the finance department of the relevant regional government (*Land*), as documented in annex H. That observation does not as of itself establish causality, namely that local supervisors may be standing in the way of consolidation; even so, the correlation is striking²⁹.

To be sure, the link between supervisory arrangements and market structures is not mechanistic. Specifically in market infrastructure, there is considerable inertia associated with non-supervisory factors, including infrastructure ownership. Supervisory integration would presumably favour consolidation of some but far from all existing players. In the case of CSDs, structural differences in national securities law, which are unlikely to disappear any time soon, could also reduce the synergies associated with consolidation, even though they would not entirely neuter them³⁰.

29 Many advanced economies had numerous regional or local stock exchanges during the twentieth century, but these have typically consolidated into one national financial centre, even in Canada, which has maintained subnational (provincial) capital market supervision. Consolidation of the main local exchanges into a single national entity happened in 1972 in the Netherlands, 1991 in France, 1995 in Italy, 1997 in Belgium and 1999 in Spain (ECB, 2007; Euronext, 2024, page 18). In Japan, the Osaka Stock Exchange merged with that of Tokyo in 2013, even though smaller bourses survive in Fukuoka, Nagoya and Sapporo. Mainland China keeps separate stock exchanges in Beijing, Shanghai and Shenzhen, but they are all state-owned and operate under the unitary authority of the China Securities Regulatory Commission. Of note is that subnational supervision in Germany only applies to trading venues, not to CCPs or CSDs. The respective CSDs (*Kassenverein*) of Germany's regional bourses merged in 1989 into Deutscher Kassenverein AG, rebranded as Clearstream in 2000.

30 In this respect, the assertion that “unification of the law of securities holding is a necessary precondition to reducing the proliferation of European CSDs” (Murphy, 2024, page 8) appears excessive, as also illustrated by the Irish and Baltic cases (footnote 27) and by the consolidation of multiple national CSDs into the Euroclear Group between 2001 and 2008.

2.2 EU capital market supervisory integration can catalyse cross-border integration without requiring a supranational quasi-fiscal safety net, unlike in banking

Sceptics of EU capital market supervisory integration sometimes argue that it would not have much real-world impact because of what has been observed in the banking sector. European banking supervision, the argument goes, has been in place for more than a decade (since 4 November 2014), but has not led to significant cross-border banking market integration. Specifically, there has not been much cross-border consolidation among larger banks in the euro area during that period (Gotti *et al*, 2024), even as European banking supervision has greatly improved the resilience of the euro-area banking sector and financial stability (Véron, 2024b).

Whether the scarcity of cross-border bank mergers and acquisitions is a temporary or permanent feature remains to be seen. The initiation in September 2024 by UniCredit of an attempt to purchase Commerzbank, and especially the positive initial market reaction to it³¹, suggest that the next decade might well see more cross-border combinations. However, at the time of writing this is only a plausible scenario, not a certainty.

But from the standpoint of the linkage between supervisory integration and market integration, capital markets are fundamentally different from the banking sector. In banking, supervision is only one part of a broader policy setup that also includes a crisis-response framework with a complex web of public financial guarantees on the banking sector, referred to here holistically as a ‘quasi-fiscal safety net’.

Some of these guarantees are explicit – of deposits of up to €100,000 per bank account in the EU, for example. Others only

31 Beyond the instant positive reaction on the announcement in September of the attempt, UniCredit was reported as the best-performing large bank stock in the euro area in 2024, gaining more than 50 percent in that year: Simon Foy, ‘Eurozone bank shares poised for best year-end since 2010’, *Financial Times*, 30 December 2024, <https://www.ft.com/content/ee4ceaf4-02c3-4afc-989f-681babc1cc31>.

become observable in crisis situations, typically in the form of public recapitalisations and/or generous central bank liquidity provision, occasionally denounced as ‘bailouts.’

It is notoriously hard in this area to achieve long-term time consistency, though some jurisdictions have better track records than others. In the EU, this ambiguity is illustrated by the diverging experiences of the euro area and Denmark in implementing the EU Bank Recovery and Resolution Directive (BRRD, 2014/59/EU; see eg Danmarks Nationalbank, 2021). In the last 15 years, Denmark has achieved a much better track record of enforcing market discipline and avoiding public bailouts than the euro area. The Danish cases, however, have been about fairly small banks, leaving doubts about what would happen in the event of failure of a more systemically significant bank. Articles 56-58 of the BRRD also allow national government financial stabilisation tools that may extend all the way to public equity support and temporary public ownership, even though that clause has not so far been triggered since the BRRD entered into force a decade ago.

The existence of the explicit and implicit quasi-fiscal safety net for banks has been used as justification for various overt or covert actions by national authorities to resist cross-border banking integration, euphemised as national ring-fencing (Dewatripont *et al*, 2021). This is why a near-consensus has formed among bank equity analysts that the introduction of pan-European deposit insurance, plausibly viewed as a proxy for a consistent European approach to bank crisis response, would unlock cross-border mergers and acquisitions in the euro-area banking sector (Goldman Sachs, 2019)³². In short, the incompleteness of

32 The point was made vividly by UBS Chairman Colm Kelleher at a public event of the Swiss Finance Council in Brussels on 31 October 2024: “*We have a subsidized, protected [...] banking system in Europe. It’s ineffective. [...] European banks] are not investable. [...] You’ve got to make European banking more competitive, more cross-border, better economies of scale, better synergies, and that means banking union, that means the things that go with it, which some people do not like*” (author’s transcription of the event video available at <https://www.swissfinancecouncil.org/events>, around minute 2:54).

the banking union, which has integrated micro-prudential supervision but not the crisis-response framework or the related quasi-fiscal safety net, can be viewed as the main reason why supervisory integration has not yet resulted in banking market integration.

By and large, there is no such quasi-fiscal safety net for capital markets as exists in banking. The default assumption for most non-bank entities, supported by a wealth of experience, is that – unlike with banks – government financial support will be neither needed nor provided in the event of failure, and investors will incur losses. In other words, history has demonstrated that market discipline works better in capital markets than in banking.

There may be a partial exception to that general proposition in the area of systemically critical central counterparties. The EU CCP Recovery and Resolution Regulation (Regulation (EU) 2021/23) has provisions (articles 45-47) that mirror those of the BRRD on government financial stabilisation tools. Nevertheless, three points should be kept in mind:

- First, CCP failures are considerably less likely than bank failures; none has happened in either Europe or the US in the last half-century³³;
- Second, the risk allocation is very different from banks. In the event of CCP distress, the CCP participants, many of which are banking groups outside of the CCP's home country, take losses before the CCP risks depleting its own capital, and therefore the quasi-fiscal risk is by no means concentrated in the country in which the CCP is located. As described by a longtime practitioner of financial infrastructure oversight, “for many EU CCPs, including

33 There were two cases in Asia during the 1980s, respectively in Malaysia and Hong Kong. In Europe, the most recent CCP failure was that of France's *Caisse de Liquidation* in 1974. In the meantime, mandatory requirements on CCPs to create loss-absorption buffers have been considerably reinforced (Bignon and Vuillemy, 2017; Faruqi *et al*, 2018). See also McLaughlin and Berndsen (2021).

the most important clearing hubs, over two-thirds of the derivatives transactions they clear are submitted by financial institutions incorporated outside the CCP's home Member State. Credit risk and potential losses are thus borne mainly by financial institutions in other EU or non-EU countries, and – once bank shareholders and creditors have been bailed in – taxpayers in those countries may have to foot the remaining bill” (Coeuré, 2019);

- Third, in the highly unlikely event of a CCP failure that would require public financial intervention, the extent of financial stability fallout and magnitude of the financing gap could easily be greater than the ability of the CCP's home country to manage, forcing intervention at European rather than national level. In other words, the implicit safety net for systemically important EU CCPs can be viewed as including a major element of mutualisation at European level, even though this is by no means made explicit in current legislation.

Other market infrastructures, including CSDs, do not require a significant quasi-fiscal safety net because they generally do not hold large assets of their own. This holds true for the world's two most significant international CSDs specialised in cross-border issuance: Euroclear Bank in Belgium and Clearstream Banking SA in Luxembourg³⁴.

In summary, the absence of a fully formed European-level quasi-fiscal safety net for bank crisis management goes a long way to explain

34 In recent years, EU sanctions have prevented the Central Bank of Russia from withdrawing cash accumulating on its account at Euroclear Bank, causing the balance sheet of Euroclear Bank to grow from less than €25 billion at end-2021 to over €230 billion at end-March 2025 (see Euroclear press release of 14 May 2025, 'Euroclear reports strong business income growth in Q1 2025', <https://www.euroclear.com/newsandinsights/en/press/2025/mr-13-strong-first-quarter-results.html>). Because this extraordinary situation is entirely a consequence of sanctions on Russia related to the war in Ukraine, any corresponding risks lie outside of the regulatory framework for CSDs.

why European banking supervision has not yet catalysed major cross-border banking market integration. No equivalent need exists in capital market supervision.

2.3 Proofs of concept now exist for effective financial supervisory integration in the EU

A generation ago, the possibility of EU capital market supervisory integration was debated explicitly (Box 1), but pursuing it was generally dismissed as utopian. There was no working example of a supranational European supervisor in any part of the EU financial sector, and the concept could be seen as perhaps desirable in theory but unlikely to work in practice³⁵.

Now, by contrast, forms of supranational financial supervision have effectively become reality in the EU in several areas adjacent to capital market supervision. Using the mapping from section 1.2, the most established example is European banking supervision, for the micro-prudential supervision of all banks in the euro area plus Bulgaria³⁶. The European Central Bank also has (admittedly limited) authority over some aspects of macro-prudential policy (Mejino-López and Véron, 2025). ESMA has been designated as direct supervisor for limited market segments, as detailed in the next section. AMLA started operations in mid-2024 and will assume direct supervisory authority

35 There have been precedents outside of Europe, but these have been generally ignored or at least not viewed as relevant benchmarks by EU policymakers. The West African and Central African monetary unions, known by their respective French acronyms UMOA and UMAC, established supranational banking supervisors as early as 1990. UMOA countries also pooled their capital market supervision at supranational level in the later 1990s (UMAC countries did likewise two decades later). The Eastern Caribbean Currency Union introduced a more limited form of supranational banking supervision even earlier, in the 1980s.

36 Bulgaria joined the banking union framework, including European banking supervision, voluntarily by activating the so-called close cooperation procedure made available by banking union legislation. The geographical scope of application of banking union policies, namely the euro area plus Bulgaria, is referred to hereafter as the ‘banking union area.’

over the riskiest EU entities for AML/CFT purposes before the end of the decade. In addition, the Single Resolution Board, established in the mid-2010s as the resolution authority for the larger banks in the banking union area, has been granted backup supervisory authority over Europe's significant banks, even though it made an early choice not to exercise that authority actively (Véron, 2019).

None of this provides a ready-to-use template for capital market supervisory integration. As discussed in more detail in section 3.2, there are legitimate questions about the long-term suitability of the existing direct supervisory arrangements at ESMA, and as analysed further in section 4.1, the specific governance arrangements adopted for European banking supervision and AMLA are not best suited for capital markets supervision.

Nevertheless, the point remains that pooling supervisory authority at European level, in capital markets as in other areas of financial-services policy, demands much less radical thinking now than it did in 2012 when the decision was made to proceed with European banking supervision³⁷. This also implies that Jean Monnet's oft-quoted statement that *"Europe would be built through crises, and that it would be the sum of their solutions"* (Monnet, 1978, page 417), while unquestionably an apt reference to the decision-making process on banking supervision in 2012, may turn out to be less relevant for capital markets. In other words, a major crisis is not a necessary condition for EU capital market supervisory integration, because it requires no major new creative leap³⁸.

37 The decision to grant ESMA supervisory authority over credit-rating agencies predated that on European banking supervision but was considerably more limited in scope. Therefore, the latter arguably counts as the watershed moment when the idea of supranational European financial supervision moved from the fringe to the mainstream.

38 The creation of AMLA illustrates the point. There surely was a perception of pervasive failure following a series of AML supervisory mishaps throughout 2018 in several EU countries, but that was never nearly as acute or existential as the euro-area bank-sovereign distress in 2012. The European Commission initially

2.4 Supervisory integration, not regulatory harmonisation, is the bottleneck now

Sceptics of EU capital market supervisory integration often make another point: supervisory integration is premature as long as the relevant legislation is not harmonised at EU level. This argument used to be largely true a generation ago, but that is no longer the case, because harmonisation has made substantial progress in the meantime, in terms of the rules that it is the capital market supervisor's job to enforce. (As will be observed in section 2.5, the situation is different for 'framework conditions' that also shape capital markets, but that is another matter altogether.) Moreover, further progress towards full capital market regulatory harmonisation, referred to in EU financial jargon as a 'single rulebook'³⁹, has arguably become conditional on supervisory integration.

The EU endorsed the objective of a single rulebook in 2009 with the Larosi re Report (European Commission, 2009). Capital market regulatory harmonisation has made rapid progress since then. For example, the Market Abuse Directive (2003/6/EC) has given way to the Market Abuse Regulation (EU 596/2014), and the Markets in Financial Instruments Directive (MiFID, 2004/39/EC) to the Markets in Financial Instruments Regulation (MiFIR, EU 600/2014). There is a trend for EU capital market legislation to take the form of regulations (directly applicable laws) upfront as opposed to directives (minimum standards EU countries must adopt into their national legal frameworks)⁴⁰.

responded in September 2018 with a proposal for incremental reform that essentially preserved the existing AML-CFT supervisory architecture in the EU. It then undertook further consultations, and only proposed the creation of AMLA in July 2021, at a moment when there was no pressure of urgency in relation to AML.

39 The expression "*single rulebook*" in this context was coined in 2004 by then-ECB Executive Board member Tommaso Padoa-Schioppa.

40 The country-by-country process of transposition of EU directives into national law often results in some divergence across member states. Thus, the shift from directives to regulations is indicative of greater harmonisation, even though the two notions are not strictly equivalent as regulations can also leave space for national divergence.

Regulations include those on European Market Infrastructure for derivatives (EMIR, (EU) 648/2012), Central Securities Depositories (CSDR, (EU) 909/2014), CCP Recovery and Resolution ((EU) 2021/23), Digital Operational Resilience (DORA, (EU) 2022/2554), Markets in Crypto-Assets (Regulation (EU) 2023/1114), a European Single Access Point for listed companies' information (ESAP, (EU) 2023/2859), and a consolidated tape for market information ((EU) 2024/791).

Conversely, the wide range of national supervisory arrangements and practices is an impediment to further harmonisation of EU capital market regulation. Not only would it be easier to formulate a single rulebook if Europe's supervisory structures were streamlined, but an authoritative European supervisor would also play a leading role in advising on further harmonisation and reducing options and opportunities for national discretion, as the ECB has done in the last decade in the area of prudential banking supervision. Actually, a decision to move towards supervisory integration can be expected to trigger a programme of regulatory harmonisation and simplification during the transition phase, as detailed at the end in section 5.2⁴¹.

2.5 Framework conditions, which shape capital markets but are embedded in national social models, are unlikely to be harmonised soon through EU legislation

An alternative reform path towards CMU would be to skip supervisory integration and focus on harmonising framework conditions such as corporate and insolvency law, taxation, pension and/or housing finance.

41 The regulatory simplification called for here should not be equated with a 'principles-based' regulatory philosophy as was claimed, for example, by the United Kingdom in the early 2000s, only with the removal of options and national discretion and the layers of complexity associated with the current variety of national supervisory approaches and structures. The question of whether the better-harmonised EU legislation should then aim to be more rules-based or principles-based is a separate issue, not addressed here. As starkly put by Ophèle (2025, page 6): *"You can maintain complexity with a single supervisor, but you cannot simplify the regulatory framework and keep 27 national supervisors"*.

These have been much discussed in CMU-related debates since 2014⁴².

It is certainly true that, all things being equal, the variety of such framework conditions across EU countries makes cross-border capital market integration more difficult. But that observation does not imply that EU legislation to reduce such variety is a realistic reform priority now. It is not. That fact only strengthens the rationale for prioritising capital market supervisory integration, since that can proceed without further harmonisation of those framework conditions.

The EU does not currently have the political authority to legislate widely in these other areas, despite the economic benefits that such legislation might bring. Unlike the capital market regulations referred to in the section 2.4, the areas in question are plainly not just about the financial system. Rather, they extend into what is sometimes loosely referred to as national social models.

Corporate and insolvency law, for example, intersects with fundamental structures of national legal systems, the idiosyncrasies of which are defended fiercely by national legal communities that generally happen to wield considerable political influence, even if they do not represent a critical mass of voters. Taxation is a principal prerogative of national legislatures, which are in no way driven to pool it at the European level. Pension frameworks, of which the development (or lack thereof) of private pension plans is an inseparable part, are notoriously difficult to reform. Housing policies are similarly sensitive. By comparison, financial services and especially capital-market policies are generally less politically loaded and, as noted above, there is ample precedent for the EU to legislate and forcefully harmonise them⁴³.

42 Or indeed before; 2014 is only referred to here as the starting point of the European Commission's CMU rhetoric. As far as the author is aware, housing finance had not been widely mentioned in that context until being put prominently on the agenda by the Noyer Report in 2024, with specific reference to residential mortgage securitisation. Its inclusion in the list of 'framework conditions' is apt, not least given the prominent role of mortgage-based securities in US capital markets.

43 The point made in this paragraph is about political rather than legal obstacles.

One idea that seeks to address the entrenched difficulty of harmonising framework conditions through EU legislation is to introduce instead an option that would be an alternative to the national *status quo* in each EU country, leaving to individual market participants the choice to opt in. In EU parlance this is referred to as a ‘28th regime’ that would supplement the 27 existing national ones. This idea, however, is not new. On past experience, member states are likely to oppose it as determinedly as they oppose full harmonisation. They would expect, not unreasonably, that if such a 28th regime is more attractive than their national legislation, market participants would opt into it *en masse*, thus depriving national legislators of their decision-making authority, similarly to plain harmonisation. Depending on the issue, there could be added headaches, including adverse selection, adding up to major challenges in terms of the level playing field and policy arbitrage. This explains why such proposals have generally been either rejected or neutered in past legislative discussions⁴⁴.

None of this implies, of course, that European policymakers should not care about the framework conditions; only that EU legislation is not the right instrument to address them at the present juncture. The EU can certainly add value by providing transparency about national practices and advocating their reform if needed. It might usefully step up its efforts of public comparison and benchmarking, either directly by the European Commission, or indirectly by commissioning in-depth

Regarding the latter, Article 114 of the Treaty on Functioning of the EU (TFEU), the basis for most EU single market legislation, could provide a broad basis for the harmonisation of framework conditions (except for taxation), as it has done repeatedly for financial regulatory harmonisation.

44 A classic example of neutering was the *Societas Europaea* corporate form, introduced in the early 2000s. Somewhat separately, there have also been tentative 28th regime proposals for supervisory integration – that supervised entities could choose to transition from national to ESMA supervision at their own volition. This idea is advocated for large asset managers by Noyer (2024, page 9) and hinted at for large post-trade infrastructures by Murphy (2024, page 17), among others. For the same reasons as stated above, such proposals are unlikely to gain traction.

analyses by third parties. There are also other ways in which the EU can engage with such national reform issues, for example via its economic policy surveillance process known as the European Semester.

The EU can also incentivise reform of national framework conditions by making EU funding conditional on reform, as it already did in countries that received assistance during the euro area crisis (funded via *ad-hoc* financial vehicles, the European Financial Stability Facility and the European Stability Mechanism) and in the deployment of the NextGenerationEU post-pandemic recovery programme initiated in 2020 (funded by the issuance of EU bonds by the European Commission on a previously unprecedented scale)⁴⁵.

2.6 Fiscal union is not likely to happen – yet

Advocates of European fiscal union sometimes argue that CMU is bound to remain an empty promise without a European safe asset, a concept that is not strictly coterminous with fiscal union but is often used as euphemism for it (eg Panetta, 2023). Even more potently than the framework conditions listed in section 2.5, fiscal union – understood as a permanent European-level capacity to borrow, spend and raise revenue at scale – would be a transformational enabler for European capital market development and integration, and much more besides.

At the time of writing, despite the one-off precedent of NextGenerationEU and the obvious challenges of ensuring European security, fiscal union does not appear to be on the EU agenda in a way that could make it directly relevant to the CMU endeavour. The political obstacles to supervisory integration are real, but they are not remotely commensurate with those that stand in the way of fiscal union. Moreover, whereas harmonisation of framework conditions (taxation aside) can conceivably be based on Article 114 TFEU (see footnote 20),

45 See for example Fernando Heller, 'Spain, Commission agree to controversial pension reform', *Euractiv*, 13 March 2023, <https://www.euractiv.com/section/politics/news/spain-commission-agree-to-controversial-pension-reform/>.

fiscal union is likely to require treaty change, an onerous constraint in the present circumstances⁴⁶.

Box 1: A single EU capital markets supervisor is an old idea

The Segré Report (EEC Commission, 1966; see section 1.1) did not take capital market supervisory integration into consideration for the simple reason that most European countries, including West Germany at the time, still lacked national capital market supervisors⁴⁷. Arguments about pooling capital market supervision at the European level started shortly after that institutional gap was closed in the 1990s. Indeed, it is striking that in the years immediately after the introduction of the euro in 1999, the received wisdom was that capital market integration would come next and might be prompted at EU level by supervisory integration (eg Trichet, 2004).

Thus, the Lamfalussy process, an early attempt to incentivise supervisory convergence named after central banker Alexandre Lamfalussy, started in 2001 with capital market supervisors, before being extended in 2004 to their banking and insurance counterparts. The report that initiated the process, prepared by a committee chaired by Lamfalussy and thus known as the Lamfalussy Report, mentioned explicitly the option of a “*single European regulatory authority*” for capital markets. However, it rejected this as premature and lacking consensus (Committee of Wise Men, 2001, pages 8 and 95).

Lamfalussy subsequently gave two substantive reasons for that

46 In the specific case of the contingent public support that may be needed for central counterparties in extreme crisis scenarios, the argument developed in section 2.2 suggests that a contingent liability may already exist at European level, but can be left implicit given the low probability of materialisation. On the separate theme of the quasi-fiscal safety net for banking, the author has argued, based in part on analysis of formal arrangements and practical experience in the United States, that fiscal union is not indispensable for the completion of the banking union including a unitary European crisis response framework (Véron, 2024b, pages 140-141).

47 The gradual emergence of national capital market supervisors in EU countries is addressed in section 3.1 and annex B.

rejection. First, the legislative framework that a capital market supervisor should implement was not sufficiently harmonised. Second, establishing it would require treaty change (Lamfalussy, 2001, page 24). It is notable that the first reason has been made largely obsolete by the substantial legislative harmonisation achieved in the meantime (see section 2.4). The second reason, meanwhile, has been invalidated by subsequent creation of legal constructs of a similar nature, including ESMA, the Single Resolution Board and AMLA, within the existing treaty framework on the basis of Article 114 TFEU. In short, neither of Lamfalussy's two objections stand now.

The 2009 Larosière Report was more open-ended, with a recommendation of a review to take place *“no later than 3 years after [the suggested system's] entry into force”*, namely by end-2013. This review should include examination of *“the case for wider supervisory duties at the EU level”* (European Commission, 2009, Recommendation 24). As detailed in Box 3, the European Commission delayed that so-called ESAs Review to 2017.

In 2015, a year after European Commission President Jean-Claude Juncker launched the CMU project, another report led by him and associating the respective heads of the European Council, Eurogroup, European Central Bank and European Parliament (thus known as the Five Presidents' Report) went further. It based its arguments on financial-stability concerns that were on most policymakers' minds at the time: *“as the closer integration of capital markets and gradual removal of remaining national barriers could create new risks to financial stability, there will be a need to expand and strengthen the available tools to manage financial players' systemic risks prudently (macro-prudential toolkit) and to strengthen the supervisory framework to ensure the solidity of all financial actors. This should lead ultimately to a single European capital markets supervisor”* (European Commission, 2015). This vision inspired the Commission's proposals for the ESAs Review in 2017, which were however overwhelmingly rejected by EU countries (Box 3).

Following that setback, the idea of a single EU capital market supervisor temporarily faded. In late 2023, it was revived in a noted speech by ECB President Christine Lagarde: *“The European Securities and Markets Authority*

[...] is not truly single. Supervision remains largely at the national level, which fragments the application of EU rules. In fact, enforcement powers are often split across several national regulators. Creating a European SEC, for example by extending the powers of ESMA, could be the answer. It would need a broad mandate, including direct supervision, to mitigate systemic risks posed by large cross-border firms and market infrastructures such as EU central counterparties” (Lagarde, 2023; emphasis as in the original).

In the course of the next year two reports by former Italian prime ministers, Enrico Letta and Mario Draghi, commissioned by the EU institutions and intended to steer EU policymaking up to the end of the 2020s, echoed Lagarde’s call (Letta, 2024; Draghi, 2024). The Letta Report adopted more gradualist language: *“A crucial structural initiative involves advancing towards more comprehensive and integrated supervision of financial markets. [...] Considering previous endeavours, the progression towards more integrated supervision within the securities domain entails gradually enhancing the direct supervisory powers of ESMA”* (Letta, 2024, page 34). Draghi (2024, page 65) wrote: *“as a key pillar of the CMU, the European Securities and Markets Authority (ESMA) should transition from a body that coordinates national regulators into the single common regulator for all EU securities markets, similar to the US Securities and Exchange Commission”*.

3 The EU's halfway house of capital market supervision

Before exploring how supervisory integration might be implemented, this section summarises the EU's current capital market supervision landscape and how it evolved. Whereas capital market supervision is overwhelmingly done by national (and in Germany to a partial extent, subnational) authorities, it has included a European component since 1989, which acquired binding legal status with the creation in 2011 of the European Securities and Markets Authority.

The supervisory architecture overall is thus fairly described as a halfway house, in which neither the national nor the European levels are fully empowered. Properly understanding this hybrid setup is essential for planning future reform.

3.1 National supervisors

Public authorities that specialise in capital market supervision are a comparatively recent development in Europe, though public regulation of capital markets has a much longer history, involving various past forms of administrative oversight by relevant ministries and sometimes also by central banks. The first cases of delegation of capital market supervision to independent authorities occurred in the 1960s and 1970s in Belgium, France and Italy. Such authorities only became widespread in the rest of the European Economic Community towards the end of the Cold War – thus more than half a century after the United States, where the Securities and Exchange Commission (SEC) started operations in 1934. Annex B details the chronological developments.

Most EU countries started the journey with a specialised capital market supervisor or securities commission, often directly inspired

by the SEC. The Nordic countries followed a different pattern, implementing a concept of cross-sectoral supervisor, typically with authority over banks and insurers as well as capital markets.

Several countries first created a securities commission and later merged it with other agencies into a cross-sectoral supervisor, eg Luxembourg in 1998. Some countries went further and granted all capital market supervisory tasks to the national central bank, eg Slovakia in 2006. In relative terms, the model of a separate national securities commission has lost ground in recent decades. No EU country has opted to move away from a cross-sectoral framework to establish a separate capital market supervisor, since the Cyprus Securities and Exchange Commission was spun off from the Central Bank of Cyprus in 2001. Conversely, since that year, securities commissions have been merged into cross-sectoral authorities in ten EU countries: Bulgaria, Croatia, Czechia, Estonia, Germany, Latvia, Lithuania, the Netherlands, Poland and Romania.

Using these broadly defined categories and after the multiple reorganisations recorded in annex B, Table 1 summarises the current set ups in the 27 EU countries.

Table 1: Typologies of national capital market supervisors in the EU

Type of authority	Countries	% of countries	% of EU GDP
Securities commission	CY, ES, FR, GR, IT, PT, SI	26	41
Conduct of business	BE, NL	7	10
Partial cross-sectoral	BG, HR, LU, RO	15	3
Fully cross-sectoral	AT, DE, DK, EE, FI, MT, PL, SE	30	39
National central bank	CZ, HU, IE, LT, LV, SK	22	7
Total		100	100

Sources: Bruegel. Note: last column based on 2024 GDP estimates from the IMF's World Economic Outlook database.

Specialised securities commissions still exist in seven EU countries, perhaps coincidentally all in the union's southern half (Cyprus, France, Greece, Italy, Portugal, Slovenia and Spain), collectively representing more than two-fifths of EU GDP. All other EU countries have integrated capital market supervision to at least some extent in cross-sectoral frameworks. Belgium and the Netherlands have adopted the 'twin peaks' concept (section 1.2) with a cross-sectoral conduct-of-business supervisor carrying on most capital market supervisory tasks, while prudential duties are conducted by the national central bank, including for market infrastructures. In six other EU countries (Czechia, Hungary, Ireland, Latvia, Lithuania and Slovakia), all supervisory activities are integrated into the national central bank. In Bulgaria, Croatia and Romania, the same authority supervises capital markets and insurers, but banks are supervised separately by the national central bank. Conversely in Luxembourg, the same authority supervises banks and capital markets, but there is a separate supervisor for insurers. Austria,

Germany, Denmark, Estonia, Finland, Malta, Poland and Sweden have single authorities whose supervisory scope spans the entire national financial system – leaving aside audit supervision and bank resolution, for which several of these countries have empowered separate entities.

In terms of financing, some of these national capital market supervisory authorities are fully funded by levies on supervised entities and market participants (eg Belgium, France, Germany and the Netherlands), whereas others are partly or fully reliant on the public purse (eg Cyprus, Czechia, Ireland and Portugal)⁴⁸.

The supervisory cultures, capabilities and performance levels (however defined) of these national authorities can be presumed to be even more diverse than this stylised taxonomy suggests, because of countless country-specific differences. In some EU countries, the national capital market ecosystem is extremely small; in others, it is sizeable and complex. From a governmental perspective, the allocation of priority to capital market supervision varies substantially. In a few countries, certainly including Luxembourg, it is viewed as *Chefsache* (in euro-speak, a matter requiring direct attention at the highest level); in others, national political leaders may not be familiar with it at all. In the 20 EU countries that have not kept separate securities commissions, capital market supervision may be a dominant mission of the cross-sectoral authority in some cases, and in others, a peripheral one. In many cases, the national capital market supervisor struggles to gather the critical mass in terms of skills, systems and experience that is needed to match the generally increasing specialisation and technological development of market participants.

Similar variance can be observed in audit supervision (as further documented in annex C). Audit supervision has developed even more recently than securities supervision. Spain and Sweden were frontrunners, with forms of public oversight of auditors introduced in 1988 and 1995, respectively. In 2002, the US Sarbanes-Oxley Act

48 As observed by the European Commission, admittedly some years ago (2017, page 76).

made the continued US listing of EU companies conditional on audit supervision at home, leading several EU countries to establish national audit supervisors in response. Then in 2014, EU legislation (Directive 2014/56/EU and Regulation (EU) 537/2014) made national audit supervision mandatory throughout the EU.

In Italy, Luxembourg, the Netherlands and Portugal, the task of supervising auditors has been given to the capital market supervisor; in Denmark, Finland and Germany, to another pre-existing public agency with a broader remit; in Croatia, Hungary, Latvia and Lithuania, to a ministerial unit; in Estonia and Malta, to a professional accountancy body; and in the remaining fourteen EU countries, to a dedicated public agency created for that purpose.

The relevant bodies in Estonia, Latvia and Malta have not joined the International Forum of Independent Audit Regulators (IFIAR), established in 2006 to support global coordination in that area⁴⁹, presumably because they did not meet IFIAR's membership requirements, which include independent governance. In many EU countries, critical audit supervisory tasks are delegated to the audit profession (Accountancy Europe, 2020, pages 8-9).

Because of these divergent organisational choices and resulting supervisory practices, audit supervision is unlikely to deliver identical outcomes in different member states as long as it is kept at the national level, no matter how harmonised the applicable EU legislation.

49 Based on the IFIAR membership list at <https://www.ifiar.org/members/member-directory/>, consulted on 1 May 2025.

Box 2: Stylised description of capital market supervision in selected non-EU jurisdictions

In the United States, the SEC has been the reference authority for capital markets since 1934. State authorities play generally minor roles in capital markets supervision compared with banking and insurance, even in New York State. The SEC is complemented by three smaller yet significant entities with supervisory roles: the Commodity Futures Trading Commission (CFTC, est. 1974) for commodities and most derivatives markets; the Financial Industry Regulatory Authority (FINRA, est. 2007 through reorganisation of pre-existing bodies) for securities firms; and the Public Company Accounting Oversight Board (PCAOB, est. 2002) for auditors. FINRA and the PCAOB, but not the CFTC, are subject to SEC oversight. The SEC supervises CSDs and CCPs that clear securities and equity derivatives, whereas the CFTC supervises CCPs that clear derivatives in other asset classes (commodities, credit, foreign exchange and interest rates).

In China, the China Securities Regulatory Commission (CSRC, est. 1992) supervises most capital market participants. Some segments of the bond markets and related rating agencies, however, are under the authority of the People's Bank of China (PBoC, China's central bank) which supervises them through a membership organisation, the National Association of Financial Market Institutional Investors (est. 2007). The CSRC directly controls a number of affiliated entities that play a role in capital market supervision, including membership organisations such as the Securities Association of China and Asset Management Association of China. The stock exchanges, CCPs, CSDs and trade repositories operate under the CSRC, PBoC or their respective affiliated entities. In 2023, the CSRC's investor protection duties were transferred to the newly created National Financial Regulatory Administration, which is also the national prudential supervisor of banks and insurers. Auditors are supervised by the CSRC and the Ministry of Finance.

In Japan, the Financial Services Agency (FSA) has broad supervisory authority over the entire financial sector, including capital markets. The

FSA hosts specialised bodies including the Securities and Exchange Surveillance Commission for securities markets investigations and the Certified Public Accountants & Auditing Oversight Board for audit supervision. The FSA supervises most securities and derivatives market infrastructures, though only in an indirect oversight capacity for some commodities CCPs that are under the direct authority of individual ministries.

In the United Kingdom, the Financial Conduct Authority (FCA) is the conduct-of-business supervisor across all areas of the financial system and thus the main capital market supervisor. Both the FCA and the Prudential Regulation Authority (PRA, part of the Bank of England) are involved in the supervision of market infrastructures. Auditing and accounting matters are under the separate authority of the Financial Reporting Council (FRC).

3.2 EU-level capital market supervision

The European Securities and Markets Authority (ESMA) is the fourth in a succession of increasingly formalised initiatives to bring a European dimension to capital market supervision in the European Union. The previous steps were, first, an informal group of securities commissions' chairs, formed in 1989; second, the Forum of European Securities Commissions (known as Fesco), established in 1997; and third, the Committee of European Securities Regulators (CESR), created under the Lamfalussy process (Box 1) in 2001⁵⁰.

ESMA was established on 1 January 2011, based on EU legislation that granted it binding legal authority, a major difference compared to all predecessor initiatives. At the time, some analysts viewed that new feature as game-changing (eg Conac and Caillat, 2010). Simultaneously,

50 On the group of chairs and Fesco, respectively, see COB (1991, page 253) and Demarigny (2000, page 133). Fesco relied on practically permanent staff seconded by national authorities working from their respective locations. CESR was created as a new legal entity – a French nonprofit – with a small permanent secretariat of its own, located on avenue de Friedland in Paris.

parallel legislation established the European Banking Authority (EBA) in London and the European Insurance and Occupational Pensions Authority (EIOPA) in Frankfurt⁵¹.

Box 3: The governance and funding of ESMA

ESMA's governance and funding framework was established by the ESMA Regulation [(EU) 1095/2010], broadly following the proposals of the Larosière Report [European Commission, 2009]. In September 2017, the European Commission made ambitious proposals to reform ESMA together with the EBA and EIOPA, known as the ESAs Review. The proposals entailed both an overhaul of the authorities' governance and an expansion of their scope of direct supervision, especially for ESMA. The plans were overwhelmingly rejected by EU countries, however, and the legislation eventually adopted in 2019 introduced only marginal changes [Regulation (EU) 2019/2175].

ESMA's main decision-making body is its Board of Supervisors, in which the voting members are the ESMA Chair (voting since the 2019 adjustment) and the representatives ('heads') of the 27 national capital market supervisors ('competent authorities'), with each authority being designated by each member-state government. An Executive Director assists the chair in managing ESMA and leading its regulatory and supervisory work. Both the Chair and the Executive Director are selected from short lists established by the Board of Supervisors, with the European Parliament having a right of veto (for the former) or consent (for the latter), and ratification of the former by the Council of the EU [Di Noia and Gargantini, 2013, pages 14-15]⁵². Additional features (a Vice Chair and Management Board) play a role in the agency's management but not directly in its regulatory and supervisory

51 The EBA and EIOPA succeeded two committees, both created in 2004 on the model of CESR. After the UK voted to leave the EU, the EBA relocated to Paris in 2019.

52 As usual in EU jargon, 'Council' here refers to the collective of relevant member states' ministers, generally voting by either simple or qualified majority.

decisions⁵³.

For CCPs specifically, Regulation (EU) 2019/2099 created a CCP Supervisory Committee, and Regulation (EU) 2021/23 created a separate CCP Resolution Committee, both within ESMA. The CCP Supervisory Committee has a permanent chair and two independent members, all three of whom are ESMA staff, plus 16 members from national authorities in 12 member states (France, Italy and the Netherlands each having representatives from several authorities) and four from central banks (see also below, Box 4). The CCP Resolution Committee has representatives from national authorities in 24 EU countries (all but Portugal, Slovakia and Slovenia) plus Liechtenstein, and is chaired by an ESMA employee. Annex G summarises the composition of the ESMA Board of Supervisors, CCP Supervisory Committee and CCP Resolution Committee, a setup that has been described as “*byzantine*” (Lannoo, 2020, page 10).

In 2023, ESMA’s revenues of €71.7 million came from national capital market supervisors (€29.9 million, or 41.7 percent)⁵⁴, the EU budget (€18.5 million, 25.7 percent) and fees collected from directly supervised entities (€23.4 million, 32.6 percent), of which €10.2 million was from credit rating agencies and €6.1 million from CCPs (based on ESMA, 2024b, page 62).

53 The ESAs assessment of 2017 noted that “*the formal role foreseen for the Management Board and its tasks are very limited*” (European Commission, 2017, page 161). The European Commission has a vote on budgetary matters within the Management Board.

54 The allocation of this burden to individual member states is determined by their respective weights in the EU qualified-majority voting formula, irrespective of the significance of their national capital market activity (European Commission, 2017, page 75).

ESMA has three main roles:

1. Preparing drafts of EU rules and advising on the rulemaking process, which puts flesh on the bones of EU capital market legislation. In EU parlance these rules are referred to as technical standards, functionally equivalent to what US vocabulary refers to as regulations. In line with EU law (*Meroni v High Authority* judgment of the Court of Justice of the European Communities, 13 June 1958, and subsequent jurisprudence), the rules only acquire legally binding status if adopted by the European Commission⁵⁵. Therefore, ESMA is not technically a rule maker but may be fairly described as a ‘rule preparer’⁵⁶. In addition, ESMA issues its own guidelines, recommendations and opinions, though with no legally binding effect⁵⁷.
2. Acting as a ‘supervisor of supervisors’. ESMA has a duty to foster supervisory cooperation and convergence among the national capital market supervisors. For that, it can wield a range of instruments including thematic reviews, peer reviews, warnings,

55 In the jargon of the Lamfalussy Report (Committee of Wise Men, 2001), these so-called delegated or implementing measures are referred to as ‘level 2’, to distinguish them from ‘level 1’ framework legislation typically adopted by the European Parliament and Council. Level 2 texts are typically decisions of the European Commission and part of the body of EU law. Confusingly, level 1 and 2 texts are also known in EU law as ‘secondary legislation’, whereas ‘primary legislation’ refers to the EU Treaties.

56 In EU jargon, the European Commission is an EU ‘institution’ established directly by treaty, whereas ESMA is an EU ‘agency’ created by EU legislation, in this case based on article 114 TFEU. A layperson’s summary of the *Meroni* doctrine is that EU agencies can only make individual decisions, eg a supervisory decision that binds a specifically designated supervised entity, whereas only EU institutions can make broader policy decisions, or generic rules. In practice, the European Commission has not been a mere rubberstamp and has occasionally rejected or amended technical standard proposals made by ESMA.

57 These are ‘level 3’ in the Lamfalussy jargon. A fourth Lamfalussy level refers to the enforcement process in cases of noncompliance by national authorities, involving the European Commission and the EU Court of Justice.

binding mediation in disputes between national supervisors, superseding decisions in case of breach of EU law, temporary prohibition of specific financial products ('product interventions') and emergency decisions in crises. This role is intended to ensure that EU legislation is implemented consistently, albeit in a decentralised manner by national authorities in the 27 member states. It applies in principle to all capital market supervisory mandates other than audit supervision, unless they are directly entrusted to ESMA (next point).

3. Acting directly as supervisor of some entities or activities, in a limited number of capital market segments designated by successive EU laws. These include all credit rating agencies (Regulation (EU) 513/2011), all trade repositories (Regulation (EU) 648/2012), some benchmark administrators (Regulation (EU) 2016/1011)⁵⁸, all securitisation repositories (Regulation (EU) 2017/2402), systemically important central counterparties established outside of the EU ("*third-country Tier-2 CCPs*", Regulation (EU) 2019/2099), some data reporting services providers (Regulations (EU) 2019/2175 and (EU) 2024/791), external reviewers of European Green Bonds (Regulation (EU) 2023/2631) and environmental, social and governance (ESG) rating providers (Regulation (EU) 2024/3005).

The first two roles – of rule preparer and supervisor of supervisors – are similar for ESMA and its two peers, the EBA and EIOPA. The third role – direct supervisor – is more specific to ESMA, since neither EBA nor EIOPA have been granted any extensive direct supervisory authority⁵⁹. Since the focus here is supervision rather than regulation,

⁵⁸ There was only one as of end-2024, namely Euribor (Ophèle, 2024, page 10).

⁵⁹ To be precise, the EBA has been entrusted with the direct supervision of issuers of significant asset-referenced tokens and co-supervision of significant electronic money tokens under the Markets in Crypto-Assets Regulation (Regulation (EU) 2023/1114). The EBA, EIOPA and ESMA also share a role of 'oversight' of critical

the rest of this subsection is about ESMA's second and third roles⁶⁰.

The resulting division of labour between national and ESMA-led supervisory mandates is summarised in annex A, with ESMA's direct supervisory roles shown in italics. This division does not derive from any top-down planning, but rather from contingent circumstances and *ad-hoc* political bargaining. One major determinant is incumbency: ESMA has typically not been granted a lead role in segments over which national capital market supervisors have long-standing mandates, such as securities issuance, regulated investment products or post-trade infrastructure in the EU. Conversely, it has been politically easier to grant a role to ESMA in new segments, either because the supervised entities are a new breed (eg trade repositories) or because they used to be unsupervised (eg credit rating agencies).

Even this is not always true, however. For example, the Markets in Crypto-Assets Regulation (section 2.4) granted the supervision of crypto-asset exchanges, a new segment, to national authorities rather than to ESMA, plainly creating scope for harmful regulatory arbitrage given the highly geographically mobile nature of such entities⁶¹. For central counterparties, the current arrangement, by which systemically important CCPs are supervised by ESMA if they are established outside the EU but by the national authority of the place of registration if they

third-party providers (eg cloud service companies) under the Digital Operational Resilience Act (DORA, Regulation (EU) 2022/2554), for which they are to establish a joint oversight team.

60 On the first, Larosi re (2017, page 1) emphasised that the EBA, EIOPA and ESMA had *“been instrumental in achieving a single rule book for banks, insurance companies and market activities.”* This positive assessment is broadly in line with the point made in section 2.4.

61 See eg remarks by Marie-Anne Barbat-Layani, chair of France's market supervisor AMF, criticising the Markets in Crypto-Assets Regulation at the seminar ‘Towards an SEC in the European Union: unified supervision or a single supervisor?’ organised by Association Europe-Finances-R gulations in Paris, 21 January 2025, available at <https://www.aefr.eu/en/event/465/vers-une-sec-dans-l-union-europeenne-supervision-unifiee-ou-superviseur-unique> (ca. 1:31:55-1:33:30).

are inside, has ostensibly no basis other than political expediency.

It may be noted that the 2009 Larosière Report, while generally cautious about direct supranational supervision⁶², did suggest that ESMA should be entrusted with the *“licensing and supervision of specific EU-wide institutions (eg Credit Rating Agencies, and post-trading infrastructures)”* while immediately adding: *“National supervisory authorities should continue to be fully responsible for the day-to-day supervision of firms”* (European Commission, 2009, Recommendation 22). A decade and a half later, the suggestion has been implemented for credit rating agencies (for which ESMA has been designated upfront as fully responsible, with not even a residual *“day-to-day”* role for national authorities as the Larosière Report suggested), but not as yet for any post-trading infrastructures inside the EU, no matter how systemically relevant.

In 2017, in the preparation of the ESAs Review (Box 3), the European Commission assessed ESMA’s governance framework together with those of EBA and EIOPA⁶³. It concluded that it *“leads to a misalignment of incentives between the EU and national levels within decision-making processes; [...] the incentive structure in the decision-making process leads to a lack of decisions in particular in the area of regulatory convergence and supervisory convergence, or decisions that are overly oriented towards national instead of broader EU interests [...] the current governance set-up has proven not to be the most effective in terms of allowing the ESAs [including ESMA] to fully achieve their objectives by*

62 Notably, the Larosière Group explicitly recommended against banking supervisory integration (Véron, 2024b, page 131). That recommendation, of course, was superseded in mid-2012 by the decision to create the Single Supervisory Mechanism.

63 That document appears to be the closest available source in the public domain to a comprehensive external assessment of ESMA in its supervisory role, even though it does not qualify as an independent evaluation. In 2015, the European Court of Auditors conducted a specific evaluation of ESMA supervision of credit rating agencies (ECA, 2015), which was generally positive but came too early in the sequence of build-up of ESMA’s capabilities to retain general relevance now.

using their power in the area of supervisory convergence” (European Commission, 2017, pages 9, 17 and 52).

Another section of the same document added that the governance setup *“allows for conflicts of interests that are likely to produce an inaction bias, and prevent the ESAs from acting in the interest of the EU as a whole”* (European Commission, 2017, page 160). ESMA’s governance framework, which has not fundamentally changed since that assessment was written, is centred on a Board of Supervisors formed by the heads of national authorities and a chair chosen by them. This is intrinsically conducive to quasi-diplomatic bargain-making, as opposed to risk-based supervisory approaches, irrespective of the quality of individuals involved and of staff work.

In short, ESMA’s current governance may be appropriate for its role as rule preparer but is not suitable for its supervisory duties. A recognition of this reality was implicit in the choice made in 2019 to create the separate CCP Supervisory Committee within ESMA, though without resolving the problem in other areas and at the price of added organisational complexity.

Specifically, on ESMA’s role as supervisor of supervisors, the evidence is decidedly mixed after more than a decade of practice – or even 24 years of practice, if the experience of the Lamfalussy-era CESR is included. Undoubtedly, it is likely that ESMA has offered value to individual national supervisors as it has provided them with opportunities for benchmarking and information about peers’ practices. Even though ESMA has not made formal use so far of some of its more binding instruments, eg determinations of breach of EU law, it may have used the possibility of them as leverage to foster improvements in national supervisory practices through processes that are intrinsically unobservable in the public domain. Conversely, market participants and observers report similar concerns about cross-border inconsistencies in national supervisors’ practices as they did at the time ESMA was created, and the occasional evidence of national supervisory dysfunction points in a similar direction.

French supervisory veteran Robert Ophèle has asserted starkly that *“supervisory convergence does not work”*⁶⁴. In a separate area, the creation of AMLA in 2021-2024 was an explicit recognition by the EU that, in AML matters at least, the supervisor-of-supervisors concept failed to deliver the desired outcomes⁶⁵.

On a related note, ESMA was described from the outset as *“overburdened and under-resourced”*⁶⁶. A 2013 International Monetary Fund report noted about the three ESAs, including ESMA: *“it is evident that their budgetary positions and scope to manage their resources are so constrained that their ability to carry out important parts of their mandates is compromised”* (IMF, 2013, page 12). The European Commission (2017, page 9) concurred that the funding framework *“is not ensuring sufficiency in relation to the tasks allocated to the ESAs”*.

ESMA lacks critical mass, similarly to national capital market supervisors as described in section 3.1. It had 343 employees at the end of 2023 and operating expenses that year of €71.7 million, to be compared with about 5,000 staff and \$2.4 billion expenditures at the SEC⁶⁷ before ongoing staff cuts.

64 Speech as delivered and transcribed by the author with authorisation from the speaker, joint seminar of the Centre for European Policy Studies, European Capital Markets Institute and Association Europe-Finances-Régulations, Brussels, 14 May 2025. The slightly modified version published by Ophèle (2025) shortly afterwards reworded the statement as *“convergence of supervision between national competent authorities is not meeting the challenge”*.

65 As mentioned above, after a series of public cases of AML dysfunction in multiple EU member states, the European Commission initially (September 2018) proposed legislation that reinforced the EBA's supervisor-of-supervisors role in AML matters. But it subsequently changed course, and in June 2021 proposed the creation of AMLA, eventually enacted in 2024.

66 Joe Rennison, ‘Esma: overburdened and under-resourced?’ *Risk.net*, 2 March 2012, <https://www.risk.net/derivatives/structured-products/2152316/esma-overburdened-and-under-resourced>.

67 In addition, the CFTC has around 700 staff and \$440 million in cost of operations; FINRA has around 4,200 staff and \$1.3 billion in revenue, of which more than half for its regulatory activities; and the PCAOB has around 900 staff and \$330 million in

Given its limited resources and responsibilities, ESMA must struggle to invest in skills and systems, including in fast-developing technological fields and data analysis. It has also been portrayed repeatedly, though typically in non-public forums, as lacking sufficient in-depth understanding of market practices and realities – even though such arguments, when made by market participants, may occasionally entail some self-interested pleading.

In audit supervision, ESMA's counterpart is the Committee of European Auditing Oversight Bodies (CEAOB), which was established in 2016 and replaced an earlier European Group of Auditors Oversight Bodies, created in 2005. Like CESR before ESMA's establishment, the CEOB is an advisory entity with no legal authority of its own. CEOB is chaired by the head of one of the national audit supervisors, chosen by their peers. Unlike CESR in 2001-2010, it has no legal personality and no permanent staff of its own; the European Commission's Directorate-General for Financial Services manages the CEOB secretariat.

Box 4: The case of market infrastructures

CCPs and CSDs represent special cases because of the overlap between their supervision by capital market supervisors and their connection with central banks and the related payments infrastructure. Central banks are directly in charge of CCP supervision in some countries: France, Hungary, Italy and the Netherlands (annex E). The ECB has claimed a role as well but has not been granted one by EU legislation so far (Coeuré, 2019), other than being a member of ESMA's CCP Supervisory Committee. The ECB participates in the latter together with its peers in the above-mentioned countries plus Denmark, Poland and Sweden as central banks of issue for CCPs in

operating expenses (source: annual reports). By way of comparison, the aggregate capital market supervisory headcount among national authorities in the EU can be roughly estimated at a few thousand. A more precise estimate is not easy to produce from publicly available sources, given the differences in national supervisory structures (Table 1).

non-euro-area countries (annex G).

Furthermore, the European Market Infrastructure Regulation (EMIR) of 2012 mandated the establishment of a supervisory college for each CCP, thus both strengthening coordination and adding complexity⁶⁸. These colleges have no legally binding decision-making authority of their own, and their value added in the supervisory process has been questioned. According to Noyer (2024, page 68), *“the EMIR colleges have not become supervisory tools, but rather chambers recording the decisions made by the national competent authority and, at best – but highly variable from one clearing house to the next – mechanisms for the exchange of information”*. Subsequent legislation enacted in 2024 and known as EMIR3 (Regulation (EU) 2024/2987) has modified the colleges’ governance by adding ESMA as co-chair, whereas they were previously chaired only by the relevant national supervisor (eg BaFin for Eurex Clearing AG). EMIR3 also established a so-called Joint Monitoring Mechanism, which is chaired by ESMA and includes representatives of EBA, EIOPA, the European Systemic Risk Board, the ECB and other relevant non-euro central banks of issue, plus national capital market supervisors and the European Commission as observers. That new body had its first meeting on 29 April 2025⁶⁹.

As for CSDs, their settlement function makes them tightly connected with the payment infrastructure overseen and partly operated by central banks⁷⁰. The national central bank supervises CSDs instead of the national

68 For example, the college for Eurex Clearing AG brings together the ECB and the national central banks of Belgium, France (via prudential supervisor ACPR), Germany, Ireland, Italy and the Netherlands, plus the separate capital market supervisors of Belgium (FSMA), France (AMF), Italy (CONSOB), Luxembourg (CSSF), the Netherlands (AFM), Spain (CNMV), a member of ESMA’s CCP Supervisory Committee and finally the Ministry of Economic Affairs of the Land of Hesse (source: BaFin, at https://www.bafin.de/EN/Aufsicht/BoersenMaerkte/Derivate/CCP/CCP_Aufsichtskollegien_node_en.html).

69 Source: ESMA at <https://x.com/ESMAComms/status/1917228576190947543>.

70 Noyer (2024, page 76) noted tersely that *“national central banks remain committed to controlling their national CSD”*. As mentioned above, Ireland and the Baltic countries are exceptions.

capital market supervisor in Belgium, and jointly with it in Italy. In addition, central banks operate CSDs of their own (for government securities) in Belgium, Bulgaria, Czechia, Greece, Poland and Romania (annex F). There are also supervisory colleges for CSDs, but according to Noyer (2024, page 61) “*their role is limited to information sharing*”. Murphy (2024, page 17) added that the supervisory colleges for EU-based CCPs and CSDs generate “*burdensome, multiplicative compliance costs*”. Separately, most but not all EU CSDs participate in TARGET2-Securities (T2S), a service operated by the Eurosystem that is not itself a CSD but allows for securities settlement directly in central bank currency⁷¹.

A particular EU quirk is that, unlike in the United States and in several other jurisdictions, several key CCPs and CSDs in the EU have banking licenses and are thus also supervised as banks, some of them for mere historical reasons⁷². In the banking union area, examples of this include the two international CSDs, Clearstream Banking SA (in Luxembourg) and Euroclear Bank (in Belgium), two of the largest EU-based CCPs, Eurex Clearing AG (in Frankfurt) and LCH SA (formally Banque Centrale de Compensation, in Paris) and one national CSD, Clearstream Banking AG in Germany. Additional entities under European banking supervision include Clearstream Fund Centre SA, a Luxembourg entity that offers fund distribution services, and four holding companies: Clearstream Holding AG in Germany, Clearstream Fund Centre Holding SA in Luxembourg, Euroclear Holding SA/NV and Euroclear SA/NV in Belgium⁷³. In total, these are ten

71 The outliers are Clearstream Banking SA and the Cyprus Stock Exchange Central Depository Central Registry, CSD Prague, the Hellenic Central Securities (ATHEXCSD), KDPW in Poland and Euroclear Sweden. Noyer (2024, page 78) argued that the use of T2S has not met its intended objectives. AFME (2024) provided an assessment of T2S from the financial industry’s perspective.

72 Some important EU CCPs, by contrast, have no banking license, eg Cboe Clear Europe NV in the Netherlands; see annex E.

73 Source: list of all entities under European banking supervision, regularly updated on the ECB website at <https://www.bankingsupervision.europa.eu/framework/supervised-banks/html/index.en.html> and consulted in April 2025 (cutoff date at 1 March 2025).

market infrastructure entities under European banking supervision, of which six belong to the Deutsche Börse group (which owns both Eurex and Clearstream), three to the Euroclear group and one to the London Stock Exchange Group (which owns LCH).

The corresponding banking supervisory tasks are all exercised at national level. All ten above-listed entities have been designated as ‘less significant institutions’, a feature of European banking supervision that implies no direct supervision by the ECB (which however retains supervisory oversight). Five of them actually meet the criteria for direct ECB supervision, but the ECB has specifically exempted them⁷⁴.

The IMF has recommended that Clearstream Banking SA be supervised directly by the ECB as a significant institution (IMF, 2024, page 18). As for CCPs, the ECB has decided to lift a prior requirement for a specific decision by its Governing Council before granting them crisis-related liquidity⁷⁵. This clarification puts into question whether being recognised as a bank brings CCPs any residual benefits; it could lead to the corresponding banking licenses being phased out altogether in the future.

74 The ECB does not appear to have explained publicly the reasons for the exemption of the five entities, namely Eurex Clearing AG, Euroclear Bank, Euroclear Holding SA/NV, Euroclear SA/NV and LCH SA. Article 70 of the ECB’s Single Supervisory Mechanism Framework Regulation of 16 April 2014 (available at <https://eur-lex.europa.eu/eli/reg/2014/468/oj/eng>) states: “Particular circumstances [...] exist where there are specific and factual circumstances that make the classification of a supervised entity as significant inappropriate, taking into account the objectives and principles of the S[ingle] S[upervisory] M[echanism] Regulation and, in particular, the need to ensure the consistent application of high supervisory standards. The term ‘particular circumstances’ shall be strictly interpreted”. Of note is that LCH SA has total assets above €750 billion (end-2023 financial statements available at https://www.lseg.com/content/dam/post-trade/en_us/documents/lch/annual-reports/lch-sa-2023-financial-statements.pdf), more than 25 times the threshold for significant-institution determination set at €30 billion. Eurex Clearing AG would presumably also have large total assets if reported under International Financial Reporting Standards.

75 ECB press release of 30 April 2025, ‘ECB introduces changes to the dedicated credit facility for euro area CCPs’, https://www.ecb.europa.eu/press/pr/date/2025/html/ecb.pr250430_1-dbf08259e.en.html.

Among market infrastructures other than CCPs and CSDs, there is no central bank role in the supervision of either trading venues, including stock exchanges, or trade repositories, except of course in those countries where the national central bank is also the capital market supervisor.

4 A modified halfway house or a single multicentric ESMA

Chapters 2 and 3 of this volume have, respectively, made the general case for supervisory integration and described the unsatisfactory supervisory *status quo* in the EU. This chapter explores further how supervisory integration might best be achieved, and the related trade-offs. It appears natural to aim at a system that will deliver at least the same effectiveness as the *status quo* in supervising individual entities and activities, while simultaneously bringing improvements in terms of market integration, level playing field and removal of opportunities for harmful supervisory arbitrage.

For that, it is advisable to work backwards from the desired steady state, as opposed to thinking primarily in terms of incremental change (section 4.1). Giving ESMA further responsibilities on an *ad hoc* basis without prior reform would risk making some of the current problems worse, not better. To design that steady state, the proofs of concept that have successfully emerged in other areas of EU financial supervision provide inspiration, but not a ready-made template that could be directly transposed to capital markets (section 4.2).

With that in mind, options are explored for the reform of ESMA, both in terms of its governance and funding (section 4.3) and of its internal organisation and connectivity with stakeholders in the EU's multiple financial centres (section 4.4). The prospect of ESMA adopting a 'multicentric' structure, with national offices beyond its current Parisian location, in turn, raises the question of overlap with today's national capital market supervisors (section 4.5). Section 4.6 concludes by comparing the respective merits of *ad hoc* and planned approaches to supervisory integration, the latter being equated with the multicentric

ESMA proposal. On multiple grounds, that proposal appears superior to the incrementalist alternatives.

4.1 *Ad hoc* versus planned approaches

EU policymakers might take an incremental *ad-hoc* approach to supervisory integration, transferring tasks on a one-by-one basis from national authorities to an existing European body without changing the functioning of either the European body or the national authorities. Or they might take a more planned approach, identifying a desirable target setup and planning the transition from here to there.

In the case of capital market supervisory integration, the European body of reference, ESMA, was not originally designed to supervise individual entities directly. As discussed in section 3.2, ESMA's governance is not well suited for supervisory duties. As a consequence, an approach of incremental centralisation in which ESMA gains additional responsibilities without prior institutional reform might lead to suboptimal outcomes, possibly including the deterioration of supervisory effectiveness over certain entities or activities.

As noted above, one indication of that suboptimality was the choice to create a separate governance set-up when transferring to ESMA some supervisory and resolution duties over CCPs (Box 3). If each significant transfer of authority results in a similar governance add-on, the complexity could rapidly become unmanageable.

Ad-hoc incrementalism could also generate challenges for the national authorities from which supervisory mandates and tasks might be gradually transferred to ESMA. The observed imbalance of skills, knowledge and experience among national capital market supervisors could worsen rather than improve, making it increasingly difficult for these national authorities to effectively carry out their remaining mandates. In such a scenario of incremental buildup of ESMA's authority without prior governance overhaul, the dynamic of 'hollowing out' of national capital market supervisors could also render them increasingly unable to play effective roles in the governance of

ESMA, since they would have less and less knowledge and experience of the issues on which ESMA needs to make decisions. That could make ESMA's decision-making process increasingly ineffective.

Another challenge of *ad-hoc* centralisation lies in the division of labour to be adopted between ESMA and the national supervisors within individual supervisory mandates. For several segments, it is likely that ESMA would directly supervise the most significant entities, while the other supervised entities would be kept under national supervision (as is currently the case, for example, for benchmark administrators or data reporting services providers, though not for credit rating agencies or trade or securitisation repositories; see section 3.2). For that, there would be a need to trace a workable boundary, eg a size threshold, between the respective remits. But in practice, it will be difficult to achieve that without generating competitive distortions or opportunities for harmful supervisory arbitrage. Ophèle (2024, page 31) thus concluded his in-depth attempt to specify such boundaries that *“single [EU capital market] supervision is possible and desirable, but it is hard to slice up”* between the respective remits of ESMA and national supervisors.

Of note is that quantitative significance thresholds that are commonplace in prudential supervision, such as the main boundary between significant and less-significant institutions under European banking supervision (set in EU law at €30 billion in total assets), have less general relevance in the conduct-of-business mandates that are dominant in capital market supervision. In the latter, even comparatively small entities can have a large impact, as was illustrated for example by the Madoff investment scandal in late 2008: Bernie Madoff's fraud had a devastating effect even though his funds were not very large⁷⁶. In the case of AML supervision, the legislation defines the

76 Adam Hayes, 'Bernie Madoff: Who He Was and How His Ponzi Scheme Worked', *Investopedia*, 23 June 2024, <https://www.investopedia.com/terms/b/bernard-madoff.asp>.

division of labour between direct supervision by AMLA and by national authorities on the basis of a risk assessment to be made by AMLA rather than a quantitative metric, except for a limited number of large banks, which are presumed to be of EU significance on mere grounds of size (it remains of course to be seen how that principle will work in practice). It is far from obvious that a similar risk-assessment-based approach could be beneficially adopted for most segments of capital market supervision.

4.2 No directly applicable template from previous supervisory integration experiences

The project of capital market supervisory integration in the EU is supported by the existence and incipient success of proofs of concept in adjacent areas of financial supervision, particularly micro-prudential banking supervision in force since 2014 and AML supervision currently being built up (see section 2.3). These precedents could inspire holistic reform, as has been recommended by, for example, Draghi (2024, page 65). It is not clear, however, that any of the precedents could provide the right template for an integrated supervisory mechanism in capital markets.

The reason for that is geographical concentration, which is naturally greater in capital markets (albeit inevitably more so in some segments than others) than in other European policy areas for which a working division of labour has been defined between the national and European levels. In banking and AML supervision, there are tasks to be implemented in each and every EU country. The same is true in other policy areas, such as competition policy enforcement and monetary policy⁷⁷. Every European country has banks, faces potential AML and competition challenges and uses money. This lends viability to the respective structures of the Governing Council and Supervisory Board

⁷⁷ There are further examples in other areas of EU policy, but the ones mentioned here are the most relevant as far as the author is aware.

of the ECB, of the General Board of AMLA and of competition policy bodies such as the European Competition Network and the EU Merger Working Group, all of which include representatives of each member state's relevant national authorities.

All these arrangements are variations of a 'hub-and-spoke' structure in which a central European authority coexists with national ones; the central authority is accountable to EU institutions, whereas each national authority is accountable to the national political system, eg its leadership is appointed by national political institutions. In line with the EU treaty-embedded principles of subsidiarity and proportionality, some tasks are left to national authorities while others are reserved for the European level.

Capital market activities, by contrast, tend to naturally cluster in one or a few financial centres. In many capital-market segments among those listed in annex A, current activity is overwhelmingly located in no more than a handful of member states. Such concentration would be likely more pronounced if a genuine single market were to be achieved, even if – as appears likely – the EU were to retain multiple financial centres, possibly with increasing division of labour between them⁷⁸.

In other words, the existence of market segments in which there is no activity whatsoever in several member states can safely be assumed to persist in the future. In countries where there is no activity in one market segment, national supervisors have no practical experience of what that market segment is about and how to effectively supervise it. For many of the market segments listed in annex A, this is the case in a majority of EU countries. This makes it increasingly hazardous to maintain the power of these national authorities in the governance of

78 It is notoriously difficult to predict how such clustering may play out, especially over a mid-to-long-term horizon. A magnificent illustration was provided by financial historian Charles Kindleberger, who a half century ago wrote one of the most comprehensive essays on the development of financial centres in Europe, only to conclude: "*I predict, very tentatively, that Brussels will emerge as the financial center of the European Economic Community*" (Kindleberger, 1974, page 71).

the Europe-wide system and to simultaneously maintain (let alone improve) that system's effectiveness. Adding to the challenge, the system should not create distortions among competing financial centres (and the member states in which they are located), a feature hereafter referred to as 'location neutrality'. Location neutrality is desirable on the basis of economic efficiency but also for political reasons, since any reform that would be perceived as departing from that principle would be unlikely to be adopted.

Another difference between capital market supervision and other cases of supervisory integration is the interdependence between different capital market segments and corresponding supervisory mandates. The mandates in European banking supervision, of AMLA, or for that matter of the Single Resolution Board, are quite narrowly defined: respectively, the banking license and related prudential supervision, AML-CFT programme compliance and the bank resolution process. By contrast, capital market supervision encompasses many different responsibilities, as sketched in annex A. These cannot be easily separated from each other.

For example, the supervision of parties to derivatives transactions, of derivative CCPs and of trade repositories interlock in multiple ways, as do the enforcement of financial disclosure requirements and supervision of auditors. They should therefore be envisaged as a bundle of mandates best managed by a single supervisory system with very robust governance, without which the complexity can quickly get out of control – as already illustrated with ESMA's CCP Supervisory and Resolution Committees, as described above.

In sum, general principles including subsidiarity, proportionality, location neutrality and specialisation are arguably aligned with the division of labour that has been adopted between the national and European levels in monetary policy, banking supervision, AML supervision and competition policy enforcement. But they do not apply the same way to capital market supervision, particularly given the much greater degree of geographical concentration.

More imagination is needed, with a high likelihood that superior options may have to be unprecedented in at least some of their features. The following sections explore the corresponding choices in terms of ESMA's autonomy from national capital market supervisors, its connectivity with national market participants and practices, and the lingering role for national authorities.

4.3 ESMA's governance and funding

As has been emphasised (section 3.2), the fact that ESMA is essentially governed by the national capital market supervisory authorities impairs its ability to effectively fulfil its supervisory roles, both as a supervisor of supervisors and as a direct supervisor. Not only do the national authorities hold 27 of the 28 votes on the ESMA Board of Supervisors, they also shortlist candidates for the Chair who holds the twenty-eighth vote, and for ESMA's Executive Director. As the assessment prepared for the ESAs Review of 2017 put it somewhat diplomatically, the national representatives on the Board of Supervisors *"have to combine their mandate within [ESMA] with their national mandate as heads of national competent authorities. As a result of this double mandate they may have conflicting interests, notably as regards decisions that may affect their national competent authority and/or market"*. It added that the *"appointment procedure of the Chairperson makes him/her dependent on the Board of Supervisors"* (European Commission, 2017, pages 45-47).

Many of these national capital market supervisors have little if any experience of many of the relevant supervisory mandates, which, as mentioned (section 4.2), is a major difference compared to the respective setups of both the Governing Council and the Supervisory Board of the ECB. In addition, all national representatives in the ECB Governing Council and a majority (14 out of 21) in the Supervisory Board are from central banks, whose independence from national politics is protected by the European treaties. By contrast, only six of the 27 national capital market supervisors in the EU are central banks, and

the lack of independence of some of the other national authorities is well documented⁷⁹.

There is thus a strong case for ensuring that ESMA, in its supervisory capacity, is governed by a more compact body of full-time officials selected through a genuinely European process, as opposed to co-opted by national representatives. There is precedent for such a setup: it is, with variations, that of both the Single Resolution Board and the AMLA Executive Board⁸⁰. Similarly, a remodelled ESMA could be governed by a compact board of experienced individuals selected at the European level.

ESMA's funding should be adapted to match its supervisory duties. It is good practice for supervisors to be financed by a levy on supervised entities, obviously under appropriate scrutiny by the legislature to address the (generally fairly remote) risk of abusive levying. Funding from an industry-based levy would reinforce ESMA's independence and, in line with the argument developed above, ESMA's reliance on national budgetary contributions should be correspondingly phased out (possible transitional arrangements are discussed in section 5.2). The EU budget should continue to finance the costs associated with ESMA's role as rule preparer.

79 For example, Kaufhold *et al* (2021, page 2) observed: “*Since BaFin is controlled by and accountable vis-à-vis the Federal Ministry of Finance in legal and in substantive matters [...] major decisions in BaFin’s supervisory process either need prior ministerial approval or can be altered by the Ministry retrospectively*”. The same authors (page 26) added that the “*direct oversight of the executive branch [over BaFin] is unique in international comparison*”, but independence lapses have been observed or alleged in other member states as well. See for example Martine Orange, ‘La France cède aux sirènes de la cryptomonnaie et accueille le sulfureux Binance à bras ouverts’, *Mediapart*, 10 June 2022, <https://www.mediapart.fr/journal/economie/100622/la-france-cede-aux-sirenes-de-la-cryptomonnaie-et-accueille-le-sulfureux-binance-bras-ouverts>. Following the ESAs review of 2019, ESMA produced a report on the independence of national capital market supervisors, which limited itself to a strictly descriptive approach (ESMA, 2021).

80 Another example is competition policy enforcement, for which the European Commission’s decisions are prepared by its Directorate-General for Competition. National competition authorities are not involved in the Commission’s own decision-making.

4.4 ESMA's geographical footprint

If ESMA's governance is made less dependent on national authorities, and especially if its scope of direct supervision is expanded, the question arises of how to avoid the pitfall of over-centralisation – the risk that ESMA would become too remote from most market participants to make sound supervisory decisions about them. Compared with a single country, the risk is not so much geographical distance (after all, the SEC is not headquartered in New York, even though it has an office there) as it is a lack of awareness of the great diversity of practices and framework conditions across EU member states, a reality that is unlikely to change even assuming maximum supervisory integration (see section 2.5). Having all the staff in one place also makes it harder to meet the criterion of location neutrality.

There is a solution to square that circle, even though it has no direct precedent among EU agencies: EU legislation could enable ESMA to open offices of its own in the member states⁸¹. That would bring it, in the words of a former European supranational supervisor, the “*best of both worlds*”⁸², namely local knowledge and connectivity without the special-interest bias associated with existing national supervisors,

81 Intriguingly, the European Commission's ESAs Review report had already mentioned that option: the ESAs “*could be organised as strictly central units or partially decentralised with offices or branches in all Member States either serving as contact points for (retail) investors and potential complainants as well as the supervised entities, or (partially) performing the supervision on the spot*”. It went on, however, to dismiss the option summarily and unconvincingly. First, the report emphasised the pitfalls of over-centralisation without discussing how the national offices could mitigate or offset them; then it warned against “*risks of losses of efficiency if tasks were first centralised but had then to be delegated back to local offices*”, without noting the even greater coordination costs while the tasks remain in the hands of autonomous national authorities (European Commission, 2017, pages 41-43).

82 That expression was often used by Danièle Nouy, the first chair of the ECB's supervisory board, with reference to the different design adopted for European banking supervision. See for example ‘Interview with *Philelefttheros*’, 25 August 2014, available at <https://www.bde.es/f/webbde/GAP/Secciones/SalaPrensa/InformacionInteres/MUS/Aspectos-organizativos/Arc/Fic/20140825-interview-nouy.pdf>.

since the national offices would be part of ESMA's unitary structure and would remain wholly accountable to ESMA's leadership, with no role for the respective national governments in their governance or operations.

The idea of national ESMA offices made inroads into the EU debate during 2024. A joint statement from the French and German councils of economic experts recommended: *"A multi-location organisational concept would bring ESMA closer to market participants while reaping the benefits of supervisory integration. It would also help mitigate worries that a stronger ESMA would mechanically result in the one-sided favouring of Paris as a wholesale financial centre. With the expansion of its supervisory scope, ESMA may need to open offices in major centres of market-related activity, including Amsterdam, Brussels, Dublin, Frankfurt, Luxembourg, Milan, Madrid, Stockholm, Vienna, and Warsaw, and perhaps more"* (Landais, Schnitzer *et al*, 2024).

In an address in November 2024 echoing her landmark *"European SEC"* speech a year earlier, the ECB President suggested that a *"European SEC [...] could be organised as a network of offices in the Member States"* (Lagarde, 2024). A veteran of French and European banking supervision further endorsed the idea, noting: *"If [ESMA offices] replace the current national authorities, it will, of course, radically simplify interactions, as they will be internalised in a unique European body which would have ample room for manoeuvre to shape the interaction between the centre and the offices. Indeed, in one stroke it will remove all the limitations linked to institutional diversity"* (Fernandez-Bollo, 2025, page 16).

Furthermore, the role of national ESMA offices may not be limited to local intelligence and liaison with local stakeholders. Given the multiplicity of capital market supervisory mandates (annex A), it is conceivable that a lead role on some of them could be allocated to teams located in one of the national offices that would be designated as such (hereafter 'mandate hub')⁸³. For example, the supervision of

83 A similar arrangement has been introduced in the more decentralised context of

credit rating agencies could be led from one office, that of CCPs from another. That setup might also help ESMA's management team to better internalise the diversity of EU contexts, though without the kind of conflicts of interests inherent in its current structural reliance on national authorities.

The added organisational complexity of having national offices with certain EU-wide mandates within the reformed ESMA would be manageable, since it would only be about having 'central' functions in multiple geographical locations but without a separate governance framework (unlike, say, ESMA's current CCP Supervisory Committee). Such arrangements are common practice in many multinational organisations. There would be considerable advantage in terms of overall efficiency and simplicity of the supervisory setup if the national authorities are fully phased out from capital market supervision after a transition period (see below). There would also be no identified legal obstacles. Even though all existing EU agencies are established in a single location, there is nothing in EU law that prevents them from having multiple locations if the legislation that establishes them so allows⁸⁴.

European banking supervision, albeit only on a small scale at this point. Following a new legislative mandate to monitor banks' securitisation practices, the ECB clarified: *"we formed a new SSM hub on securitisation which became operational on 1 April this year. The hub is a new form of collaboration between the ECB and the national competent authorities (NCAs). The hub is led by staff from a "coordinating NCA," with staff from volunteering NCAs and additional ECB staff operating as a "Joint Team." This allows us to pool resources and be more effective in our supervision of the requirements for risk retention, transparency and resecuritisation"* (McCaul, 2022).

84 As of October 2020, the European Commission itself (not including EU agencies such as ESMA) had 76 percent of its 28,638 EU-located staff in Brussels, 13 percent in Luxembourg and 11 percent mostly in the Joint Research Centre facilities in Germany, Italy, the Netherlands and Spain, with the remainder scattered throughout small representative offices with no policymaking role. On the same date, 4,153 additional Commission staff worked outside the EU with the European External Action Service. See European Parliamentary Research Service, 'Location of Commission staff', 9 February 2021, https://epthinktank.eu/2021/02/09/european-commission-facts-and-figures-2/location_staff/.

The examples of the United States and China (the latter obviously to be considered with caution, given the radically different environment and general low quality of market discipline) further suggest that, in a very large jurisdiction, not all capital market supervisory mandates can be carried out from a single building or location. As outlined in Box 2, the SEC relies on FINRA and on the PCAOB, and it has a division of labour with the CFTC; in China the CSRC relies on multiple semi-autonomous affiliated bodies that perform supervisory roles, and also has a division of labour with the National Financial Regulatory Administration and with PBoC-affiliated entities such as the National Association of Financial Market Institutional Investors (Box 2).

The same kind of complementarities and specialisations could be achieved within a unitary ESMA, with fewer cross-agency coordination challenges than in either the US or China, through a well-designed division of labour between ESMA's head office and national offices. Suggestions of how that could be concretely arranged are set out in section 5.1.

4.5 Prospects for incumbent national supervisors

A situation in which ESMA's national offices would coexist permanently with national capital market supervisors would likely be duplicative and inefficient if it were to become permanent. It would run counter to the aspiration for efficiency and simplification, which was displayed prominently (not least in the campaign of the centre-right European People's Party) at the time of the June 2024 European Parliament elections and in their aftermath. Debates around the Draghi Report (2024; Box 1) have also placed considerable emphasis on the concern that EU regulations have become too burdensome and their weight on economic activity must be alleviated. Such concerns apply to financial services

policy alongside everything else⁸⁵.

At the same time, the idea of radical deregulation has gained little mainstream traction in the EU, unlike in the United States. The current consensus appears to be that a vigorous effort should be made to make the applicable framework less onerous for business while maintaining its policy benefits – in this case supervisory effectiveness.

With the current halfway house, in which ESMA coexists with very different national authorities, navigating the complexity of different public agencies with different terms of reference and cultures can be highly resource-consuming for market participants, particularly for smaller or mid-sized firms for which maintaining appropriate compliance and regulatory affairs teams is proportionally more burdensome. It also generates incentives to maintain EU market fragmentation, since those market participants would need to invest in creating a relationship with a new supervisor when they expand across an intra-EU border⁸⁶.

Thus, if efficiency is to be sought, in terms both of supervisory costs and reduction of the complexity faced by market participants, as well as further market integration, a natural corollary of a multicentric ESMA would be the phasing out of national capital market authorities, since their roles could be entirely taken over by ESMA without loss of local knowledge or connectivity⁸⁷.

85 Ursula von der Leyen, 'Mission letter to Maria Luís Albuquerque, Commissioner-designate for Financial Services and the Savings and Investments Union,' 17 September 2024, https://commission.europa.eu/document/download/ac06a896-2645-4857-9958-467d2ce6f221_en.

86 In some market segments, the relevant EU legislation has introduced so-called passporting rights to mitigate that fragmentation effect. Even in such cases, however, national authorities often find ways to add local requirements that make the passport less of a reality in practice than in theory. The details vary across capital market segments and countries.

87 In such a framework, the multicentric ESMA could also prove a superior design to that of European banking supervision in terms of minimisation of supervisory costs and greater efficiency.

What that means in practice would depend on the existing arrangement in each member state (see Table 1). In the seven EU countries that have retained a separate securities commission, this could mean closing it down after the end of the transition to full ESMA empowerment. Similarly, assuming audit supervision is included among ESMA's responsibilities (as appears advisable on multiple grounds⁸⁸), stand-alone national audit supervisors (as exist in 14 EU countries; annex C) could be phased out as well⁸⁹. Government departments that perform capital market supervisory roles, eg finance departments of German *Länder* that supervise local stock exchanges (section 2.1), could be relieved of those duties. In various other cases, cross-sectoral supervisors would retain their roles, other than those related to capital markets or audit supervision, the latter being transferred to ESMA.

Overall, the result could be a notable streamlining of the financial supervisory landscape in the EU, as tentatively mapped in annex H. Of 73 national or subnational financial authorities (other than national central banks) identified in that list, 21 would be unaffected by the reform (eg authorities with no capital market supervisory role), 14 would be relieved of some but far from all of their duties (eg cross-sectoral supervisors), 17 could cease to be financial authorities while retaining their other roles (eg government departments hosting a

88 These include: the synergies between audit supervision and other capital market supervisory mandates such as accounting enforcement, the increasing interpenetration between traditional financial disclosure and other (eg sustainability-related) disclosure requirements, and the overall simplification that the inclusion of audit supervision into the scope of a reformed ESMA would deliver. Of note is that the creation of the PCAOB in the US as a separate entity from the SEC, by the Sarbanes-Oxley Act of 2002, was primarily motivated by considerations of talent attraction and retention, which would not play out in a comparable manner in the EU context.

89 This assumes all these audit supervisory bodies' duties are to implement and enforce applicable EU law, an assumption that could not be fully checked in the context of the writing of this Blueprint. It may be the case that some of them should be maintained for strictly national policy purposes.

financial supervisory office), and 21 could be phased out altogether (eg securities commissions or stand-alone audit supervisors). At the end of the transition period, the number of such financial authorities could thus be brought down from 73 to just 35, a reduction of more than half. There would be added complexity in the meantime during the transition period (section 5.2), then significantly greater simplicity once the transition is over.

Arguably even more important than institutional streamlining, the unification of EU capital market supervision within a reformed ESMA would have indirect and generally positive impacts on the legislative process by allowing for greater harmonisation – since EU legislators would no longer have to take national supervisory quirks into account (section 2.4) – and greater simplicity. The reason would be that EU legislators, with awareness of the varying conditions for implementation of EU initiatives by national supervisors, tend to try to bind them as much as possible with prescriptive details in the legislation itself.

As observed by Ophèle (2019): *“When you can’t rely on a single supervisor you are inclined to foster harmonization by putting a lot of details in the primary legislation”*. If implementation is in the hands of a single supervisor, it is conceivable that EU legislation could evolve in a direction that would leave space for more flexible instruments such as the ‘no-action letters’ that are common practice in the United States⁹⁰.

90 No-action letters are written communications from US supervisors that clarify to a specific supervised entity that a specific set-up or behaviour will not trigger supervisory enforcement action. They can help to bring predictability and clarity to the supervisory environment without legislative change. On the face of it, the possibility of no-action letters by ESMA has been introduced in EU legislation enacted in 2019 (Lannoo, 2020, page 5), but the actual instrument is of much more limited scope than in the US, and it has not made a meaningful difference in practice (Noyer, 2024, page 66).

4.6 Conclusion: the case for going all the way

Table 2 summarises some of the features that would be most likely associated with *ad-hoc* centralisation and planned unification, respectively, the latter implementing a multicentric ESMA design.

Table 2: Comparison of options for capital market supervisory integration

	<i>Status quo</i>	<i>Ad-hoc</i> centralisation	Planned unification (steady state)
ESMA deci- sion-making board	Overwhelm- ingly national representatives	Mix of national representatives and EU ap- pointees	EU appointees
ESMA funding	(2023) EU budget 25.7% / national contributions 41.7% / levies on supervised entities 32.6%	Modified mix	Mostly levies on supervised entities; residual EU budget contribution
ESMA geographical footprint	Paris	Paris, possibly with national liaison offices	Seat in Paris, most staff presumably in national offices
Incumbent national capital market supervisors	Most supervisory tasks	Some tasks transferred to ESMA	Phased out

Source: Bruegel.

Compared with *ad-hoc* alternatives, the multicentric ESMA option would deliver greater consistency of supervisory practice, more capacity to eliminate supervisory arbitrage and to establish a level playing field, and greater potential for cross-border market integration (or defragmentation), thus allowing for better capital allocation and better funding of private-sector investment. After the end of an admittedly

complex transition (section 5.2), it would ensure much-improved simplicity of the supervisory landscape and, assuming the future ESMA is well-designed and well-managed, greater responsiveness to market developments than the current maze of committees and coordination mechanisms that ESMA depends on. It would embed location neutrality, or in other words, neither favourable nor unfavourable treatment of any of the competing financial centres in the EU.

It would also support the EU's international heft. It is plainly evident that, by allowing the EU to speak with one voice in international venues such as the International Organization of Securities Commissions or the Financial Stability Board, a multicentric ESMA would become a more influential participant in global capital market policy debates. Altogether, the balance of arguments tilts decisively in favour of a single, multicentric ESMA.

5 A blueprint for a single multicentric ESMA

To conclude, this chapter further outlines what a single, multicentric ESMA could look like in practice. It is emphatically no more than a preliminary sketch, mainly aiming at illustrating the arguments made in the previous chapters.

5.1 Steady state

The steady state would only be reached after a lengthy transition, say ten years including the initial legislative process – thus around late 2035, assuming an initial decision by political leaders in late 2025 or early 2026. ESMA would retain its name and would remain headquartered in Paris, but it would be a radically changed organisation from the ESMA of today, with very different features and incentives.

To start with, it would be much larger, plausibly somewhere between ten and twenty times its current size. While no precise calibration attempt is made here, its headcount would probably be several thousands, and its budget at least in the hundreds of millions of euros. In terms of aggregate cost and burden on supervised entities, this increase in ESMA's size would of course be at least partly offset by the savings made at national level⁹¹. Even with most of the

91 Depending on implementation details, the overall cost of a multicentric ESMA may be more or less than the cost of the present arrangements extrapolated to the end of the projected transition. On the one hand, given EU compensation practices, ESMA staff can be expected to receive generally higher individual remuneration than many of their national counterparts. On the other hand, the gains in efficiency and specialisation should result in cost savings. In any event, the corresponding amounts can be safely expected to be dwarfed by the expected economic impact in terms of market integration, so they should not be viewed as a binding constraint

expansion located in the national offices, the Paris headquarters would presumably employ significantly more staff than the whole of ESMA does currently.

In addition to that headquarters, ESMA would operate a national office in each EU member state, other than France. Based on existing arrangements, the locations of the national ESMA offices would likely be Frankfurt in Germany, possibly Milan in Italy and the national capital area in all other EU countries, including Amsterdam in the Netherlands⁹². For each of the mandates listed in annex A, and any additional mandates that may emerge in the meantime, ESMA would either designate one of its national offices as the ‘mandate hub’, as described in the previous chapter, or retain the hub role at headquarters in Paris. At least two-thirds of ESMA’s total staff could be expected to work in the national offices other than Paris⁹³. In each national office, there would be a mix of local nationals (some of whom would have moved to ESMA from the pre-transition national capital market supervisors) and staff from other EU countries. Career mobility between the national offices, and between them and headquarters, would be

on reform, even though of course optimal efficiency should be sought.

92 Since such choices are likely to be generally uncontentious and for the sake of flexibility, the enabling legislation might best leave them to ESMA’s discretion.

93 For comparative purposes, it may be noted that the SEC in 2013 had about two-thirds of its 4,138 employees at the head office in Washington DC, and one-third in the 11 regional offices it maintained at the time (SEC, 2014, page 2). In China, more than three-quarters of the China Securities Regulatory Commission’s (CSRC) 3,097 employees in 2015 worked in the regional branches, and the rest at the head office in Beijing (IMF, 2017, page 67). The author was able to find neither more recent public updates of these numbers, nor equivalent numbers for the CFTC (which as of early 2025 has three regional offices in Chicago, Kansas City and New York), FINRA (15 offices outside New York City) or the PCAOB (one office in New York). As of early 2025, the SEC’s website indicated a reduction of its regional network to 10 offices, respectively in Atlanta, Boston, Chicago, Denver, Fort Worth, Los Angeles, Miami, New York, Philadelphia and San Francisco. The IMF (2017, page 67) further noted that 25 percent of the staff at CSRC head office and 19 percent in the regional branches worked on enforcement at the time.

strongly encouraged.

ESMA would be governed by a compact Board of fewer than ten permanent members⁹⁴, designated by the EU authorities along similar lines as the Single Resolution Board members and AMLA Executive Board members are currently⁹⁵. Similarly to the way the ECB Governing Council relies on the Supervisory Board for matters of prudential banking supervision, the ESMA Board could rely on specialised internal expert bodies for some supervisory mandates, but would retain ultimate authority for all individual supervisory decisions⁹⁶. The Board would allocate at its discretion responsibilities, including any role as mandate hub, staff and resources, to the national ESMA offices.

ESMA would supervise all entities and activities in the capital markets remit, including auditors. All cases would go through one of four channels: (1) directly from the Paris head office, as is currently the case for credit rating agencies or trade repositories, for example, if no other national office has been designated as mandate hub; (2) directly from the national office designated as mandate hub for the relevant supervisory mandate; (3) by a team led from the head office or mandate

94 The Board of the Single Resolution Board has six members, of which five have a vote. AMLA's Executive Board has six voting members. Based on these and other existing practices in the EU and beyond, it appears sensible that the revised ESMA legislation should set the Board size at no fewer than five and no more than nine. No precise recommendation is made here within that range, however, nor is it specified in this tentative scheme whether and how Board members might be assigned individual portfolios. The legislation could grant ESMA flexibility on that latter count, as is the case with the SSM Regulation for ECB banking supervision.

95 The specific modalities vary, but the general principle is of initial proposals by the European Commission and subsequent vetting by the European Parliament and Council.

96 Specifically, the currently separate committees for CCP supervision and resolution would be replaced by ESMA's new cross-mandate governance. No position is taken here on whether ESMA or another European-level body should be designated as resolution authority for CCPs to replace the present national resolution mandate; that decision, alongside countless others, would be made in the course of the transition period.

hub (depending on mandates) and also including staff from other national office(s) in relevant member state(s), where the supervised entity/activity has operations; (4) entirely from one national office, eg for smaller retail-oriented firms with activities entirely in one country, under due oversight of the head office or mandate hub as applicable.

ESMA would be empowered to apply administrative sanctions as necessary, as is already the case within its scope of direct supervision. For cases of identified criminal behaviour, eg some cases of market manipulation, ESMA would liaise as necessary with the relevant national law enforcement authorities.

ESMA's rule-preparer role would remain largely unchanged from what it has been since 2011. For the preparation of draft technical standards, ESMA would consult a committee of national representatives from the relevant national government ministries, with the decision on the proposal being made by ESMA itself⁹⁷. In line with the *Meroni* doctrine, the ultimate decision on legally binding standards would belong to the European Commission, acting on the ESMA proposal, as is the case now.

ESMA's funding would come overwhelmingly from levies on supervised entities, set by its Board and scrutinised by the European Parliament and Council of the EU, similarly to the current funding of European banking supervision, the Single Resolution Board and AMLA. A residual share of the funding, corresponding to ESMA's non-supervisory duties – ie preparing proposals for technical standards – would come directly from the EU budget.

ESMA would be accountable to the European Parliament and

97 An evolution towards greater direct involvement of governments (as opposed to national capital market supervisors) in ESMA's rule-drafting was already recommended by Larosière (2017), who noted that, in many EU countries, capital market rulemaking is in the hands of the relevant government department, typically the finance ministry. Of course, the local knowledge that is currently brought by national supervisors into ESMA's rule-preparing work would be contributed directly by ESMA's own national offices in the new setup.

the Council of the EU. ESMA would also be responsive to invitations from national legislatures in the EU countries to provide evidence to committees and other panels, for which it would usually be represented by the head of the national ESMA office. Its framework of judicial review would be similar to that which already exists for European banking supervision.

5.2 Transitional arrangements

The transition from the present *status quo* to a one-stop-shop, multicentric ESMA would unquestionably be complex. That very complexity is a strong reason to set a firm target date for completion at the outset, thus mitigating the risk of the process getting bogged down at an intermediate stage. The transition should be kept as short as practically possible, while giving enough time to perform the multiple tasks needed, not least a significant wave of EU legislation to further harmonise the relevant supervisory mandates.

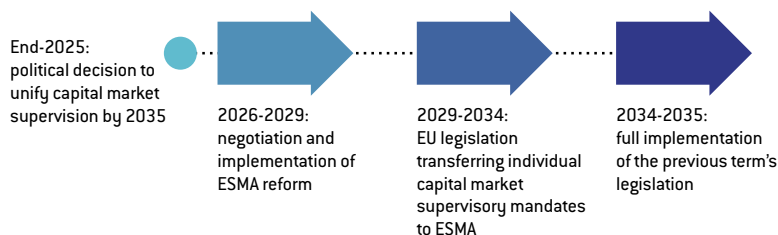
Putting first things first, the transition sequence should start with the decision of principle to move towards full supervisory integration. Given the political trade-offs involved, as argued above, the decision should be made by heads of state and government. This would not require highly detailed prior planning of all subsequent steps in the transition process. Leaders would only need reassurance that none of these subsequent steps would be so intractable to require their attention again. A decade-long transition (section 5.1) would provide the time needed for the work of detailed design, legislation and operational implementation.

The next step should be to overhaul ESMA's governance, making it a truly independent and effective organisation that would then drive the transition process, not least by maintaining public confidence that the promises of the multicentric ESMA design will be delivered. The corresponding legislation could realistically be negotiated, enacted and implemented well before 2029, when the current EU legislative term ends.

Once reformed, ESMA could begin to establish its national offices and participate in the preparation of the multiple rounds of EU

legislation needed to strengthen the single rulebook and organise the pooling at ESMA level of individual supervisory mandates as listed in annex A. This legislative work would mainly be done in the next legislative term (2029-2034). No recommendation is made here as to which mandates should be pooled first, or which last; that chronological sequence does not actually need to be determined before the decision of principle is taken to move towards a single multicentric ESMA.

Figure 3: Timeline for transfer of supervisory authority to ESMA



Source: Bruegel.

In the process, ESMA would also determine which national offices would take on a mandate hub role for which supervisory mandates, and would staff those offices accordingly. To repeat, this would not represent fragmentation of ESMA's authority, since the national offices would be part of ESMA's unitary structure and would be entirely independent from the respective national governments. It may be optimal to establish such mandate hubs only in a subset of national offices, say around half of them. To avoid potentially dysfunctional horse-trading, the enabling legislation should unambiguously entrust these allocation decisions to ESMA alone.

There is little doubt that several member states will take great interest in having a sizeable national ESMA office on their territory. ESMA's leadership will surely be aware of such aspirations while taking decisions about national office staffing and mandate hubs. The corresponding decision-making process will surely require deftness from ESMA. If skilfully managed, it offers the promise of greatly

facilitating the political acceptance of the overall transition process towards single EU capital market supervision, even if it may not leave every single participant fully satisfied.

A cooperative framework may be negotiated early on between ESMA and national capital market supervisors for the temporary secondment or permanent transfer of relevant local staff, though on the understanding that ESMA would be the sole decision-maker for individual hiring decisions and that each national ESMA office should employ a mix of local and non-local citizens. The eventual downsizing or phasing out of the affected national authorities would of course be left to national governments to plan and implement, as would be the possible reallocation of any lingering national supervisory mandates not covered by EU law and thus not taken over by ESMA. The timing thereof would naturally be set by each country, with due consideration of the EU scheduling of transfers of individual supervisory mandates to ESMA.

These transfers would be phased in, in several steps set by successive EU legislative acts throughout the transition period, one or several supervisory mandate(s) at a time. Along the way, several mandates could undergo further regulatory harmonisation and streamlining to form a genuine single rulebook.

During the transition, and on most mandates, there will inevitably be periods of temporary duplication, as national supervisors will still be in charge while ESMA is building up its capabilities. The extra expense involved would best be covered by the EU budget, since there is no reason for it to be borne by either supervised entities or national budgets. Careful planning will help to keep that extra cost as limited as possible.

If it all sounds daunting, one may recall that the transition to European banking supervision in 2012-2014, in which the time pressure was much more severe because of the crisis context, demonstrated the EU's ability to successfully manage such complex transformations (Véron, 2024b, pages 65-72). The creation of the ECB in the 1990s is of course another inspiring precedent.

Rather than technical practicality, of course, the bigger questions are about the political feasibility of this vision. Clearly, the conditions for transformative reform are more favourable than at the time of the ESAs Review in 2017 (Box 3). The latter was hampered by the fact that the euro-area crisis was still simmering, by the uncertainties of Brexit and by the European Commission's choice at the time to apply similar changes to the EBA and EIOPA, alongside ESMA. That choice led to a critical mass of obstruction by a coalition of member states with different motives. The recommendation made here, by contrast, is to concentrate the reform energy on ESMA and capital market supervision, while leaving the EBA and EIOPA untouched in the short run.

There is currently a sense of urgency about both single market integration and simplification (Letta, 2024; Draghi, 2024). This context, together with the relative political stability of the EU following a series of elections in 2024 and early 2025, offers a remarkable opportunity to make a single, multicentric ESMA a reality. EU leaders would be unwise to miss it.

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Annex A: Indicative taxonomy of capital market segments

Where ESMA has either an exclusive supervisory mandate or is the designated supervisor for the most significant entities, segments are shown in *italics*. For all other segments, the supervisory responsibility falls to the relevant national authority.

- Trading and market-making in securities
 - Retail financial products marketing
 - Crowdfunding for lending and investing
 - Crypto-assets
 - Securities financing transactions
 - Derivatives trading and reporting
 - *Trade repositories*
 - Short selling
 - Investment management & regulated investment products
-
- Money market funds
 - Undertakings for collective investment in transferable securities (UCITS)
 - Alternative investment fund managers (AIFM)
 - European long-term investment funds (ELTIF)
 - Packaged Retail and Insurance-based Investment Products (PRIIP)
 - European Venture Capital Funds (EuVECA)
 - European Social Entrepreneurship Funds (EuSEF)

- Trading platforms
 - Regulated markets
 - Multilateral trading facilities
 - Organised trading facilities

- EU central counterparties
- *Third-country central counterparties*
- Central securities depositories
- *Consolidated tape & market data providers*
- *Financial benchmarks*
- *Credit rating agencies*
- *Critical third-party (eg digital/cloud) services*
- Securitisation
- Issuance of (debt and equity) securities, post-issuance transparency
- Takeovers of listed firms
- Financial reporting by issuers
- Sustainability reporting by issuers
- Sustainability reporting by financial intermediaries
- *External review/rating of sustainable finance products*
- AML supervision of non-bank non-insurance financial firms (under AMLA oversight)
- Statutory audits and audit firms

Annex B: Chronology of national capital market supervisors in the EU

By alphabetical order of countries in a given year. Authorities that remain active are underlined; all others no longer exist.

- **1964 Belgium:** *Commission Bancaire*'s remit extended to corporate securities
- **1967 France:** *Commission des Opérations de Bourse* (COB) established
- **1969 Greece:** Επιτροπή Κεφαλαιαγοράς (Hellenic Capital Market Commission, HCMC) established
- **1974 Italy:** *Commissione Nazionale per le Società e la Borsa* (CONSOB) established
- **1988 Denmark:** *Finanstilsynet* established
Spain: *Comisión Nacional del Mercado de Valores* (CNMV) established
- **1989 Netherlands:** *Stichting Toezicht Effectenverkeer* (STE) established
- **1990 Luxembourg:** *Commissariat aux Bourses* established
- **1991 Poland:** *Komisja Papierów Wartościowych* (KPW) established
Portugal: *Comissão do Mercado de Valores Mobiliários* (CMVM) established
Sweden: *Finansinspektionen* (FI) established
- **1992 Lithuania:** *Vertybinių Popierių Komisija* (VPK) established
- **1993 Finland:** *Rahoitustarkastus* (Rata) established

- **1994** **Estonia:** *Väärtpaberiamet* established
Malta: Malta Financial Services Centre (MFSC) established
Romania: *Comisia Națională a Valorilor Mobiliare* (CNVM) established
Slovenia: *Agencija za Trg Vrednostnih Papirjev* (ATVP) established
- **1995** **Bulgaria:** Securities and Stock Exchange Commission (SSEC) established
Germany: *Bundesaufsichtsamt für den Wertpapierhandel* (BAWe) established
Latvia: *Vērtspapīru Tirgus Komisija* (VTK) established
- **1997** **Austria:** *Bundes-Wertpapieraufsicht* (BWA) established
Croatia: *Komisije za vrijednosne papire* (KVP) established
Hungary: *Állami Pénz- és Tőkepiaci Felügyelet* (ÁPTF) established
- **1998** **Czechia:** *Komise pro cenné papíry* (KCP) established
Luxembourg: *Commissariat aux Bourses* merged into *Commission de Surveillance du Secteur Financier* (CSSF)
- **2000** **Hungary:** ÁPTF merged into *Pénzügyi Szervezetek Állami Felügyelete* (PSZÁF)
Slovakia: *Úrad pre Finančný Trh* (ÚFT) established
- **2001** **Cyprus:** *Cyprus Securities and Exchange Commission* (CySEC) established
Latvia: VTK merged into *Finanšu un Kapitāla Tirgus Komisija* (FKTK)
- **2002** **Austria:** BWA merged into *Finanzmarktaufsichtsbehörde* (FMA)
Estonia: *Väärtpaberiamet* (renamed *Väärtpaberiinspeksioon* in 1996) merged into *Finantsinspeksioon*
Germany: BAWe merged into *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin)
Malta: MFSC reorganised as *Malta Financial Services Authority* (MFSA)

- Netherlands:** STE merged into Autoriteit Financiële Markten (AFM)
- **2003 Bulgaria:** SSEC merged into Financial Supervision Commission (FSC)

France: COB reorganised as Autorité des Marchés Financiers (AMF)

Ireland: Irish Financial Services Regulatory Authority (IFSRA) established
- **2006 Croatia:** KVP merged into Hrvatska agencija za nadzor financijskih usluga (HANFA)

Czechia: KCP merged into Czech National Bank (CNB)

Poland: KPW (KPWiG since 1997) merged into Komisja Nadzoru Finansowego (KNF)

Slovakia: ÚFT (ÚDFT since 2001) merged into National Bank of Slovakia (NBS)
- **2009 Finland:** Rata merged into Finnish Financial Supervisory Authority (FIN-FSA)
- **2010 Ireland:** Central Bank of Ireland (CBI) takes over IFSRA's former role
- **2011 Belgium:** Financial Services and Markets Authority (FSMA) replaces the *Commission Bancaire* (renamed CBF 1990 and CBFA 2004)
- **2012 Lithuania:** VPK merged into Bank of Lithuania
- **2013 Hungary:** PSZÁF merged into Hungarian National Bank (MNB)

Romania: CNVM merged into Autoritatea de Supraveghere Financiară (ASF)
- **2023 Latvia:** FKTK merged into Bank of Latvia

Source: Bruegel based on authorities' websites.

Annex C: Audit supervisors in the EU

Country	Audit supervisor	Type	Year established
Austria	Auditing Oversight Authority (APAB)	Stand-alone agency	2016
Belgium	Audit Oversight College (CTR/CSR)	Stand-alone agency	2016
Bulgaria	Commission for Public Oversight (CPOSA)	Stand-alone agency	2008
Croatia	Ministry of Finance	Unit within ministry	2017
Cyprus	Public Audit Oversight Board (CyPAOB)	Stand-alone agency	2017
Czechia	Public Audit Oversight Board (RVDA)	Stand-alone agency	2009
Denmark	Danish Business Authority (DBA)	Unit within broader agency	2012
Estonia	Auditing Activities Oversight Board (AJN)	Part of professional body	2017
Finland	Finnish Patent and Registration Office	Unit within broader agency	2016
France	High Authority for Auditing (H2A, ex H3C)	Stand-alone agency	2003
Germany	Office for Econ. Affairs & Export Control (BAFA)	Unit within broader agency	2016
Greece	Acc. & Aud. Standards Oversight Board (ELTE)	Stand-alone agency	2003

Hungary	Auditor's Public Oversight Authority (KKH)	Unit within ministry	2013
Ireland	Auditing & Accounting Supervisory Authority	Stand-alone agency	2003
Italy	CONSOB (see Annex B)*	Markets supervisor	1974
Latvia	Ministry of Finance	Unit within ministry	2017
Lithuania	Audit, Acctg., Prop. Val. & Insolv. Mgmt (AVNT)	Unit within ministry	2016
Luxembourg	CSSF (see Annex B)	Financial supervisor	1998
Malta	Accountancy Board	Professional body	1974
Netherlands	AFM (see Annex B)	Financial supervisor	2002
Poland	Agency for Audit Oversight (PANA)	Stand-alone agency	2017
Portugal	CMVM (see Annex B)	Markets supervisor	1991
Romania	Authority for Public Oversight (ASPAAS)	Stand-alone agency	2017
Slovakia	Auditing Oversight Authority (UDVA)	Stand-alone agency	2008
Slovenia	Agency for Public Oversight of Auditing (ANR)	Stand-alone agency	2009
Spain	Accounting and Auditing Institute (ICAC)	Stand-alone agency	1988
Sweden	Revisorsinspektionen (ex Revisorsnämnden)	Stand-alone agency	1995

*The General Accounting Office (Ragioneria Generale dello Stato), a department of the Ministry of Economy and Finance, oversees the audit of Italian non-public-interest entities.

Source: Bruegel based on CEAOB and authorities' websites, Accountancy Europe (2020).

Annex D: Owners of regulated markets in the EU

Ranked by alphabetic order of countries.

Regulated market owner	Owner home	Entities	Entities' home(s)	Govt ownership
Vienna Stock Exchange	Austria	4	AT, CZ	-
Bulgarian Stock Exchange	Bulgaria	3	BG	50.50%
Zagreb Stock Exchange	Croatia	2	HR, SI	-
Cyprus Stock Exchange	Cyprus	1	CY	100.00%
Bayerische Börse AG	Germany	2	DE	n.a.
BÖAG Börsen AG	Germany	6	DE	n.a.
Deutsche Börse Group	Germany	8	DE	-
Tradegate (minority-owned by D. Börse)	Germany	5	DE	-
Vereinigung BW Wertpapierbörse e.V.	Germany	4	DE, SE	100.00%
Athens Stock Exchange	Greece	3	GR	-
Bank of Greece (HDAT)	Greece	1	GR	(a)
EnExGroup	Greece	2	GR	-

HUPX Hungarian Power Exchange	Hungary	1	HU	Majority ^(b)
Budapest Stock Exchange	Hungary	1	HU	81.35% ^(c)
Luxembourg Stock Exchange	Luxembourg	1	LU	46.50% ^(d)
Malta Stock Exchange	Malta	2	MT	100.00%
Euronext Group	Netherlands	17	BE, FR, IE, IT, NL, PT	21.91% ^(e)
Warsaw Stock Exchange	Poland	10	PL	51.80%
Grupo OMI	Portugal & Spain	1	PT	Low ^(f)
Bucharest Stock Exchange	Romania	2	RO	-
Bratislava Stock Exchange	Slovakia	1	SK	77.94% ^(g)
SIX Group	Switzerland	13	ES	-
CBOE Group	United States	5	NL	-
CME Group	United States	2	NL	-
ICE Group	United States	2	NL	-
Nasdaq Group	United States	26	DK, EE, FI, LT, LV, SE	-

Source: Bruegel based on ESMA register listing all regulated market entities downloaded on 21 April 2025 from https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_upreg; corporate websites. Notes: unless indicated otherwise below, the last column displays home-government ownership of the regulated market owner. ‘-’ denotes no observed government ownership, notwithstanding the possibility of public institutional investors holding small unobserved equity stakes. ^(a) The Bank of Greece is practically a government entity even though technically it has private-sector shareholders. ^(b) HUPX is owned by the

ADEX Group, whose shareholders are the electricity transmission system operators of Hungary, Serbia and Slovenia, which are majority-owned by their respective governments, as well as the European Energy Exchange Group (EEX, via majority-owned power exchange EPEX SPOT), which is itself majority-owned by Deutsche Börse. ^(c) Via the Hungarian National Bank. ^(d) 25.3 percent of which held via Banque & Caisse d'Epargne de l'Etat. ^(e) Respectively, France 8.04 percent (via Caisse des Dépôts & Consignations), Italy 8.04 percent (via Cassa Depositi e Prestiti), Belgium 5.31 percent (via SFPI-FPIM) and the Netherlands 0.52 percent (via ABN AMRO). ^(f) The OMI Group has two holding companies in Spain and Portugal, respectively. The Portuguese electricity transmission system REN, of which the State Grid Company of China is a 25 percent shareholder, owns 40 percent of the Portuguese holding entity; the rest is diversified and overwhelmingly private sector. ^(g) Via MH Management.

Annex E: Central counterparties authorised in the EU

Ranked by alphabetical order of countries. CCPs marked with an asterisk (*) are also supervised as banks under European banking supervision.

CCP	Country	Competent authority	Govt ownership
CCP Austria GmbH	Austria	FMA	-
SKDD-CCP Smart Clear d.d.	Croatia	HANFA	41.00%
LCH SA (Banque Centrale de Compensation)*	France	ACPR	5.93% ^(a)
Eurex Clearing AG*	Germany	BaFin	-
European Commodity Clearing	Germany	BaFin	-
Athens Exchange Clearing House	Greece	HCMC	-
Keler CCP	Hungary	MNB	91.29% ^(b)
CC&G – Euronext Clearing	Italy	Banca d'Italia	21.91% ^(c)
Cboe Clear Europe NV	Netherlands	DNB	-
ICE Clear Netherlands BV	Netherlands	DNB	-
KDPW_CCP	Poland	KNF	66.67% ^(d)
OMIClear – C.C., S.A.	Portugal	CMVM	Low ^(c)

BME Clearing	Spain	CNMV	-
Nasdaq OMX Clearing AB	Sweden	Finansinspektionen	-

Sources: Bruegel based on ESMA list downloaded on 21 April 2025 from https://www.esma.europa.eu/sites/default/files/library/ccps_authorised_under_emir.pdf, corporate websites. Notes: unless indicated otherwise below, the last column displays home-government ownership. ‘-’ denotes no observed government ownership, notwithstanding the possibility of public institutional investors holding small unobserved equity stakes. ^(a) Qatar Investment Authority’s stake in LCH’s parent London Stock Exchange Group. ^(b) Held by the Hungarian National Bank, directly (53.33 percent) and via the Budapest Stock Exchange (46.67 percent). ^(c) See Annex D. ^(d) of which 33.33 percent via the National Bank of Poland.

Annex F: Central securities depositories authorised in the EU

Ranked by alphabetic order of countries. CSDs marked with an asterisk (*) are also supervised as banks under European banking supervision. The column before last indicates which CSD is used for each country's government debt securities.

CSD	Country	Competent authority	Gov. debt	Gov. ownership
OeKB CSD GmbH	Austria	FMA	AT	-
Euroclear Belgium (CIK)	Belgium	NBB		51.31% ^(a)
Euroclear Bank*	Belgium	NBB	IE	51.31% ^(a)
Central Depository AD	Bulgaria	FSC		43.70%
SKDD	Croatia	HANFA	HR	41.00%
CSD Prague	Czechia	CNB	CZ	-
Euronext Securities Copenhagen (VPS)	Denmark	Finanstilsynet	DK	21.91% ^(b)
Euroclear Finland	Finland	FIN-FSA	FI	51.31% ^(a)
Euroclear France	France	AMF	FR	51.31% ^(a)
Clearstream Banking AG*	Germany	BaFin	DE	-
ATHEXCSD	Greece	HCMC		-
KELER	Hungary	MNB	HU	91.29% ^(c)

Euronext Securities Milan (Monte Titoli)	Italy	CONSOB & Banca d'Italia	IT	21.91% ^(b)
Nasdaq CSD SE	Latvia	Bank of Latvia	EE, LV, LT	-
Clearstream Banking SA*	Luxembourg	CSSF		-
LuxCSD SA	Luxembourg	CSSF	LU	-
Malta Stock Exchange	Malta	MFSA	MT	100.00% ^(b)
Euroclear Nederland	Netherlands	AFM	NL	51.31% ^(a)
KDPW	Poland	KNF	PL	66.67% ^(c)
Euronext Securities Porto (Interbolsa)	Portugal	CMVM	PT	21.91% ^(b)
Depozitarul Central	Romania	ASF		-
CDCP SR	Slovakia	NBS	SK	77.94% ^(b)
KDD Central Securities Clearing Corp.	Slovenia	ATVP	SI	24.00%
Iberclear	Spain	CNMV	ES	-
Euroclear Sweden	Sweden	Finansinspektionen	SE	51.31% ^(a)

Public-sector CSDs exempted from registration with ESMA:

NBB-SSS	Belgium	National Bank of Belgium	BE	Central bank
BNBGSSS	Bulgaria	Bulgarian National Bank	BG	Central bank
Central Depository Central Registry	Cyprus	Cyprus Stock Exchange	CY	Government entity
SKD	Czechia	Czech National Bank	CZ	Central bank
BOGS	Greece	Bank of Greece	GR	Central bank

SKARBNET4	Poland	National Bank of Poland	PL	Central bank
SaFIR	Romania	National Bank of Romania	RO	Central bank

Source: Bruegel based on ESMA register downloaded on 21 April 2025 from https://www.esma.europa.eu/sites/default/files/library/esma70-155-11635_csds_register_-_art_21.pdf, ECB (2024), European Central Securities Depositories Association, corporate and central bank websites. Notes: unless indicated otherwise below, the last column displays home-government ownership. ‘-’ denotes no observed government ownership, notwithstanding the possibility of public institutional investors holding small unobserved equity stakes. ^(a) Governments among Euroclear’s top shareholders (as of 31 January 2025): Belgium (via SPFI-FPIM and Belfius, 14.07 percent); France (via CDC, 11.41 percent); New Zealand (via NZ Super Fund, 8.67 percent); China (via SAFE, 7.25 percent); Singapore (via GIC, 4.99 percent); Australia (via NSW TCorp, 4.92 percent). ^(b) See Annex D. ^(c) See Annex E.

Annex G: Composition of ESMA's main governance bodies

Country	Board of Supervisors	CCP Supervisory Committee	CCP Resolution Committee
Austria	FMA	FMA	FMA
Belgium	FSMA		National Bank of Belgium
Bulgaria	FSC		FSC
Croatia	HANFA	HANFA	HANFA
Cyprus	CySEC		Central Bank of Cyprus
Czechia	CNB		CNB
Denmark	Finanstilsynet	Danmarks Nationalbank	Finanstilsynet
Estonia	Finansinspektion		Finansinspektion
Finland	FIN-FSA		Rahoitusvakaussvirasto (RVV)
France	AMF	ACPR, AMF, Banque de France	ACPR
Germany	BaFin	BaFin	BaFin
Greece	HCMC	HCMC	HCMC
Hungary	MNB	MNB	MNB
Ireland	CBI		CBI
Italy	CONSOB	Banca d'Italia, CONSOB	Banca d'Italia

Latvia	Bank of Latvia		Bank of Latvia
Lithuania	Bank of Lithuania		Bank of Lithuania
Luxembourg	CSSF		CSSF
Malta	MFSA		MFSA
Netherlands	AFM	AFM, De Nederlandsche Bank (DNB)	DNB
Poland	KNF	KNF, Narodowy Bank Polski	BFG
Portugal	CMVM	CMVM	
Romania	ASF		ASF
Slovakia	NBS		
Slovenia	ATVP		
Spain	CNMV	CNMV	CNMV
Sweden	FI	FI, Riksbank	Riksgälden
Euro area		European Central Bank	
Liechtenstein			Finanzmarktaufsicht
Individuals	V. Ross (Chair)	K. Löber (Chair)	S. Vuarlot-Dignac (Chair)
		N. Giusto	
		F. Wendt	

Source: ESMA website, consulted 21 April 2025. Observers and non-voting members are omitted. In addition to the acronyms explained in Annex B, ACPR stands for Autorité de Contrôle Prudentiel et de Résolution (within the Banque de France) and BFG for Bankowy Fundusz Gwarancyjny.

Annex H: National and subnational financial supervisory authorities in the EU

Not including national central banks.

Country	Name		City	Type
Austria	Abschlussprüferaufsichtbehörde / Audit Oversight Body of Austria (APAB)	***	Vienna	Audit supervisor
Austria	Financial Market Authority (FMA)	*	Vienna	Cross-sectoral supervisor
Belgium	Collège de supervision des réviseurs d'entreprises (CTR/CSR)	***	Brussels	Audit supervisor
Belgium	Financial Services and Markets Authority (FSMA)	*	Brussels	Conduct-of-business supervisor
Bulgaria	Commission for Public Oversight of Statutory Auditors (CPOSA)	***	Sofia	Audit supervisor
Bulgaria	Financial Supervision Commission (FSC)	*	Sofia	Cross-sectoral supervisor
Croatia	Ministry of Finance	**	Zagreb	Audit supervisor
Croatia	Croatian Financial Services Supervisory Agency (HANFA)	*	Zagreb	Cross-sectoral supervisor
Cyprus	Cyprus Public Audit Oversight Board (CyPAOB)	***	Nicosia	Audit supervisor

Cyprus	Cyprus Securities and Exchange Commission (CySEC)	***	Nicosia	Securities commission
Cyprus	Insurance Companies Control Service		Nicosia	Insurance supervisor
Cyprus	Registrar of Institutions of Occupational Retirement Provision		Nicosia	Pensions supervisor
Czechia	Public Audit Oversight Board (RVDA)	***	Prague	Audit supervisor
Denmark	Danish Business Authority (DBA)	**	Copenhagen	Audit supervisor
Denmark	Danish Financial Supervisory Authority (Finanstilsynet)	*	Copenhagen	Cross-sectoral supervisor
Denmark	Finansiel Stabilitet (FS)		Copenhagen	Resolution authority
Estonia	Estonian Auditors' Association / Auditors Activities Oversight Council (AJN)	**	Tallinn	Audit supervisor
Estonia	Finantsinspektsioon (FI)	*	Tallinn	Cross-sectoral supervisor
Estonia	Tagastisfond		Tallinn	Resolution authority
Finland	Financial Supervision Authority (FIN-FSA / Finanssivalvonta / FiVa)	*	Helsinki	Cross-sectoral supervisor
Finland	Finnish Financial Stability Authority (RVV)		Helsinki	Resolution authority
Finland	Finnish Patent and Registration Office Auditor Oversight (PRH)	**	Helsinki	Audit supervisor
France	Autorité des marchés financiers (AMF)	***	Paris	Securities commission
France	Autorité de Contrôle Prudentiel et de Résolution (ACPR)		Paris	Cross-sectoral supervisor
France	Haute Autorité de l'Audit (H2A)	***	Paris La Défense	Audit supervisor

Germany	Bayerisches Staatsministerium für Wirtschaft, Landentwicklung und Energie / Börsenaufsicht	**	Munich	Stock exchange supervisor
Germany	Bundesamt für Wirtschaft und Ausführungskontrolle (BAFA) / Abschlussprüferaufsichtsstelle (APAS)	**	Berlin	Audit supervisor
Germany	Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	*	Bonn & Frankfurt	Cross-sectoral supervisor
Germany	Finanzbehörde Hamburg / Börsenaufsicht	**	Hamburg	Stock exchange supervisor
Germany	Hessisches Ministerium für Wirtschaft, Energie, Verkehr, Wohnen und ländlichen Raum / Börsenaufsicht	**	Wiesbaden	Stock exchange supervisor
Germany	Ministerium der Finanzen des Landes Nordrhein-Westfalen / Börsenaufsicht	**	Düsseldorf	Stock exchange supervisor
Germany	Ministerium für Wirtschaft, Arbeit und Tourismus Baden-Württemberg / Börsenaufsicht	**	Stuttgart	Stock exchange supervisor
Germany	Niedersächsisches Ministerium für Wirtschaft, Arbeit, Verkehr und Digitalisierung / Börsenaufsicht	**	Hannover	Stock exchange supervisor
Germany	Sächsisches Staatsministerium für Wirtschaft, Arbeit, Energie und Klimaschutz / Börsenaufsicht	**	Dresden	Stock exchange supervisor

Germany	Senatsverwaltung für Wirtschaft, Energie und Betriebe / Börsenaufsicht	**	Berlin	Stock exchange supervisor
Greece	Hellenic Accounting and Auditing Standards Oversight Board (ELTE)	***	Athens	Audit supervisor
Greece	Hellenic Capital Market Commission (HCMC)	***	Athens	Securities commission
Greece	Hellenic Ministry of Labour, Social Security and Social Solidarity		Athens	Pensions supervisor
Hungary	Ministry of Finance / Auditors' Public Oversight Authority (KKH)	**	Budapest	Audit supervisor
Ireland	Irish Auditing & Accounting Supervisory Authority (IAASA)	***	Dublin	Audit supervisor
Ireland	Pensions Authority		Dublin	Pensions supervisor
Italy	Commissione di Vigilanza sui Fondi Pensione (COVIP)		Rome	Pensions supervisor
Italy	Commissione Nazionale per le Società e la Borsa (CONSOB)	***	Rome	Securities commission
Italy	Istituto per la Vigilanza sulle assicurazioni (IVASS)		Rome	Insurance supervisor
Latvia	Ministry of Finance / Commercial Companies Audit Policy and Oversight Unit	**	Riga	Audit supervisor
Lithuania	Ministry of Finance / Authority of Audit, Accounting, Property Valuation and Insolvency Management	**	Vilnius	Audit supervisor
Luxembourg	Commissariat aux Assurances		Luxembourg	Insurance supervisor

Luxembourg	Commission de Surveillance du Secteur Financier (CSSF)	*	Luxembourg	Cross-sectoral supervisor
Malta	Accountancy Board	**	Valletta	Audit supervisor
Malta	Financial Intelligence Analysis Unit (FIAU)		Birkirkara	AML supervisor
Malta	Malta Financial Services Authority (MFSA)	*	Birkirkara	Cross-sectoral supervisor
Netherlands	Dutch Authority for the Financial Markets (AFM)	*	Amsterdam	Conduct-of-business supervisor
Poland	Bankowy Fundusz Gwarancyjny [Bank Guarantee Fund]		Warsaw	Resolution authority
Poland	General Inspector of Financial Information (GIFI)		Warsaw	AML supervisor
Poland	Polish Financial Supervision Authority (KNF)	*	Warsaw	Cross-sectoral supervisor
Poland	Polska Agencja Nadzoru Audytowego (PANA)	***	Warsaw	Audit supervisor
Portugal	Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF)		Lisbon	Insurance & Pensions supervisor
Portugal	Comissão do Mercado de Valores Mobiliários (CMVM)	***	Lisbon	Securities commission
Romania	Autoritatea pentru Supravegherea Publică a Activităţii de Audit Statutar (ASPAAS)	***	Bucharest	Audit supervisor
Romania	Financial Supervisory Authority (ASF)	*	Bucharest	Cross-sectoral supervisor
Slovakia	Resolution Council		Bratislava	Resolution authority
Slovakia	Úrad pre dohľad nad výkonom auditu (UDVA)	***	Bratislava	Audit supervisor
Slovenia	Agencija za javni nadzor nad revidiranjem (ANR / APOA)	***	Ljubljana	Audit supervisor

Slovenia	Agencija za Zavarovalni Nadzor / Insurance Supervision Agency (AZN)		Ljubljana	Insurance supervisor
Slovenia	Securities Market Agency / Agencija Za Trg Vrednostnih Papirjev (ATVP)	***	Ljubljana	Securities commission
Spain	Accounting and Auditing Institute (ICAC)	***	Madrid	Audit supervisor
Spain	Comisión Nacional del Mercado de Valores (CNMV)	***	Madrid	Securities commission
Spain	Commission for the Prevention of Money Laundering and Monetary Offences (SEPBLAC)		Madrid	AML supervisor
Spain	Dirección General de Seguros y Fondos de Pensiones		Madrid	Insurance & Pensions supervisor
Spain	Fundo de Reestructuración Ordenada Bancaria		Madrid	Resolution authority
Sweden	Finansinspektionen (FI)	*	Stockholm	Cross-sectoral supervisor
Sweden	Revisorsinspektionen (RI)	***	Stockholm	Audit supervisor
Sweden	Riksgalden [Swedish National Debt Office]		Stockholm	Resolution authority

Sources: Bruegel based on AMLA (permanent single common representatives to the General Board in Supervisory Composition), CEAOB, EBA (including list of resolution authorities at <https://www.eba.europa.eu/resolution-authorities>), ESMA, EIOPA and German stock exchange supervisors (<https://www.boersenaufsicht.de/>), consulted 21 April 2025.

Note:

* Would be relieved of capital market supervisory tasks in multicentric ESMA scenario;

** Could cease to be a financial supervisory authority in multicentric ESMA scenario;

*** Could be phased out in multicentric ESMA scenario.

Annex I: List of acronyms

ACPRA	Autorité de Contrôle Prudentiel et de Résolution (France)
AFM	Autoriteit Financiële Markten (Netherlands)
AFME	Association for Financial Markets in Europe
AMF	Autorité des Marchés Financiers (France)
AML	Anti-Money Laundering
AMLA	European Anti-Money Laundering Authority (in Frankfurt)
ASF	Autoritatea de Supraveghere Financiară (Romania)
ATVP	Agencija za Trg Vrednostnih Papirjev (Slovenia)
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (Germany)
BFG	Bankowy Fundusz Gwarancyjny (Poland)
BÖAG	Börse Aktiengesellschaft
BRRD	EU Bank Recovery and Resolution Directive
CBI	Central Bank of Ireland (Ireland)
CCP	Central CounterParty clearing house
CEAOB	Committee of European Auditing Oversight Bodies
CESR	Committee of European Securities Regulators
CFT	Combating the Financing of Terrorism
CFTC	Commodity Futures Trading Commission (United States)
CMU	Capital Markets Union
CMVM	Comissão do Mercado de Valores Mobiliários (Portugal)
CNB	Czech National Bank (Czechia)
CNMV	Comisión Nacional del Mercado de Valores (Spain)
COB	Commission des Opérations de Bourse (France)
CONSOB	Commissione Nazionale per le Società e la Borsa (Italy)
CREST	Certificateless Registry for Electronic Share Transfer (United Kingdom)
CSD	Central Securities Depository
CSDR	EU Central Securities Depositories Regulation

CSRC	China Securities Regulatory Commission
CSSF	Commission de Surveillance du Secteur Financier (Luxembourg)
CySEC	Cyprus Securities and Exchange Commission (Cyprus)
DAX	Deutscher Aktienindex
DORA	EU Digital Operational Resilience Act
DTCC	Depository Trust and Clearing Corporation (United States)
EBA	European Banking Authority (in Paris)
ECB	European Central Bank (in Frankfurt)
EIOPA	European Insurance and Occupational Pensions Authority (in Frankfurt)
EMIR	European Market Infrastructure Regulation
ESA	European Supervisory Authority (referring to EBA, EIOPA and ESMA)
ESAP	European Single Access Point
ESMA	European Securities and Markets Authority (in Paris)
FCA	Financial Conduct Authority (United Kingdom)
FI	Finansinspektionen (Sweden)
FINRA	Financial Industry Regulatory Authority (United States)
FIN-FSA	Finnish Financial Supervisory Authority (Finland)
FMA	Finanzmarktaufsichtsbehörde (Austria)
FRC	Financial Reporting Council (United Kingdom)
FSA	Financial Services Agency (Japan)
FSC	Financial Supervision Commission (Bulgaria)
FSMA	Financial Services and Markets Authority (Belgium)
HANFA	Hrvatska Agencija za Nadzor Financijskih usluga (Croatia)
HCMC	Hellenic Capital Market Commission (Greece)
IFIAR	International Forum of Independent Audit Regulators
KDPW	Krajowy Depozyt Papierów Wartościowych (Poland)
KNF	Komisja Nadzoru Finansowego (Poland)
LCH	London Clearing House
MFSA	Malta Financial Services Authority (Malta)
MiCA	EU Markets in Crypto Assets Regulation

MiFID	EU Markets in Financial Instruments Directive
MiFIR	EU Markets in Financial Instruments Regulation
MNB	Magyar Nemzeti Bank (Hungary)
NBB	National Bank of Belgium (Belgium)
NBS	National Bank of Slovakia (Slovakia)
NCA	National Competent Authority
NFRA	National Financial Regulatory Administration (China)
PBoC	People's Bank of China
PCAOB	Public Company Accounting Oversight Board (United States)
PRA	Prudential Regulation Authority (United Kingdom)
SEC	Securities and Exchange Commission (United States)
SIU	Savings and Investments Union
SSM	Single Supervisory Mechanism
T2S	TARGET2-Securities
TARGET	Transeuropean Automated Real-time Gross-settlement Express Transfer
TFEU	Treaty on the Functioning of the European Union
UMAC	Union Monétaire d'Afrique Centrale
UMOA	Union Monétaire Ouest-Africaine

BREAKING THE DEADLOCK

A single supervisor to unshackle Europe's capital markets union

Nicolas Véron

The debate about a European Union single market for non-bank financial services goes back decades. In recent years, the economic and strategic case for the idea, rebranded as capital markets union in 2014 and included in a broader concept of savings and investments union in 2024, has strengthened. But progress towards that goal has been embarrassingly modest.

This Blueprint argues that supervisory integration – the pooling of capital market supervision at EU level – is the only realistic option to create a foundation for the successful development of competitive capital markets on a European scale. This could be achieved through a radical transformation of the European Securities and Markets Authority (ESMA) into a single, independent and authoritative European supervisor. ESMA would gradually take over the jobs currently done by national capital market and audit supervisors, and would replace them with its own network of national offices in EU countries.

This consolidation would undercut the current incentives for market fragmentation, competitive distortion and supervisory arbitrage, while respecting the EU's multiplicity of financial centres, diverse market environments and differentiated national social models. It would also represent a major simplification of the current arcane decision-making processes, allowing the EU to move closer to the vision of a single jurisdiction for capital markets.

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