

MEMO

Breaking barriers: a blueprint for capital markets integration in the EU

JULY 2025



EURONEXT

Table of contents

EXECUTIVE SUMMARY	3
1. INTRODUCTION.....	4
2. ADDRESS THE MAIN OBSTACLES TO BOOST ALLOCATION OF SAVINGS IN EUROPEAN INVESTMENTS.	6
3. SUPERVISION - A CRITICAL PREREQUISITE FOR INTEGRATION	6
4. CREATE THE CONDITIONS FOR A TRUE INTEGRATION OF CSD ACTIVITIES IN EUROPE	8
5. ENHANCE ACCESS TO LIQUIDITY	10
6. DELIVER SIMPLIFICATION AND BURDEN REDUCTION	13
7. CONCLUSION	14

Executive Summary

To unlock the full potential of the EU's €13 trillion in private savings and strengthen its global competitiveness, the European Union must urgently address several fundamental barriers that have led to a fragmented capital market. The most important barriers to address are:

1. **Fragmented supervision and regulation:** The absence of a single rulebook and unified supervision is the single most important obstacle to a real consolidation of the market. A reformed ESMA governance should supervise financial market infrastructures (FMIs) across Europe under a harmonised, risk-based framework.
2. **Fragmented post-trade infrastructure:** The custody and settlement landscape remains fragmented, increasing costs and complexity and forming an obstacle for cross-border trade. Bold consolidation of CSD activities is essential, through a) single supervision, b) the extension of Europe's single settlement platform, Target2-Securities, across all EU CSDs, including by facilitating non-euro settlement in the platform, and c) focusing on the quality rather than the quantity of CSD links.
3. **Access to liquidity:** Easing cross-market access for investors and brokers is essential to unlock further productive investments in the EU economy, along three main dimensions: a) administratively via harmonised trading venue membership rules and membership passporting, b) technologically via a Connectivity Ecosystem Map, mapping the market coverage offered by connectivity service providers and brokers and c) functionally by addressing functional fragmentation in trading by rebalancing the role of dark and bilateral venues.

Other priorities include:

- Promoting equity investment through tax incentives and EU-wide savings products.
- Simplifying regulation to reduce burdens on listed companies, especially SMEs.

A successful SIU depends on a **single rulebook, single supervision, integrated post-trade systems and enhanced access to liquidity**—a competitiveness imperative to Europe's future.



1. Introduction

Europe stands at a pivotal moment. The global economic landscape is undergoing profound transformation, shaped by technological disruption, geopolitical realignment, and the transition to a green and digital economy. In this context, the European Union must act decisively to secure its long-term competitiveness, strategic autonomy and prosperity. The reports by Enrico Letta¹ and Mario Draghi² in 2024 have made it abundantly clear: the time for incremental change is over. Europe must now embrace bold, systemic reform—starting with the integration of its capital markets.

At the heart of this transformation lies a simple but critical concept: Europe must better channel its €13tn private savings pool, one of the largest in the world, into productive investment within its own borders. Despite being home to one of the world's largest pools of household savings, the EU continues to suffer from underinvestment in innovation, infrastructure and strategic industries. Fragmented capital markets, regulatory divergence and limited cross-border scale continue to act as barriers to growth. The result is a persistent gap between Europe's economic potential and its actual performance.

As Europe's leading pan-European market infrastructure, Euronext is committed to being part of the solution in the rapid delivery of the SIU. With regulated exchanges in seven EU countries and a unique federal model that combines local roots with European scale,

Euronext is ideally positioned to support the Commission's goals. Euronext believes that a more integrated, transparent, and efficient capital market is not only achievable—it is imperative.

We envision a market that is **transparent and accessible to all**, where price formation takes place on lit venues operated by European players, ensuring fairness, efficiency and trust.

We envision a market that is **liquid**, where capital flows seamlessly across borders. Liquidity reduces the cost of capital for issuers, enhances returns for investors, and enables the efficient allocation of resources. To achieve this, we must harmonise rules, centralise supervision and reduce post-trade fragmentation. We need **an operationally integrated post-trade system**, with the extension of Europe's common settlement platform, Target2-Securities, across markets and the structural enhancement of the service, price and governance of the platform, allowing CSDs to compete with each other across Europe.

We envision a market that **promotes equity investment**, providing the right long-term source of funding for businesses and innovation. We should promote both direct participation in equity capital markets (including for retail), and indirect

¹ Enrico Letta – Much more than a market. April 2024.

² Mario Draghi – The future of European competitiveness. September 2025.

participation, through collective investment vehicles such as ETFs.

This can be achieved through a combination of (1) more appropriate tax incentives to grant European equity investments the most favourable tax treatment and (2) development of long-term savings products (pension funds) in Member states where they don't exist yet and 3) the creation of European savings and investment accounts for retail investors across Europe.

We envisage a market where there is **easier access to capital for companies** to tap into European and global investments, in a standardised way across EU jurisdictions. It would encourage listings and offer more diverse investment opportunities across borders. The Listing Act and its harmonised transposition will be instrumental in improving the attractiveness of European capital markets, but more needs to be done. It also means supporting SME listings, improving financial literacy and ensuring that retail investors are not left behind in the digital transition. **Simplification and burden reduction** for listed companies is crucial in order to boost the competitiveness of European capital markets and to ensure companies can remain listed over time. Reporting requirements should be reduced to meet investors' needs and should be proportionate between listed and non-listed companies.

We envision a market that is **resilient**, capable of withstanding shocks and adapting to change. This requires robust infrastructure, effective supervision and a commitment to innovation. It also requires a regulatory framework that is proportionate and risk-based, forward-looking and aligned with global standards.

We envision a market that is **strategic**, aligned with Europe's broader policy goals and strategic autonomy. Capital markets should actively support the green and digital transitions, the development of strategic technologies, and the strengthening of Europe's industrial base. This means integrating sustainability into market practices, promoting green bonds and ESG disclosures, and supporting mission-driven investment.

The proposed **Savings and Investments Union** (SIU) and the renewed focus on **capital markets integration** are timely and essential. The European Union has the talent pool, capital and institutional strength to lead in this new era—but only if it can overcome persistent fragmentation and inefficiencies in its capital markets.

Euronext welcomes the European Commission's consultation on the integration of capital markets. We see this as a unique opportunity to reframe the debate, challenge outdated assumptions, and propose solutions that reflect the realities of today's market structure.

2. Address the main obstacles to boost allocation of savings in European Investments.

Euronext is fully aligned with Mario Draghi's report³ in that it highlights the root causes of low investment financing in Europe.

- As the first of three main fault lines he mentions that the EU lacks a **single securities market regulator and a single rulebook** for all aspects of trading and that there is still high variation in supervisory practices and interpretations of regulations.
- As the second fault line Draghi points out that **the post-trade environment** for

clearing and settlement in Europe is **too fragmented**.

Addressing these two points, as well as **enhancing access to liquidity**, are the essential conditions to make the SIU work. We need to offer investors the possibility of operating under one set of rules consistently applied by one supervisor, and we need to ensure that when they trade, clearing and settlement is easily accessible, efficient and safe. Other measures need to be taken as well, but **if these structural conditions are not met, the SIU will not succeed**.

3. Supervision – a critical prerequisite for integration

We cannot complete a Savings and Investment Union without addressing the key obstacle for firms to obtain full synergies from their consolidation efforts, so as to make their clients and the market benefit from it: divergent applications of European rules across European markets and different interpretations at local level must be addressed, and the infrastructure's organisation and set-up must be considered from a European perspective. This means in any case:

- **Single rulebook:** Europe must move towards maximum harmonisation

regulations over directives, uniform application of EU rules, elimination of gold-plating;

- **Direct ESMA supervision**, risk based rather than principle based, for large and for cross-border FMIs, including FMIs belonging to a group, with a dedicated ESMA governance structure;
- **Recognition of groups of FMIs** where requirements are set on a group and not local basis;

³ "The future of European competitiveness, Part A, A competitiveness strategy for Europe", page 59.

■ Embracing the **simplification agenda**.

The EU needs to work towards ESMA supervision as the single regulator for FMIs with a reformed governance structure. In order to accomplish broad EU acceptance of this move, the structure could be as follows:

- Local investment firms and issuers stay under NCA supervision, as here proximity is more important;
- Both large and cross-border FMIs, so trading venues, CSDs and CCPs, move to ESMA supervision with one set of rules and one, risk-based supervisory approach.⁴

A **reformed ESMA governance** is needed to facilitate an increased supervision effort and decision-making process which is simple and efficient. While we are considering the models proposed in the Consultation, in our view they all need potential changes to achieve the best outcome. We believe a reformed ESMA is required with a new governance and organisational structure equipped with the necessary resources to perform this new role. There should be a dedicated Supervisory Committee covering all forms of supervision, with a limited number of members with an EU mindset.

In the interim, whilst taking steps towards this goal of Single Supervision, there is a need to expedite tailoring the regulatory regime applicable by **acknowledging the concept of a group of FMIs** operating in more than one country in the EU, especially for trading venues and CSDs. There is a clear need for

groups of trading venues and CSDs to be recognised as such, so that requirements are adapted to ensure these trading venues can benefit from the synergies of being within a Group. This could be introduced in Level 1 or 2 of MiFID and in CSDR and a review of all requirements should be undertaken to identify other areas where group recognition should be introduced. Examples are outsourcing, where NCAs carry out reviews/audits of trading venues, requests regarding Open Access and Regulatory Reporting. These provisions should not apply at individual entity level if the whole Group is impacted, as it only leads to much duplication of work that should not be necessary. This would bring significant efficiencies to groups of trading venues and would contribute to market integration.

In parallel, recognising groups of FMIs should also open the discussion on the rationalisation of licensing requirements across Member States. Currently, pan-European infrastructures such as Euronext are required to maintain multiple licenses for similar activities in different jurisdictions, despite operating under a unified group structure with harmonised systems and governance. This duplication not only increases administrative burden and compliance costs but also undermines the efficiency gains that could be achieved through deeper integration. Acknowledging group-level operations should pave the way for a streamlined licensing framework, where a single license or mutual recognition mechanism could apply to group entities operating under common standards.

⁴A possible definition capturing FMI's that should be covered by ESMA supervision would be 1) venues that hold licenses in more than 1 member state and/ or 2) venues that cover instruments issued in more than one EU member state, excluding venues on which at least 90% of listed stocks are issued in 1 single country.

Moreover, it is important to highlight that, unlike banks and investment firms, regulated markets are not permitted to establish branches in other Member States. This restriction significantly limits their ability to scale operations efficiently across borders and stands in contrast to the broader objectives of the Savings and Investments Union. **Allowing regulated markets to operate through branches** would enhance their ability to serve issuers and investors across the EU, reduce fragmentation and support the development of a truly integrated capital market.

Narrowing down to CCPs, the revised supervisory framework laid down by the recent EMIR 3.0 published in December 2024, provides an enhancement of ESMA's role and information flows to ensure supervisory convergence and coordination between

competent authorities and ESMA, while maintaining the NCAs as competent authorities of EU CCPs. Euronext believes that EMIR 3.0 is not enough. A true and resilient single market requires **central supervision on all important FMIs, including CCPs**.

Central supervision of clearing houses in the EU is essential to ensure **financial stability, consistency and resilience across the single market**. Clearing houses are systemic entities that manage counterparty risk in financial markets, and their operations often span multiple jurisdictions. A central supervisory framework—such as through ESMA—would enable uniform application of rules, better coordination in crisis situations and a holistic view of systemic risk across the EU. This is particularly important in times of market stress, when the failure of a CCP could have cross-border contagion effects.

4. Create the conditions for a true integration of CSD activities in Europe

A key driver of post-trade fragmentation in the European Union is the fragmented landscape of Central Securities Depositories (CSDs). In each EU member state there is traditionally one CSD, with its own operational standards and settlement systems. This structure creates significant barriers to cross-border settlement, as market participants must navigate a patchwork of infrastructures and compliance requirements. The lack of harmonisation among CSDs leads to inefficiencies, increased costs and operational risks, ultimately discouraging seamless cross-border trading. Addressing this fragmentation is essential to unlocking

the full potential of the Capital Markets Union and fostering a more competitive and resilient European financial system.

How does this work in practice? Today, when a Spanish retail investor wants to buy a German stock, the investor places the order through their Spanish retail bank, which can trade on the German stock exchange or alternative platforms (such as MTFs) either directly or indirectly. As a result, the order is routed either directly or via an executing broker, to the trading platforms. Up to this point the process is rather efficient, facilitated by existing harmonised technology. However, in

the post-trade phase this becomes more cumbersome. The broker receives the shares in their settlement account at the German central securities depository (CSD), and these shares then need to be transferred to the custodian account of the Spanish retail bank. Yet, the Spanish retail bank may have invested a lot in managing post-trade processes for the domestic market (which is obviously the biggest for them), but not for managing post-trade processes on foreign markets (such as the German one). As a result, this investment step process is significantly more expensive than a domestic trade, where the retail bank can typically execute, settle, and hold the shares directly at the local CSD. The process is incomparably leaner on the trading side, where the intermediary solely needs to access one of the several platforms (at the exception of SMEs where the lack of demand is limiting the number of platforms admitting these to trading) where a stock is admitted in order to trade it.

A first condition to address this is, as mentioned above, **single supervision and a single rulebook**. Even though the CSDs in the EU are today covered by a regulation, CSDR, the application of this regulation by the various NCAs is very different. This different treatment also applies to CSDs belonging to a group, which prevents them from truly operating as an integrated CSD offering cross-border services to its clients.

The second condition is to **complete the roll-out of Target2-Securities so as to make a single settlement platform for Europe a reality**.

Target2-Securities is a true enabler of cross-border competition and consolidation, as it allows clients in one CSD to settle with clients in another CSD in a seamless way. Euronext

has a strong experience in that field as we are today the largest user of Target2-Securities cross-border functionalities and expect to continue grow its usage.

Yet, as long as some ICSDs maintain proprietary settlement platforms, settlement – and therefore trading – of securities in the EU will remain fragmented, and the average unit cost of settlement cannot become as competitive as it should be. **Connection to T2S for all CSDs, including the ICSDs**, should therefore become mandatory, and settlement of trades in currencies other than euros (e.g. USD) in commercial bank money with the securities leg in T2S should be facilitated.

Discussions should also be held with the ECB to make Target2-Securities a better & cheaper platform, through market-driven enhancements of price and service level, with the objective of making the platform more competitive and support the integration and growth EU capital markets.

The third condition is to promote the quality, not the quantity, of CSD links. There are already hundreds of CSD links today, with a modest outcome in terms of true European integration on markets such as equities. Connecting all CSDs in Europe to each other will be costly, and in itself will not allow market participants to move business from more CSDs to fewer CSDs, which should be the policy objective. For links to be a truly powerful integration tool, they need to allow market participants to settle securities traded on a given trading venue directly in the linked CSD, through Target2-Securities cross-CSD functionality. This is exactly the model Euronext intends to implement by September 2026, allowing market participants on the French, Dutch, Belgian and Italian markets to settle all their trades, whichever the trading

venue of the CCP, directly in Euronext Securities Milan.

5. Enhance access to liquidity

Geographical fragmentation

EU lit markets are already to a large extent geographically integrated at trading level. Today, over 90% of lit equity trading in the EU is concentrated in five exchange groups. From a technology standpoint, connectivity to trading venues is vastly harmonised, with the use of FIX.

In addition, trading venues offer various modalities to best meet market participants' access need. This includes the ability to access the market either directly or via service providers. This also includes the offering of various technological solutions to facilitate market accessibility both for very technological sophisticated clients and for smaller more local participants: from microwave to cloud.

As mentioned above, today, when a Spanish retail investor wants to buy a German stock, the investor places the order through their - Spanish or other- retail bank, which can trade on the German stock exchange or alternative platforms (such as MTFs) either directly or indirectly (via an executing broker) using their own connectivity technology or outsourcing technology providers. On standard multilateral venues, access is open to any licensed intermediary, independently from

their EU domicile. The problems come thereafter, on the post-trade side.

As an illustration, Euronext operates cash equity exchanges in seven EEA countries, and yet welcomes 170+ trading members domiciled across 16 geographies (and ~2,000 listed companies domiciled across many geographies, including across 17 EEA countries). 120 trading members are active on more than two Euronext geographies, which for 70% of them include at least Euronext Amsterdam, Paris and Brussels. These, as the other four geographies covered by the group, can be traded via the same connectivity and trading platform. Yet, in contrast to the four other geographies covered by the group, these also settle in the same settlement system: this is a major cross-border access facilitator.

The remaining geographical fragmentation is largely demand-driven, reflecting strong local investment biases. Enhancing visibility of the full spectrum of listed equities—via tools like ESAP—would help address this. Further integration could be achieved through 1) harmonising trading venue membership rules and providing an **automated membership passporting** to any members of a trading venue in the EU and 2) identifying / flagging providers of connectivity across all EU markets (Connectivity Ecosystem Map), as well as brokers' financial instrument trading offering (broker registrar).

We caution against proposals that would mandate interconnection of trading venues. Such measures risk fragmenting liquidity further and would create an additional layer of complexity and cost without addressing the real driver of trading fragmentation in the EU. Limiting such interconnection to large venues may be easier to implement, but is unlikely to bring benefits. It would exclusively focus on the markets already widely accessible to investors and their intermediaries, and it would further isolate smaller markets, i.e. the very same ones who are currently struggling to attract investment flow in the EU. We believe that the range of measures that we highlighted above would be a better fit to facilitate access across all European markets, thereby nurturing stronger capital markets across the whole EU.

However, we remain open to discussing with the Commission any proportionate and targeted measures that could further integrate markets where genuine barriers persist, provided they deliver clear added value without duplicating existing infrastructure or imposing undue complexity or costs.

Functional fragmentation

The main issue of fragmentation in trading is at **functional level**, not geographical. Trading in a single stock is scattered across many liquidity pools, most of which are not visible nor accessible to everyone and not covered by

robust resiliency standards. Functional fragmentation is driven to a large degree by the complexity of the regulatory framework which has allowed the multiplication of dark and bilateral trading.

More than 50% of liquidity in EU equities is executed on private liquidity clubs, including OTC, systematic internalisers and off-book on-exchange.⁵

An additional 10% is executed on multilateral dark platforms (either formally authorised as such or misleadingly labelled as transparent – cf. frequent batch auction model).

Bilateral trading poses a significant obstacle to the sustained development of EU equity markets across multiple dimensions:

- **Impaired liquidity visibility:** bilateral trades occur without transparency. This prevents investors and issuers from seeing available liquidity. As such, it disincentives investors from trading more, in particular in EU SMEs, and as a result deprives issuers, particularly EU SMEs, from attracting further investment inflow.
- **Denied liquidity access:** access to bilateral liquidity is entirely at the discretion of the liquidity pool operator. Participants are therefore denied fair and equal access to available liquidity and trading and investment opportunities.

⁵On equities, there are currently 59 Regulated Markets, 99 Multilateral Trading Facilities, and 47 Systematic Internalisers registered to trade equities in the EEA. To access all available liquidity, market participants must connect to 205 registered execution venues, in addition to those that are not even registered. Yet accounting for the fact that 50% of registered Regulated Markets and MTFs are accessible via only 5 distinct trading system technologies (Source: ESMA, MiFID database) and that 90% of lit equity trading in the EU is concentrated in five exchange groups. Hence, the extreme fragmentation appears to be primarily driven by dark and bilateral venues.

- **Erosion of pricing efficiency and increased execution costs:** like dark pools, bilateral venues rely on prices formed in lit or multilateral markets. With price formation becoming secondary to price referencing, market-wide pricing efficiency deteriorates. With implicit costs accounting for most execution costs in EU equities, investors thereby face a net negative cost outcome despite the no explicit fee policy on bilateral pools. Retail investors are most adversely affected, as the absence of counterparty competition in bilateral pools results in poorer execution quality.
- **Deteriorating market resilience:** Bilateral trading venues typically lack a full authorisation process, surveillance mechanisms and central clearing. This absence of structural safeguards increases vulnerability to liquidity shocks and counterparty risk, as demonstrated by the disruptions that occurred during the meme stock episodes of the COVID-19 era and during the volatility spike on April 7.

The progressive shift of EU equity trading into the extremely bilaterally fragmented foreign exchange model is seriously concerning. What works in FX, where trading supports short-term hedging, is ill-suited for equities, which

are vital to fostering long-term investment in the real economy. Allowing equity markets to drift toward an FX-style model risks distorting incentives, weakening capital formation and undermining the EU's strategic ambitions for deep, resilient capital markets.

Addressing this is therefore a crucial part of what we believe should be the Savings and Investments Union ambition, and requires regulatory action. There are two main options: 1) either recognise bilateral trading weight and level the playing field with other trading modalities (fully robust authorisation requirements with proper licensing, same transparency, access and execution rules as trading venues, market surveillance and central clearing requirement, EU-location of data centres in the EU or 2) contain bilateral trading where discretionary access and execution and dark trading can bring value, i.e. exclusively for block trading and technical trades. Additionally, we believe there needs to be a review of dark trading modalities at large, by reviewing the waiver regime and by addressing the increasing traction gained by trading venues formally considered as lit and yet operating a market mechanism importing a reference price formed on other venues (cf. frequent batch auctions), which is further hurting price formation and liquidity visibility. This could be done by extending the volume cap to cover this type of trading activity.

6. Deliver simplification and burden reduction

Euronext believes there is a strong need for proportionality to be a much more important factor when the Commission is developing legislative proposals. When it is identified that regulatory action is required at European level, there is a real need to ensure the proposals are proportionate to the issue at hand, as there are many instances where European legislation has been much more encompassing than is needed to achieve the initial aim. Before introducing new rules, a systematic "**competitiveness test**" is needed with a clear assessment as to whether such new rules will weaken or strengthen European companies.

Looking at the likes of DORA and CSRD as examples, both of these were developed to address important areas where a regulatory framework was required. But the legislation that followed goes much further than is necessary and becomes a significant and burdensome cost to the industry, creating unnecessary complexity for market participants. This puts the EU at a serious competitive disadvantage to other jurisdictions. Therefore Euronext welcomes the recent momentum behind the simplification agenda, and in particular the Omnibus package on sustainable finance.

Euronext supports the European Commission's efforts aimed at simplification

and burden reduction, particularly for listed companies. The complexity and cost associated with compliance can be especially challenging, notably for SMEs and Small Mid-Caps, hindering their ability to compete effectively on a global scale. By prioritising simplification, the Commission can help ensure that regulatory frameworks are not only effective but also manageable and proportionate to the needs of listed companies. This is crucial for fostering a vibrant and competitive capital market in Europe, where companies can thrive without being hindered by excessive regulatory burdens. Euronext believes that a streamlined regulatory environment will enhance the attractiveness of European markets, encouraging more companies to list and grow within the EU.

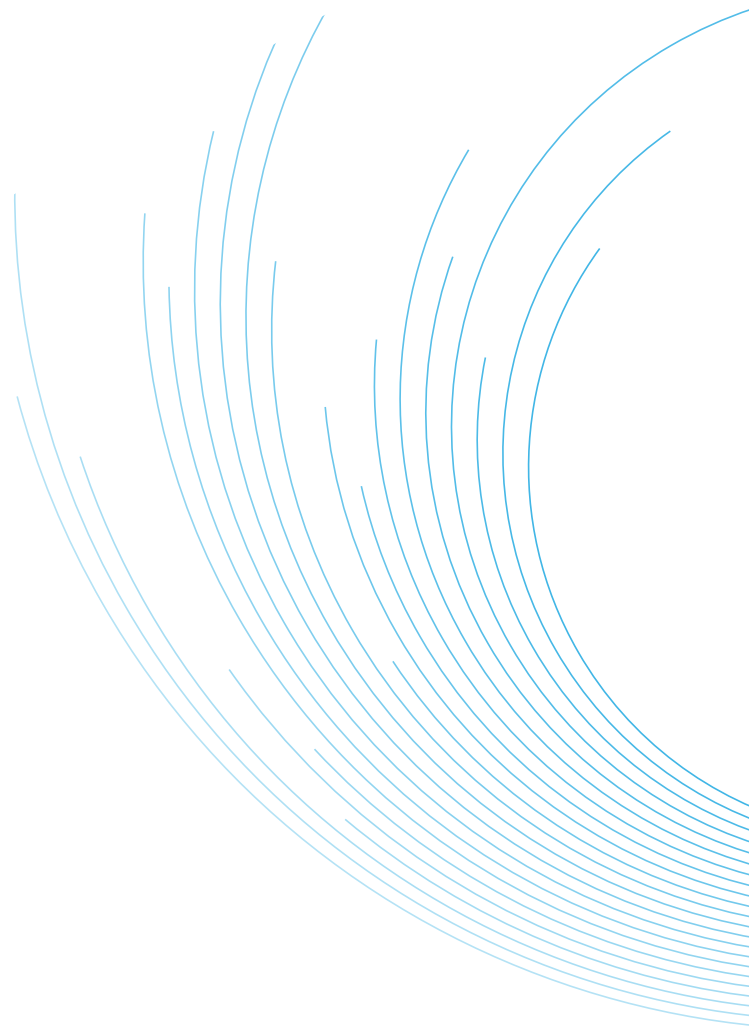
7. Conclusion

The EU has the talent, capital and institutional strength to lead in global finance. But to do so, it must act decisively to remove the structural barriers that divide its markets. The **Savings and Investments Union** will only succeed if built on three pillars:

- **A single rulebook** that ensures legal certainty and regulatory coherence and **single supervision** that enables scale, efficiency, and trust.
- **Integrated post-trade infrastructure** that supports seamless cross-border investment.
- **Enhanced access to liquidity**, not by adding an additional layer of complexity and cost in connecting trading platforms that already offer various modalities to best meet market participants' connectivity needs, but by simple but effective measures like 1) harmonised trading venue membership rules and membership passporting, 2) technologically via a Connectivity Ecosystem Map and 3) functionally by addressing functional fragmentation in trading by rebalancing the role of dark and bilateral venues.

These pillars need to be complemented by specific actions relating to incentivising investor demand and reducing burdens for listed companies.

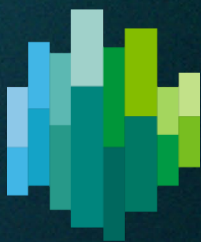
This is not just a regulatory agenda—it is a competitiveness imperative. Let us build a capital market that matches the ambition of Europe's economy and the needs of its citizens.



This document is for information purposes only. The information and materials contained in this document are provided 'as is' and This publication is for information purposes only and is not a recommendation to engage in investment activities. This publication is provided "as is" without representation or warranty of any kind. Whilst all reasonable care has been taken to ensure the accuracy of the content, Euronext does not guarantee its accuracy or completeness. Euronext will not be held liable for any loss or damages of any nature ensuing from using, trusting or acting on information provided. No information set out or referred to in this publication shall form the basis of any contract. The creation of rights and obligations in respect of financial products that are traded on the exchanges operated by Euronext's subsidiaries shall depend solely on the applicable rules of the market operator. All proprietary rights and interest in or connected with this publication shall vest in Euronext. No part of it may be redistributed or reproduced in any form without the prior written permission of Euronext.

Euronext refers to Euronext N.V. and its affiliates. Information regarding trademarks and intellectual property rights of Euronext is located at euronext.com/terms-use.

© 2025, Euronext N.V. – All rights reserved.



[euronext.com](https://www.euronext.com)