

From fragmentation to integration: why the European Union needs single supervision

The development of a fully integrated European capital market is a core objective of the European Union's economic and financial strategy. The establishment of the Savings and Investments Union (SIU) reflects the need to deepen markets, facilitate cross-border investment and ensure that savings across the EU are channelled efficiently toward productive investment. For this objective to be realised, the EU requires not only a coherent regulatory framework, but also a supervisory architecture that matches the cross-border nature and scale of its capital markets.

Supervision remains one of the most structurally fragmented elements of the EU financial framework. While many financial market infrastructures increasingly function on a pan-European basis, supervision continues to be exercised predominantly at national level. This misalignment between market reality and supervisory organisation weakens effectiveness, increases costs and ultimately undermines the EU's strategic ambition to build integrated, competitive and resilient capital markets.

Euronext strongly supports the move towards genuine single supervision for key financial market participants, notably CCPs, CSDs and trading venues at EU level, and the introduction of a Pan-European Market Operator (PEMO) framework as proposed by the European Commission in the Market Integration and Supervision Package (MISP) published in December 2025. Single supervision and the introduction of the PEMO should be understood not as a symbolic or institutional reform, but as a practical and functional adjustment necessary to support the SIU, by ensuring cost-effective and harmonised oversight of cross-border markets.

Single supervision and the objectives of the SIU

The SIU aims to mobilise savings more effectively, improve access to market-based financing and strengthen the EU's economic resilience. These objectives depend on deep, liquid and trusted capital markets that operate smoothly across borders. Confidence in markets is inseparable from assurance in supervision. As such, rules need to be applied consistently and addressed appropriately.

Nationally fragmented supervision is increasingly challenged by the evolving nature of the EU capital market landscape. Market activities, data flows and risk concentrations rarely align with national boundaries, while supervisory responsibilities often do. This creates gaps, overlaps and inconsistencies, reducing the ability of supervisors to form a holistic understanding of market developments. From an SIU perspective, this fragmentation acts as a structural impediment to deeper integration and discourages cross-border activity.

The economic and operational costs of fragmentation

Supervisory fragmentation is often perceived as a neutral default, but in practice it carries significant economic and operational costs. Market operators subject to multiple supervisory authorities face duplicative processes, divergent expectations and increased administrative burdens. Even where EU legislation is fully harmonised, differences in supervisory interpretation and practice persist, creating uncertainty and inefficiency while acting as a significant barrier to further integration.

Reform of supervisory arrangements must also be guided by cost effectiveness. Fragmentation and hybrid models typically increase total costs by duplicating efforts and maintaining parallel structures. The objective of single supervision is not to redistribute all supervisory functions, but to support integration and scale, and to achieve better outcomes at lower aggregate cost for the system as a whole.

Importantly, cost effectiveness and supervisory excellence are mutually reinforcing. A well-resourced, central authority is better positioned to attract specialist expertise, invest in data and monitoring tools and develop consistent supervisory practices. This strengthens overall market oversight while supporting the EU's simplification and competitiveness objectives.

Ensuring coherent supervision at EU level

For single supervision of key financial market participants and for the PEMO framework to be effective, it must have substance. This requires that ESMA is entrusted with clear, direct supervisory responsibilities and decision-making powers within its remit. All significant and cross-border financial market infrastructures should fall within the scope of single supervision to ensure a level playing field. Only a central authority can ensure consistent application of rules, form a comprehensive view of systemic risks, and act decisively when supervisory intervention is required. In periods of market volatility or stress, clarity of responsibility and speed of action are critical. These objectives are best served by streamlined governance and direct supervisory authority. In this sense, single supervision is not an end in itself, but a necessary means to deliver on the EU's broader economic objectives.

National Competent Authorities (NCAs) will continue playing a vital role in the EU supervisory framework, bringing strong local expertise and maintaining key responsibilities, primarily for prospectuses, takeover bids and the supervision of local brokers and asset managers. A single supervisory system led by ESMA should therefore build on close cooperation with NCAs, while maintaining a clear allocation of tasks. Any forms of veto powers or parallel decision-making authority at national level would undermine the coherence and effectiveness of the system and perpetuate fragmentation in practice. This is why ideas such as the formalisation of existing Colleges of Regulators should not be the end goal. Instead, this moment should be used to pursue a more ambitious and streamlined approach that delivers an optimal outcome. While such arrangements may be presented as pragmatic compromises, they add complexity without resolving the underlying coordination problem. Single supervision should simplify the supervisory landscape, not add to it.

Robust governance is a critical enabler of effective supervision. The proposed reforms to ESMA, together with the transitional arrangements, will result in a better resourced authority with the expertise needed to deliver its expanded mandate. The new ESMA Executive Board structure proposed by the European Commission in the MISF provides a solid foundation for accountability, expertise and balanced decision making. Preserving this structure is essential to maintaining supervisory credibility and ensuring that decisions are taken transparently and in the EU's interest. Introducing additional governance layers or national approval mechanisms would likely weaken this framework.

Looking ahead: building a framework fit for the long term

Euronext strongly supports the move to single supervision for key EU financial market infrastructures, including CCPs, CSDs and trading venues under ESMA. In this context, we also support the introduction of a PEMO framework allowing market operators to manage multiple trading venues under a single authorisation, including through branches. To deliver real simplification and scale benefits, the PEMO should be supervised as a single legal entity under

ESMA's exclusive authority, with no national gold plating or duplicative oversight. The framework should also support an orderly transition to branch-based structures and explicitly recognise FMI groups, enabling genuine groupwide supervision that facilitates greater integration across EU markets.

The SIU is a strategic, long-term project. Its success depends on supervisory structures that are robust, credible and aligned with the realities of cross-border markets. The supervisory reforms will shape European capital markets for decades to come. Short-term political compromises that dilute the substance of single supervision may appear expedient, but risk entrenching inefficiencies and undermining effectiveness over the long term.

Euronext therefore calls for the implementation of a genuine single supervision model that strengthens supervisory quality with a clear governance framework, reduces fragmentation, contains costs and supports the full realisation of the Savings and Investments Union.