Capital Market Harmonisation: The EU's Market Integration and Supervision Package

According to the European Commission (the Commission), the EU needs urgent investment in sectors like cleantech, energy, biotech and AI for better competitiveness and growth. The Commission says that public funding isn't enough and that a unified capital market is needed to improve company financing and citizen investment options.

However, this urgency or "critical juncture", as referred to by Chair Ross of the European Securities and Markets Authority (ESMA) in a recent speech, is not new. She states in her speech that this has become a sort of Brussels mantra, with the Commission's Capital Markets Union (CMU) proposals first being unveiled in 2015.

So, what has changed in the intervening 11 years?

Chair Ross says in her speech that "we are living through the moment where the long-promised integration of European capital markets is really a must." Chair Ross goes on to say that "the stakes for EU citizens, for European economies, and for the global standing of the Union, have rarely been higher."

And with that in mind, this article provides an overview of the CMU and its progress to date and then looks at the Commission's proposals and latest status for the EU 's Market Integration and Supervision Package (EU MISP).

Overview of the CMU – The pursuit of integration

In the EU, on the 30 September 2015, the Commission launched its CMU Action Plan, which was intended to boost business funding and investment financing. In the Action Plan the Commission stated that the purpose of the CMU was to strengthen the link between savings and growth. It set out that the path to growth included financing for innovation, start-ups, and non-listed companies.

It also set out in the Action Plan that it is important that EU legislation strikes the right balance between reducing risk and enabling growth and does not create new barriers that were not intended. The Commission called for the building blocks for putting a well-functioning and integrated CMU, encompassing all Member States, to be in place by 2019.

Partial success and further developments to come

On 5 December 2019, the Council of the European Union (the Council) conclusions on the deepening of the CMU highlighted how almost all the legislative reforms set out in the 2015 Action Plan had been adopted.

However, the Council also stated that regulatory and other barriers (such as taxation and insolvency) still hampered the smooth movement of capital and access to financial products and services in the financial sector. Therefore, the Council called to continue and further deepen the CMU.

In September 2020, a new Action Plan to boost the CMU was published, which featured, as one of its key objectives, the aim of making the EU an even safer place for individuals to save and invest long-term.

This was followed, on 9 May 2023, by an Op-ed article by the Council, Commission, Eurogroup, and the European Central Bank and European Investment Bank Presidents calling for greater ambition and efforts to create a genuine CMU, noting its key role in the EU's long-term competitiveness.

And at a Special Council meeting on 17-18 April 2024, EU leaders again stressed the urgent need for the Council and the Commission to make rapid progress on all measures identified as necessary to create truly integrated European capital markets.

The SIU

On 19 March 2025, the Commission announced its strategy for its Savings and Investment Union (SIU), which it says seeks to offer EU citizens broader access to capital markets and better financing options for companies.

The Commission explains that it views the SIU as a horizontal enabler that will create a financing ecosystem to the benefit of investment in the EU's strategic objectives, and that the capacity to address current challenges requires significant investment.

This was identified in the Draghi Report (on EU Competitiveness), published 9 September 2024, which estimated that an additional EUR750-800 billion per year by 2030 would be needed (which at the time did not factor in increased defence spending needs).

Accordingly, the Commission says that delivering the SIU is a shared responsibility of EU institutions, Member States and all key stakeholders, requiring concerted efforts and close collaboration across four strands of work:

1. Citizens and Savings;
2. Investment and Financing;
3. Integration and Scale; and
4. Efficient Supervision in the Single Market.

The Commission states that the SIU will rest on both legislative and non-legislative measures, and on measures to be developed by the Member States themselves. The Commission says it will publish a mid-term review of the overall progress in achieving the SIU in the second quarter of 2027.

Also, it should be noted, prior to the SIU announcement, on 29 January 2025, the Commission published its Competitiveness Compass, which is intended as a new roadmap to restore Europe's dynamism and boost its economic growth.

EU MISP – A central component of the SIU strategy

The EU MISP was launched by the Commission on 4 December 2025. Its primary goal is to remove barriers to cross-border capital market activities, improve supervisory convergence, simplify the regulatory framework, and support digital innovation in financial markets.

EU MISP looks to address persistent fragmentation in EU financial markets and aims to create a more efficient, competitive, and integrated single market for financial services.

Key Objectives

Removing obstacles to market integration and leveraging scale
The EU MISP aims to eliminate barriers to integration in trading, post-trading, and asset management. It seeks to enable market participants to operate more efficiently across Member States, thus reducing cost differences between domestic and cross-border transactions.

Proposed measures include enhancing passporting opportunities for Regulated Markets and Central Securities Depositories (CSDs), introducing 'Pan-European Market Operator' (PEMO) status for operators of trading venues to streamline corporate structures and licenses into a single entity or single license format, and streamlining the cross-border distribution of investment funds (UCITS and AIFs) in the EU.

Facilitating innovation
The EU MISP also focuses on removing regulatory barriers to innovation related to distributed ledger technology (DLT). It adapts the regulatory framework to support these technologies and amends the DLT Pilot Regulation (DLTPR) to relax limits, increase proportionality and flexibility, and provide legal certainty, thus encouraging the adoption of new technologies in the financial sector.

Streamlining and enhancing supervision
The Commission see improvements to the supervisory framework as being closely linked to the removal of regulatory barriers. The package aims to address inconsistencies and complexities from fragmented national supervisory approaches, making supervision more effective and conducive to cross-border activities, while being responsive to emerging risks.

This includes transferring direct supervisory competences over significant market infrastructures such as certain trading venues, Central Counterparties (CCPs), CSDs, and some Crypto-Asset Service Providers (CASPs) to ESMA and enhancing its coordination role for the asset management sector.

Simplification and burden reduction
The package aims to simplify the capital markets framework further by converting directives into regulations, streamlining level 2 empowerments, and reducing national options and discretions to prevent gold-plating.

EU MISP Legislative Components

The EU MISP package looks to amend:

- The European Securities and Markets Authority (**ESMA**) Regulation.
- The European Markets Infrastructure Regulation (**EMIR**).
- The Markets in Financial Instruments Regulation (**MIFIR**).
- The Central Securities Depositories Regulation (**CSDR**).
- The Distributed Ledger Technology Pilot Regulation (**DLTPR**).
- The Markets in Crypto-asset Regulation (**MiCA**).
- The Cross-Border Distribution of Funds Regulation (**CBDFR**).

This package will also include targeted amendments, in line with the changes proposed to the ESMA Regulation aimed at making EU supervision more efficient.

These proposals look at changes to:

- The Central Counterparties Recovery and Resolution Regulation (**CCPRRR**).
- The Securities Financing Transactions Regulation (**SFTR**).
- The Credit Ratings Agency Regulation (**CRAR**).
- The Benchmark Regulation (**BMR**).
- The Simple, Transparent and Standardised (**STS**) Securitisation Regulation.
- The European Green Bond Regulation (**EuGB Regulation**).
- The Environmental, Social and Governance (**ESG**) Rating Regulation.

The package also looks to amend:

- The Undertakings for Collective Investment in Transferable Securities (**UCITS**) Directive.
- The Alternative Investment Fund Managers Directive (**AIFMD**).
- The Markets in Financial Instruments Directive (**MiFID**).

These proposals aim to start from the period **mid-2027** to **mid-2029** with full scale operation as of **mid-2029**.

Finally, the EU MISP includes a proposal for a new regulation replacing the Settlement Finality Directive and amending the Financial Collateral Directive.

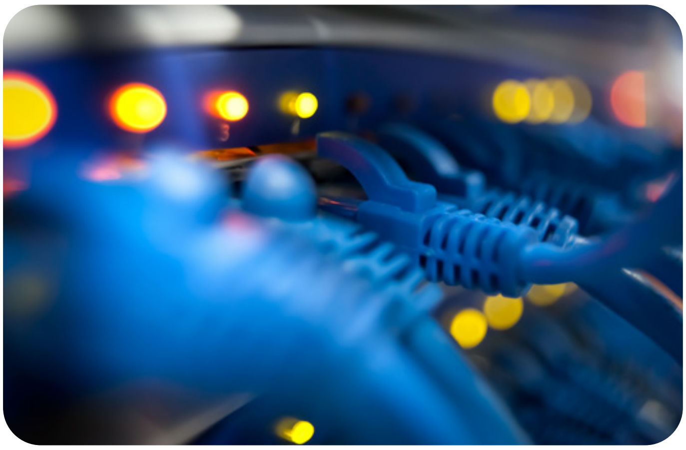
In terms of implementation timelines for this component, there is an aim for a start-up period **in 2028**, followed by full scale operation.

A deeper dive into asset management-focused proposals under the EU MISP

The current rules on the cross-border marketing of funds
While the UCITS Directive and the AIFMD establish a harmonised framework for marketing EU investment funds within the EU, the rules and procedures relating to marketing notifications, de-notifications, and pre-marketing remain unnecessarily lengthy, complex and divergent according to the Commission, further saying that this complexity continues to hinder the efficient cross-border operation of UCITS and AIFs in the EU.

The Commission says that feedback from market participants confirms that both EU and national requirements still make the passporting and marketing of EU investment funds challenging to navigate. A key reason is that the Directives (as opposed to Regulations) grant Member States broad discretion, allowing them to impose their own procedures, regulatory fees, IT systems, and other ad-hoc requirements. In addition, where EU rules leave gaps, Member States may introduce national rules.

Since the EU framework is largely principle-based (e.g., information must be clear, fair, not misleading, and consistent with pre-contractual disclosures), many Member States adopt detailed and prescriptive marketing rules, which can ultimately influence product design. As a result, AIFMs and UCITS seeking to market funds across the EU must deal with a patchwork of divergent national requirements. This leads to legal uncertainty, increases compliance costs, delays market access, and limits funds' capacity to scale.



The EU MISP proposed automatic passporting based on authorisation for UCITS and AIFMs
During the authorisation process, under the EU MISP proposals, an applicant UCITS should inform its home competent authority of the Member States where it intends to market. The information and documentation submitted as part of the authorisation process (such as the prospectus, key information document and standardised marketing material) will be used to passport the UCITS into those host Member States as from the day of authorisation. This removes the current procedure to prepare separate notification packages for each host Member State after authorisation.

Similarly, each AIFM should, during the authorisation process, inform its home competent authority of the EU AIFs it manages, and of the Member States where it intends to market them to professional investors.

On authorisation day, the home competent authority should prepare a letter of authorisation with an Annex listing the host Member States in which the UCITS intends to be marketed, or the AIFM intends to market AIFs. The letter, together with supporting documents and information, will be shared with the relevant host competent authorities through the central ESMA notification system and the relevant UCITS and AIFs can market in those host Member States from that day.

ESMA's notification system
The EU MISP proposals aim to facilitate information and document exchange between home and host competent authorities and avoid delays caused by bilateral transmissions among competent authorities.

ESMA has been tasked with developing an interactive IT system, referred to as the data platform, serving as a single access point for the cross-border marketing of UCITS and AIFs, including European Venture Capital Funds (EuVECAs), European Social Entrepreneurship Funds (EuSEFs) and European Long-Term Investment Funds (ELTIFs).

Through this platform, home competent authorities will be able to share all information and documentation relevant to the cross-border marketing of UCITS and AIFs with the host competent authorities. Host competent authorities will receive prompt notification via the platform and will have direct access to all relevant documentation.

Any subsequent material changes to the documentation, as well as de-notifications relating to UCITS and AIFs, should also be shared by the home competent authority via the platform.

To reduce the administrative burden linked to translation, the platform will include an automatic translation function, enabling authorities to view all documents in their local language, as needed.

The proposed platform will also allow home and host competent authorities to interact directly, including when coordinating actions in respect of UCITS or AIFs marketed on a cross-border basis or when issues arise regarding supervisory measures.

Removal of the UCITS key investor information document (KIID) provisions from the UCITS Directive
The PRIIPs Regulation provides that a Packaged Retail and Insurance-based Investment Products (PRIIPs) Key Information Document (KID) is mandatory where a UCITS is distributed to retail investors. The UCITS Directive stipulates that where a PRIIPs KID is made available to retail investors, the requirement to provide a UCITS KIID is fulfilled. Therefore, the practical use of the UCITS KIID remains with professional clients only.

However, professional investors do not require a generic UCITS KIID. Thus, the requirement to provide a UCITS KIID, where there is no PRIIP KID, is no longer necessary.

The removal of the UCITS KIID contributes to the Commission's goal of simplification without compromising investor protection.

A depositary passport
Currently, EU investment funds are required to appoint a depositary that is established in their home Member State. A depositary passport would mean that UCITS and AIFs will be able to appoint a depositary located anywhere in the EU, to the extent that such depositary qualifies as a credit institution authorised under Directive 2013/36/EU or as an investment firm authorised under Directive 2014/65/EU.

Simplified rules for EU groups of UCITS management companies and AIFMs
The Commission explains that feedback from market participants confirms that asset managers frequently operate within group structures consisting of several AIFMs and UCITS management companies established across the EU. These entities often work in an interconnected manner and commonly allocate management functions to other entities within the same group.

Such groups may also include credit institutions and investment firms that provide management functions on behalf of AIFMs and UCITS management companies. However, the UCITS Directive and the AIFMD do not recognise the concept of a "group" of UCITS management companies or AIFMs and therefore do not reflect these integrated organisational structures.

This means that the intra-group allocation of functions is currently subject to the same stringent delegation requirements as those applicable to third parties (such as due diligence, monitoring and resource assessments).

The Commission sees this as disproportionate and inefficient, particularly when the delegate is another EU-authorised asset manager, investment firm, or credit institution within the same group. So to address this, it proposes a simplified framework for EU groups of UCITS management companies and AIFMs.

If the proposal is agreed, then under this framework, entities within the EU group would be able to share and rely on each other's human and technical resources and allocate functions within the group without being subject to the delegation requirements under the UCITS Directive and AIFMD. UCITS management companies and AIFMs would, however, remain fully responsible for the functions or services carried out by other entities within the group and must take appropriate measures to prevent such reliance does not reduce them to mere "letter box" entities.

Commission's plans for ESMA to directly supervise investment funds and fund managers
Under its proposals, the Commission says that ESMA will not directly supervise investment funds and fund managers; they will continue to be supervised by national competent authorities.

However, the proposals do aim to strengthen ESMA's role in fostering supervisory convergence in the asset management sector and in improving cooperation between home and host competent authorities. It's proposed that ESMA will be given an enhanced supervisory role over large asset management groups by conducting, together with the relevant competent authorities, annual reviews of those groups with a view to identifying and addressing divergent, duplicative, redundant, or deficient supervisory practices and facilitating the seamless operation of those groups. Such annual reviews will involve the analysis of data, information, and documentation already available to ESMA and national competent authorities through existing reporting channels.

It is also proposed that ESMA will be given additional powers to address diverging, duplicative, redundant and deficient supervisory actions hindering the effective use of the exercise of passport rights by investment funds, fund managers and depositaries generally, regardless of their size. In that context, ESMA will, for example, facilitate discussions and mediation among national competent authorities where disagreements on cross-border matters arise and, as a measure of last resort, suspend the right of investment funds, fund managers or depositaries to operate on a cross-border basis.

In terms of the wider proposals impacting changes for ESMA, there is a broader policy discussion around ESMA's role in supporting the competitiveness of the EU Capital Markets, with an active debate around how ESMA's expanded responsibilities should be balanced with objectives such as market attractiveness, innovation and competitiveness.

The proposals not only focus on integration and supervisory convergence, but also on making the regulatory framework more responsive to market developments. For example, ESMA's ability to issue no-action letters and the introductions of mechanisms allowing the Commission, under certain circumstances, to temporarily suspend Regulatory Technical Standards and Implementing Technical Standards.

For more details on the proposed regulatory changes please see the Commission's Q&As.

Why the Commission considers the EU MISP to be so important

The EU MISP has been described by the Commission as being the most significant EU initiative for capital market integration since MiFID II and MiFIR, aiming to reduce operational and legal frictions, lower cross-border costs, and provide legal certainty for emerging technologies like DLT.

By addressing fragmentation and supervisory divergence, the EU MISP seeks to enable efficient flow of European savings across borders, strengthen market competitiveness, and support strategic EU priorities such as the green and digital transitions.

Whilst in a recent communication the Chair of ESMA explained why the EU MISP matters – why they consider it to be a game changer, as it comes at a time when there are high demands on the EU capital market to efficiently finance innovation and growth. Allowing European companies to emerge and thrive, and also allowing European citizens to access capital markets and savings to be turned into productive investment.

Latest developments

On 24 April 2026, the Presidents of the European Parliament, Council and Commission signed a Joint Declaration committing to achieve the "One Europe, One Market" Roadmap.

The Roadmap is a political and operational commitment. It sets out in its annex key legislative and policy initiatives across five strategic building blocks.

The Roadmap also includes corresponding timelines for agreement. The EU MISP political agreement is targeted for the end of 2026.

And on 11 June 2026, the EU Parliament's Economic and Monetary Affairs (ECON) Committee published its draft reports on the EU MISP, comprising:

- A proposed regulation which will amend the ESMA Regulation, EMIR, MIFIR, CSDR, the DLTPR, MiCA, and the Cross-Border Distribution of Funds Regulation. The proposed regulation will also include targeted amendments, in line with the changes proposed to the ESMA Regulation intended to make EU supervision more efficient, to the Central Counterparties Recovery and Resolution Regulation, SFTR, the CRA Regulation, the BMR, the Simple, Transparent and Standardised Securitisation Regulation, the European Green Bond Regulation, and the ESG Rating Regulation;
- A proposed directive which will amend the UCITS Directive, the AIFMD and MiFID; and
- A proposed regulation replacing the Settlement Finality Directive and amending the Financial Collateral Directive.

Then, on 17 June 2026, ESMA published its Annual Report 2025. In the accompanying foreword, ESMA's Chair commented that the Commission's publication of EU MISP marked a turning point in elevating SIU from a policy debate to providing clear targeted legislative proposals.

Next steps

The proposals must now be negotiated and approved by the European Parliament and the Council. According to the Commission, the EU MISP components are interconnected and together form a cohesive set of reforms essential for establishing a genuine single market across the entire investment chain and maintaining the unity of the package is considered crucial by the Commission.

The Commission concludes by saying that it is dedicated to collaborating closely with the European Parliament, Member States, and other stakeholders to ensure the swift and effective implementation of these measures.

In latest news, at the Economic and Financial Affairs Council (ECOFIN) on 10 July, ministers had a policy debate on the EU MISP proposals. Based on a Presidency steering note, ministers expressed a clear political commitment to reach a robust and ambitious Council negotiating position on the package by October and broadly agreed on the central policy issues to be resolved to achieve this goal. Member states also outlined their priorities for the upcoming negotiations.

ECOFIN took note of the exchange, and the Presidency will reflect on the matters raised while remaining cognizant of the timeline endorsed by ministers.

Overview

A Need for a Unified Capital Market – The EU MISP

A Landmark Legislative Initiative created as a principal component of the broader Savings and Investment Union (SIU) strategy. First introduced by the Commission in December 2025, it's a comprehensive package of legislative reforms designed to dismantle persistent barriers to cross-border capital flows.

Core Objectives

- Remove Integration Barriers.
- Facilitate Digital Innovation.
- Adapt the regulatory framework to support emerging technologies.
- Enhance and Streamline Supervision.
- Simplify and Reduce Regulatory Burden.

Key EU MISP Reforms for the Asset Management Industry

Introduces several "game-changing" proposals for asset managers:

- Automatic Passporting.
- Central ESMA Data Platform.
- Depositary Passport.
- Simplified Intra-Group Rules.
- Removal of UCITS KIID.

Timeline and Next Steps

The EU MISP has strong political backing, underscored by the April 2026 "One Europe, One Market" Roadmap.

Further to publication of draft reports by the EU Parliament's ECON Committee in June 2026, the European Parliament and the Council must now negotiate the proposals.

The political agreement is targeted for the end of 2026, with a phased implementation period from **mid-2027 to mid-2029**.

Article Contributors

Amanda Hale

Andrew Newson

Please contact for further details:

David Morrison
Global Head of Trustee and Fiduciary Services
david.m.morrison@citi.com
+44 (0) 20 7500 8021

Amanda Hale
Head of Regulatory Services
amanda.jayne.hale@citi.com
+44 (0)20 7508 0178

Kelli O'Brien
Global Head of Fund Administration Product
kelli.a.obrien@citi.com
+1 617 859 3468

Ramesh Selva
Head of Trustee & Fiduciary Services
North & South Asia
ramesh.selva@citi.com
+65 6657 4142

Sung-Wook Han
Head of Trustee & Fiduciary Services
Korea
sungwook.han@citi.com
+82 22004 2162

Shane Baily
Head of Fiduciary Services
UK and Europe
shane.baily@citi.com
+353 1 622 6297

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