

ECSDA response to the European Commission Call for evidence on SIU

Who we are

The European Central Securities Depositories Association (ECSDA) represents 40 Central Securities Depositories (CSDs) across 36 European and neighbouring countries.

CSDs are regulated market infrastructures enabling issuance and settlement of securities transactions in the EU capital markets interconnecting companies and investors across the EU.

CSDs assist issuers and investors in navigating the complex European multijurisdictional environment by processing corporate actions on behalf of issuers and for the benefit of entitled investors. They ensure asset protection and provide increasingly efficient, standardized, and innovative post-trade services in accordance with applicable corporate laws.

CSDs are long-standing advocates for the Capital Markets Union and EU Competitiveness

ECSDA Members has always advocated and taken actions in support of CMU. With [ECSDA's call for action on Europe's Capital Markets Competitiveness](#), we assessed the current European post-trade environment, noticing a. o. that the root causes of fragmentation in our area, including those that are to be addressed by the public authorities and that have been identified decades ago, are not being addressed. Our key proposals of EU action include:

1. Tackle the real root causes of fragmentation to achieve the CMU.
2. Foster market-driven competition.
3. Defend innovation and global competitiveness of European markets' infrastructures.

We proposed more detailed measures that could further strengthen Europe's Capital Markets integration by recognising the long-standing issues and proposing to look into the incremental steps to solve them. These measures include, for example, regulatory harmonization and operational standardization as first steps to naturally strengthen cross-border competition between CSDs, as well as leveraging improvements to the T2S platform which is already a pan-European infrastructure which allows for technical consolidation.

The SIU debate is evolving: liquidity and EU diversity at the core

The most recent statements and initiatives launched by the Commission, including this Call for Evidence, the Competitiveness Compass and the Commission work program 2025 advance a significant number of outstanding proposals.



We note that increasing market liquidity is prioritized, with the intention to act at various levels to bring the EU investors closer to the capital markets, allowing European savers to earn a fair return on their savings. Here, we particularly support initiatives such as the creation of new, easy-to-use and tax-incentivized savings and investment products, the establishment of an EU equity fund and a regime equivalent to the 401k for the EU. Such efforts can strengthen investor confidence in the EU capital markets, increase the markets' attractiveness and facilitate long-term investment in transition as well as EU defence. Capital markets may support government budgets.

We also note a clear acknowledgment of the EU's multijurisdictional character and the intention to make progress on legal convergence wherever possible, even though some areas, such as civil, securities and corporate laws, are more difficult to harmonize. In this context, we would like to reiterate our support for existing harmonization instruments and efforts such as the FASTER initiative and the CSDR Refit with its e.g. simplified passporting regime.

The strong intention to pursue on regulatory simplification and burden reduction as well as a more effective and consistent implementation of EU law is particularly remarkable and will certainly bring significant benefits with joint efforts in identifying complexities and overlaps in the remit of the EU and domestic regulators. ECSDA embraces the Commission's work already presented in the recent Omnibus Simplification Package. Such harmonisation and simplification would also be very well received by the post-trade industry in the areas of reporting.

As well acknowledged, regulatory simplification cannot solve the harmonization of law in matters that lie within the competence of Member States, requiring the need to explore alternative solutions that market stakeholders shall contribute to elaborate. ECSDA notes the work of the European Commission in exploring the potential of a 28th regime as a possible solution and looks forward to discuss further such innovative proposals.

As the market grows the EU needs to leverage and support its resilient infrastructure

Trusting that the EU institutions and Member States, aware of the EU's intrinsic fragmentation, will enhance collaboration and find the appropriate path to the SIU, the envisaged measures should result in increased liquidity and a new way to invest seamlessly across the EU. We anticipate that these should lead to more cross-border investments and higher cross-border volumes, including on the post-trade side.

Hence, it is essential that the EU is ready to face such changes, building on its strong and resilient post-trade ecosystem facilitating the interconnection among Financial Market Infrastructures (FMIs), sponsoring and strengthening existing efficient solutions such as the CSD groups' cross-border platforms and T2S, which thanks to significant investments and harmonization efforts, offer already now the possibility to support increasing cross-border volumes.

The use of such solutions shall be further encouraged and supported in the current liquidity scenario.

As evidenced by recent developments, such as the ECB trials for wholesale settlement in central bank money, existing solutions can be complemented by opportunities emerging from the continuously evolving digital transformation of the financial industry.



The linkage of existing and new infrastructures, rather than the creation of a new infrastructure, represents the way forward for a successful European digital infrastructure preserving high standards of risk management and preventing further liquidity fragmentation.

Lastly, a level playing field between EU and non-EU CSDs is crucial in order not to disadvantage post-trade activity within the EU. In this context, settlement internalization should be limited.

Facilitating collaboration and interconnection in view of liquidity growth

As the market grows, the increased interconnection and collaboration among FMIs that the Commission deems necessary to connect EU investments, can be facilitated through regulatory simplification initiatives and supervisory convergence, particularly in the areas of foreign issuance and CSD links.

This would enable more agile and timely support by CSDs for issuers looking to access liquidity pools in other countries and allow investors to choose where to hold their increasingly diverse and international portfolio of securities as part of the SIU's ambitions.

The degree of interconnection and collaboration among Financial Market Infrastructures (FMIs) and the involvement of Central Securities Depositories (CSDs) in cross-border activities should be assessed by examining data on EU international investments which is influenced by the home bias across EU Member States, as highlighted by the Capital Markets Union (CMU) indicators.

We acknowledge that the indicators do not encompass post-trade activities and recognize the complexity of developing a potential indicator for this domain.

Since CSDs handle only a fraction of cross-border settlement flows ([See ESMA report on cross-border services by CSDs.](#)), their involvement in cross-border settlement only partially reflects the overall level of EU cross-border activities. Therefore, a more comprehensive assessment is necessary to obtain a complete picture to support the future SIU indicators.

Conclusions

As stated in ECSDA's Call for action, ECSDA fully support the idea of making progress where we can, provided that there is further progress on the post-trade public barriers. We are convinced that quick wins and solutions can be identified to progressively further converge the legal and regulatory environments.

Further transparency of the differences and commonalities in the legal frameworks of EU Member States can facilitate convergence in interpretation even when harmonization is difficult to pursue.

ECSDA is committed to continue contributing to the identification of actions and proposals relevant for the post-trade industry.