

Making MISP Work for Investors

Key Policy Priorities for Integrated and Competitive EU Capital Markets

The EU's Market Integration and Supervision Package (MISP) represents a key opportunity to complete the implementation of integrated, competitive and scalable EU capital markets that will lower costs for end users, and enhance the EU's attractiveness as a place to invest and raise capital.

The timing of these reforms couldn't be better, aligning with significant shifts already taking place within the global market landscape. Europe has become increasingly prominent for global investors, reflected in record levels of trading activity in 2025 which has continued into this year. At the same time, market structure continues to evolve rapidly, with intense competition for order flow across multiple trading mechanisms, signs of increasing retail participation, and growing interest in extended trading hours to meet global demand. Cboe Europe, as the largest pan-European stock exchange and committed to open, competitive and integrated EU capital markets, wholeheartedly supports the Commission efforts. This note highlights a small number of targeted considerations for policy makers that are intended to support effective implementation, proportionality, and tangible benefits for investors and issuers—whilst laying the foundations for an open, more integrated, and globally competitive market.

We believe policy makers should pay particular attention to:

- Preservation of competition and choice for institutional trading while creating a genuinely pan European market for retail investors;
- Addressing post trade fragmentation by delivering genuine clearing choice in Europe;
- Completing the equity consolidated tape, including venue attribution for quotes; and
- Giving ESMA the appropriate mandate to support European competitiveness and ensuring transparency around how ESMA's supervisory fees are set.

1. Preserving choice of trading mechanisms while strengthening central markets

Importance of choice for end users

Different investors have different execution needs, which cannot be met by a single trading mechanism. The EU market currently supports a balanced range of trading models that allow participants to choose how they trade, depending on whether they prioritise price certainty, execution certainty, or minimising market impact. Preserving this diversity is important both for investor outcomes and for overall market resilience.

Experience shows, however, that attempts to direct institutional trading behaviour towards specific models through regulatory constraints have been unsuccessful. Measures such as the caps on dark trading introduced in 2019, and amended again in 2025, did not result in increased activity on lit order books. Instead, each intervention coincided with a further growth in OTC trading, including through systematic internalisers operating outside the EU. This underlines a broader lesson of European market-structure reform: efforts to force institutional liquidity into a particular model tend to result in displacement rather than genuine consolidation, often with unintended consequences for transparency and price formation.

Encouraging retail use of central markets can strengthen CLOBs and other multilateral mechanisms without risking European competitiveness

By contrast, the EU retail equity market, while largely constrained within the Union, remains highly fragmented along national lines. Country-specific market structures, execution models and operational workflows continue to dominate retail participation, inhibiting the development of genuinely pan-European services and limiting cross-border retail activity. As a result, retail order flow remains siloed, reinforcing national market characteristics rather than contributing to deeper, integrated EU markets.

Encouraging retail activity to converge around an on-book, multilateral model would serve two complementary objectives. First, it would promote greater harmonisation across Member States by anchoring retail execution to a common, transparent market structure, reducing reliance on bespoke national models. Second, it would strengthen central order books for all participants by making them more diverse, resilient and benign. A CLOB, for example that attracts a broader mix of retail and institutional order flow is less susceptible to adverse selection and more likely to support durable, high-quality liquidity.

For this reason, policy efforts should focus on promoting retail participation in multilateral trading venues, rather than constraining institutional behaviour. Measures should aim to align incentives, remove structural frictions, and enable pan-European retail access to on-book execution. Any requirements introduced should be based on the identity of the investor, not on order size. Size-based thresholds would inevitably capture child orders generated by institutional execution strategies, recreating the same distortions observed under previous reforms.

Level playing field between venues and off exchange trading

Finally, it is essential that regulated trading venues are able to compete on fair terms with off-exchange mechanisms such as systematic internalisers.

In this context:

- tick size provisions should be aligned so that organised venues can offer multilateral execution tools that deliver equivalent outcomes to those available off exchange; and
- this includes the ability to match at the midpoint for all order sizes where appropriate.

While technical in nature, these points are important to ensure that liquidity and innovation are not unintentionally driven away from transparent, regulated markets.

2. Open access and interoperability in cash equity clearing

Why this matters for Europe

Fragmentation in cash equity clearing continues to impose unnecessary costs and operational complexity on investors trading across EU markets. In practice, firms active across multiple Member States are often required to maintain several clearing relationships, creating barriers to cross border investment and undermining the objective of an integrated EU capital market.

Genuine interoperability between CCPs would allow market participants to clear trades across multiple EU markets through fewer arrangements, reducing friction and supporting deeper, more liquid markets. The resulting efficiencies would benefit end users, including pension funds and retail savers, by lowering costs and improving market access. A multiple-CCP model should be maintained to preserve competition and give users the power to choose the CCP that best meets their needs.

Best possible outcome: mandatory interoperability for large CCPs

While open access provisions provide an important foundation, experience suggests that they are not sufficient on their own to deliver effective interoperability. The most reliable way to achieve meaningful outcomes in practice would be to mandate interoperability.

In particular, the framework should require incumbent CCPs to interoperate with one or more CCPs that request access to a trading venue for which the incumbent provides clearing services. This would deliver real choice for market participants and is necessary to open the remaining share of EU cash equity markets that remain effectively closed to competition.

Voluntary or conditional approaches have consistently left gaps in delivery. Where cash equity CCPs are large, well established and systemically relevant, mandatory interoperability would:

- provide certainty for market participants;
- remove residual commercial barriers; and

- accelerate the achievement of long-standing integration benefits.

Such an approach would help “complete the job” of EU clearing integration, which has been underway for many years but remains only partially realised.

Commission proposal and suggested refinements

The Commission proposal clearly signals an intention to strengthen open access and interoperability, and this direction is welcome. However, further clarification would help ensure that interoperability is delivered in practice, not merely in principle. In particular, Articles 35 and 36 of MiFIR could be strengthened to make the link between open access and interoperability by establishing an obligation for CCPs, including an incumbent CCP, to interoperate as the default outcome.

To further Savings and Investment Union objectives, the legislative language should:

- clearly mandate interoperability between CCPs, including an incumbent CCP;
- explicitly require trading venues to facilitate interoperability where CCPs interoperate, including making the necessary system changes to support it;
- be accompanied by a review of Article 51 of EMIR to ensure alignment and that it does not unduly restrict the establishment of interoperability arrangements; and
- be future proofed so that it applies to interoperability arrangements regardless of when they are established.

We also support giving market participants greater choice over the CSD of settlement, while recognising current operational constraints. Until a single CSD can settle all instruments settled at another, such choice should be limited to CSDs participating in T2S and only where the instrument is available for settlement at the chosen CSD.

Link to supervisory convergence and central supervision

A mandatory approach to interoperability could promote supervisory convergence whereby such arrangements are subject to ESMA level oversight. This would help ensure consistent supervisory standards, provide a neutral framework for resolving interoperability issues, reinforce financial stability and risk management expectations, and provide a coherent link to the central supervision aims. Properly designed, this would allow stronger market integration to be accompanied by appropriate safeguards and supervisory oversight.

Expected benefits

If mandatory interoperability for CCPs is implemented effectively, it would:

- facilitate cross border equity trading;
- support deeper and more competitive EU capital markets;
- reduce clearing costs and operational complexity for investors; and
- ultimately benefit end users, including long term savers.

3. Consolidated Tape: supporting market integration and investor confidence

Benefits of the proposed changes

The proposed reforms to the EU Consolidated Tape are likely to benefit end users of markets by improving access to consolidated market data and making EU markets easier to navigate.

Over time, this should:

- improve transparency;
- support investor confidence; and
- contribute to deeper and more liquid markets across the EU.

These outcomes align well with broader capital markets union objectives.

Attribution as a key design feature

Among the proposed changes, the requirement for attribution is particularly important. Without attribution, consolidated price information risks being less informative and harder to interpret for investors.

Attribution helps ensure that the tape supports informed decision making and does not inadvertently reduce clarity.

Scope of data included

We would encourage careful consideration of the scope of data included in the tape:

- including non-firm Systematic Internaliser (SI) quotes may add complexity without clear benefit;
- if SI quotes are included, ensuring that they are firm and executable would be important; and
- otherwise, excluding non-executable prices will help keep the tape focused and aligned with investor needs.

4. Supervision: proportionality, fees and Member State interests

Supervisory fees and proportionality

The proposal expands ESMA’s supervisory role in certain areas. While the explanatory memorandum suggests that centralisation may reduce duplication for entities currently supervised by multiple national authorities, it is less clear how supervisory fees will evolve for entities that are currently supervised by a single national competent authority and would move to ESMA.

As the package is negotiated, it would be essential to ensure:

- transparency around how ESMA supervisory fees will be set;
- safeguards to ensure proportionality, particularly for entities transitioning from national supervision—ESMA supervisory fees cannot be orders of magnitude more costly than what regulated entities currently contribute to national supervisors;
- controls to ensure (i) no duplication of fees between national supervisors and ESMA, (ii) no national gold-plating such that supervisory fees can be imposed at the national level; and

- avoidance of unintended increases in supervisory costs that could affect competitiveness.

Clarifying these elements would support predictability for both market participants and Member States.

ESMA's mandate and broader objectives

MISP also provides an opportunity to reflect on how ESMA's supervisory role interacts with broader EU policy objectives.

In particular, supervision should be conducted in a manner that:

- supports the competitiveness and attractiveness of EU capital markets; and
- promotes choice and competition, encouraging innovation and efficiency.

We welcome the Commission's proposal to enhance ESMA's objectives by explicitly referencing support for innovation in the financial sector. Policy makers could also consider how this objective is reflected in supervisory practice, without undermining robust oversight.

Conclusion

Cboe Europe strongly supports the objectives of MISP and believes that, with targeted refinements, the package can deliver meaningful benefits for investors, issuers and Member States.

We believe policy makers should pay particular attention to:

- preservation of competition and choice for institutional trading while creating a genuinely pan European market for retail investors;
- addressing post trade fragmentation by delivering genuine clearing choice in Europe;
- completing the equity consolidated tape; and
- giving ESMA the appropriate mandate to support European competitiveness.

Delivering these objectives will help ensure that MISP strengthens EU capital markets while supporting national and EU level policy objectives.