Putting Sustainability and European Strategic Autonomy at the heart of Capital Market Integration

Recommendations on the Market Integration and Supervision Package (MISP)

WWF European Policy Office and Better Europe
Contact: Yiorgos Vassalos vassalos@bettereurope.eu

June 2026

We welcome the European Commission's proposals for more centralised supervision of EU capital markets as a remedy to the fragmentation that limits their full potential. We believe it is essential to build on this ambition and move towards a single supervisor for EU capital markets, rather than weaken the powers of the new ESMA Executive Board including with regard to direct supervision as some Member States propose. Otherwise, both legal certainty and efficient decision-making will be at risk.

As a remedy to another dimension of market fragmentation, we also welcome the Commission's proposal to **enhance** pre-trade **transparency** through equity and ETF consolidated tape (CT) and to improve venue identification in post-trade reports. These measures would reduce information asymmetries between large and small market participants and help climate-transition-oriented investors make informed decisions. In this respect, we believe that the MISP should go further (more details in point 4 below).

Nonetheless, efficient capital markets cannot be an end in themselves; they are a means that should serve the EU's broader policy objectives, including strengthening Europe's strategic autonomy, energy independence, and economic resilience in an increasingly unstable world. Connecting the capital markets with these purposes is important for several types of investors. The Commission proposes to mobilise additional savings through capital markets but **does not address the benchmarks and market structures that influence where those savings are ultimately invested in**.

Succeeding in one of the EU's strategic priorities, decarbonisation and the green transition, is not only essential to securing a liveable future for people and the planet, but also a prerequisite for Europe's long-term geopolitical resilience and competitiveness. Failure to accelerate the deployment of renewable energy, clean technologies and sustainable infrastructure would deepen Europe's dependence on imported fossil fuels and strategic technologies. Conversely, a successful green transition would enhance energy security, reduce external vulnerabilities and strengthen the EU's capacity to act autonomously and protect its citizens in a rapidly evolving geopolitical landscape.

The EU continues to generate large savings surpluses, but a very significant share of those savings is invested outside the Union rather than financing productive investment, innovation and the green transition within Europe. Moreover, the increasing concentration of asset management and the growing role of a small number of US-based asset managers raise questions regarding the exercise of shareholder rights, corporate governance and stewardship in European listed companies, including their influence on the formulation of ESG policies and other strategic corporate decisions.

We therefore believe that the following four dimensions should be added to, or reinforced within, the MISP:

1. Integration of climate-related financial risks in the prudential framework;
2. Incentives towards sustainability and away of harmful activities;
3. European savings and European decision-making for investment in Europe;
4. Improve market data availability to empower sustainable investors.

1. Integration of climate related financial risks in the prudential framework

Climate change and environmental degradation are increasingly recognised as material sources of financial risk[1]. Physical risks arising from more frequent and severe climate-related events, as well as transition risks associated with the shift towards a net-zero economy, can significantly affect asset valuations, market stability and the long-term performance of investment portfolios. Yet, despite growing evidence of their financial materiality, the prudential frameworks applicable to UCITS and AIFMs do not systematically require the identification, assessment and management of climate-related financial risks.

The Market Integration and Supervision Package (MISP) provides a timely opportunity to address this gap and ensure that the integration of climate-related and environmental risks becomes a core component of prudential supervision and risk management across the asset management sector. Building on the existing legislative logic of the UCITS and AIFMD frameworks, as well as on the changes proposed by the Commission in the context of the MISP Master Directive, the following amendments seek to embed climate considerations into governance arrangements, risk-management systems, stress-testing requirements and supervisory methodologies. This would not only strengthen the resilience of EU capital markets but also help align financial flows with the Union's climate objectives and strategic priorities.

MISP Master directive or existing UCITS or AIFMD provision	Existing legislative logic	Financial risk management objective	Possible amendment text
Article 1 – amendment to Article 51(2) UCITS Directive	Harmonised prudential rules for management companies	The MISP proposal expands the role of Securities Financing Transactions (SFTs) in UCITS by removing the efficient portfolio management condition. This makes it even more important to ensure that climate-related financial risks associated with those transactions are properly assessed and managed	[See next one]
Article 1 – **NEW** amendment to Article 51(1) UCITS Directive		Integration of climate-related financial risks into prudential governance	**UCITS existing text**: A management or investment company shall employ a risk-management process which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the portfolio. ***This process shall integrate climate-***

[1] European Central Bank and European Systemic Risk Board, Climate-related Risk and Financial Stability (ECB/ESRB Project Team on Climate Risk Monitoring, July 2021)

MISP Master directive or existing UCITS or AIFMD provision	Existing legislative logic	Financial risk management objective	Possible amendment text
			related financial risks and broader ESG risks.
Article 1 – **NEW** amendment to Article 51(4) UCITS Directive	Implementing Act on prudential rules	EU-level convergence on climate-risk methodologies	**UCITS existing text:** 4.Without prejudice to Article 116, the Commission shall adopt, by (…), implementing measures specifying the following: (a) criteria for assessing the adequacy of the risk management process employed by the management company in accordance with the first subparagraph of paragraph 1; (b) detailed rules regarding the accurate and independent assessment of the value of OTC derivatives; ***(ba) methodologies for the identification, pricing, assessment and supervision of the exposure to climate-related financial risks and environmental risks (including though an easy to read scale, e.g. 5 grades from red to green and a number from 1 to 5);***
Article 2 – amendment to Article 12(1) g AIFMD	Prudential rules and conduct rules for AIFMs	Mandatory integration of climate-related financial risks	**MISP proposed text:** 1. Member States shall ensure that AIFMs authorised in that Member State comply at all times with rules of conduct. Those rules of conduct shall ensure that AIFMs:'; (a) (…) ***(g) integrate climate-related financial risks, environmental transition risks and broader environmental risks into their prudential governance, internal control mechanisms and risk-management systems***.
Article 2 – amendment to Article 12(3) AIFMD		Adapt climate/environmental risks to pricing	**MISP proposed text:** The Commission shall adopt, by means of delegated acts (…) measures specifying the criteria to be used by the relevant competent authorities to assess whether AIFMs use ***the appropriate identification, assessment, pricing and monitoring of climate-related financial risks and broader environmental risks***.
Article 2 – **NEW** amendment to Article 15(3)b AIFMD	Risk management	Integrate climate-risk analysis into governance	**AIFMD existing text:** 3. AIFMs shall at least: ***(ba) regularly conduct stress-testing taking into account climate-related financial risks and broader environmental risks that may materially affect portfolio valuations or financial stability***
Article 2 – amendment to Article 18(1) AIFMD	Organisational requirements and risk-management	Integrate climate-risk analysis into governance	**MISP proposed text**: 1. Member States shall ensure that AIFMs comply at all times with prudential rules***, which shall include forward-looking climate scenario***

MISP Master directive or existing UCITS or AIFMD provision	Existing legislative logic	Financial risk management objective	Possible amendment text
			analysis and the assessment of exposure to climate and broader environmental transition risks.
ANNEX II	Annex II of Directive 2009/65/EC is replaced by the following	Integration of climate-related financial risks into prudential governance	**MISP proposed text:** (1) 'Investment management functions which a management company shall at least perform when managing a UCITS: (1) portfolio management; (2) risk management***, including the identification, monitoring, management and mitigation of sustainability risks, climate-related financial risks and principal adverse impacts***.
Recital 14	Annual ESMA reviews of the largest asset management groups	ESMA Supervision of systemic climate-related exposures	**MISP proposed text :** To enhance the efficiency of large asset management groups in structuring their operations and remove barriers to their cross-border activity, it is essential to establish a permanent supervisory framework whereby ESMA, in cooperation with the relevant competent authorities, carries out reviews of the largest asset management groups at least on an annual basis to effectively identify and address divergent, duplicative, redundant, or deficient supervisory practices in specific cases. (…) This framework should therefore not be understood as a mandate for ESMA to develop new group level risk models or new supervisory approaches ~~that do not already derive from Directive 2009/65/EC and Directive 2011/61/EU~~***, except where necessary to assess climate-related financial exposures and broader environmental systemic risks arising from cross-border asset management activities.*** ~~but instead~~ ***This framework should be understood*** as an arrangement to enhance supervisory efficiencies for groups of management companies and AIFMs. (…)
Article 1 – **NEW** amendment to Article 51(4a) UCITS Directive & Article 2 – **NEW** amendment to Article 15(5a) AIFMD		Enforcement of climate-risk supervision	***The annual reviews carried out by ESMA shall include the assessment of climate-related financial exposures, stranded asset risks and broader environmental systemic risks affecting cross-border asset management activities.***

2. Incentives towards sustainability and away of harmful activities

The MISP aims to deepen capital market integration and mobilise additional savings to support the Union’s strategic priorities. To achieve this objective, the framework should not remain neutral as regards the sustainability profile of the financial products it facilitates and supervises. Targeted incentives can help channel capital towards activities that contribute to the Union’s energy, decarbonisation and climate objectives and reduce exposure to environmentally harmful activities, while preserving market efficiency and investor choice.

At the same time, we recognise the need to ensure that ESMA has adequate and predictable resources to effectively carry out its expanded supervisory responsibilities. The proposed fee reductions for sustainable financial products should therefore be designed in a budget-neutral manner and remain proportionate to the Authority’s supervisory costs, in line with the full cost-recovery principle underpinning the MISP proposal.

MISP Master Regulation or existing provision	Existing legislative logic	Sustainability objective	Possible amendment text
Article 1 – New Article 39n ESMA regulation	ESMA fees should remain proportionate to supervisory costs while supporting efficient supervision	Create financial incentives for the development and cross-border distribution of sustainable investment products aligned with Union climate objectives Possible Justification of the Amendment: This amendment seeks to support financial products contributing to the Union's sustainable finance objectives while remaining consistent with the principle that supervisory fees should be proportionate to supervisory costs. Financial products exposed to significant transition and stranded-asset risks linked to fossil-fuel-related activities may entail a greater supervisory burden than products aligned with the Union's sustainable finance framework.	**MISP proposed text:** 4. Supervisory fees shall be proportionate to the annual turnover of the financial market participant under the Authority’s supervision concerned. 5. By way of derogation from paragraph 4, financial market participants under the Authority’s supervision may be exempted from the obligation to pay a fee or may be subject to a reduced, fixed, capped, or temporary fee, as appropriate. ***Financial market participants managing or distributing financial products aligned with Regulation (EU) 2023/2631 or other Union sustainable finance frameworks contributing to the Union’s climate objectives may be subject to reduced supervisory fees, provided that such reductions remain proportionate to the Authority’s supervisory costs.*** (…) 8. The Commission is empowered to adopt a delegated act in accordance with Article 75a by further specifying the type of fees, the matters for which fees are due, the amount of the fees and the manner in which they are to be paid. ***When adopting those delegated acts, the Commission shall assess how fee methodologies can support the development and cross-border distribution of sustainable investment products contributing to the Union’s climate objectives while ensuring that supervisory fees remain proportionate to the costs incurred by the Authority.***

MISP Master Regulation or existing provision	Existing legislative logic	Sustainability objective	Possible amendment text
Article 3 – **NEW** amendment to Article 22a(1) MiFIR (2024 revision)	Consolidated tape providers collect and consolidate market data using harmonised data tags and formats	Improve the visibility of sustainable investments and facilitate the identification of European Green Bonds.	***Consolidated tape providers shall ensure that financial instruments issued in accordance with Regulation (EU) 2023/2631 are identifiable through a dedicated machine-readable data field linked to their International Securities Identification Number (ISIN) and indicating their status as European Green Bonds.***
Article 6 – New article 17i CBDR	ESMA charges UCITS and AIFMs fees for passporting and de-notification procedures, based on the number of host Member States.	Create financial incentives for the cross-border distribution of sustainable investment products aligned with Union climate objectives	**MISP proposal text:** The Commission shall adopt, by means of a delegated acts in accordance with Article 18b, measures specifying the arrangements for the levy and payment of the fees referred to in paragraph 1. Those delegated acts shall specify, in particular: (a) the amount of fees payable to ESMA; (b) the methodology to calculate the maximum amount of those fees in accordance with a tiered charging structure based on the number of host Member States where the AIFM or UCITS proposes to market the units or shares of AIFs or UCITS; **(c) the fees referred to in paragraph 1 shall be reduced for UCITS and AIFMs marketing financial products aligned with Regulation (EU) 2023/2631.**
Article 12 – **NEW** amendment to Article 5 (4a) of Securitisation Regulation	The securitisation framework already incorporates due diligence, risk retention and transparency requirements	Discourage investment in environmentally harmful activities and improve the pricing of transition risks	***Where securitisation exposures are materially linked to environmentally significantly harmful activities within the meaning of Article 17 of Regulation (EU) 2020/852, institutional investors shall ensure that their written procedures and stress tests referred to in paragraph 4 include an enhanced assessment and ongoing monitoring of the associated transition, physical and liability risks.***

3. European savings and European decision-making for investment in Europe

The Commission seeks to mobilise additional household savings through capital markets but does not address the benchmarks, investment structures and market dynamics that influence where those savings are ultimately invested. **According to the ECB, around half of the assets held by euro-area investment funds are invested outside the euro area**. According to the AFG, the French Asset Managers' association, the share of EU equities in UCITS portfolios fell from 52% in 2008 to 32% in 2023, while the share of US equities rose from 19% to 48%. As a result, a large share of European savings mobilised through investment funds finances non-European companies, particularly in the United States, while EU companies receive only a minority share of equity investment.

MISP should improve the capacity of EU capital markets to retain and mobilise European savings for investment within the Union while safeguarding competition and preserving a diverse asset management ecosystem. The increasing concentration of assets under management in a small number of large, predominantly non-EU but US asset managers raises questions regarding competition, shareholder influence, corporate governance and the alignment of investment decisions with the Union's strategic priorities: US asset managers increasingly vote against ESG resolutions and this is counterproductive for Europe's sustainable finance agenda[2]. It is therefore essential to have greater transparency regarding the geographical allocation of assets, to ensure enhanced monitoring of market concentration and cross-border investment structures, and to have a better understanding of whether benchmark methodologies support investment in Union companies, clean technologies and strategic sectors.

<table>
<tr><th>MISP Master Regulation or Directive or existing provision</th><th>Existing legislative logic</th><th>Strategic autonomy objective</th><th>Possible amendment text</th></tr>
<tr><td>Article 1 in MISP directive – NEW amendment to Article 51(4b) UCITS Directive and Article 2 – NEW amendment to Article 15(5b) AIFMD</td><td rowspan="2">Annual ESMA reviews of the largest asset management groups</td><td>Monitor the impact of asset management concentration and cross-border investment structures on EU strategic autonomy and capital allocation</td><td>ESMA annual supervisory reviews shall also assess the impact of market concentration, operational consolidation and cross-border investment structures on competition and retail investor choices within the Union, financial stability and capital outflows to third-country markets</td></tr>
<tr><td>Article 1 in MISP directive – NEW amendment to Article 51(4c) UCITS Directive and Article 2 – NEW amendment to Article 15(5c) AIFMD</td><td>Assess the implications of asset management concentration for corporate governance and shareholder stewardship in the Union.</td><td>ESMA, in cooperation with competent authorities, shall annually review the impact of market concentration, operational consolidation and cross-border investment structures on the governance of listed companies in the Union, including the application of Articles 3g, 3h and 3i of Directive (EU) 2017/828</td></tr>
</table>

[2] Schoenmaker, D. (2026) 'Risks for Europe of US dominance of global asset management', Policy Brief 07/2026, Bruegel, available at https://doi.org/10.64153/CZVU6402

MISP Master Regulation or Directive or existing provision	Existing legislative logic	Strategic autonomy objective	Possible amendment text
Article 3 in MISP regulation – **NEW** amendment to article 35 MiFIR	MISP promotes market integration through greater consolidation and enhanced market data infrastructures	Prevent excessive concentration of liquidity and preserve fair competition in capital markets.	***ESMA shall monitor the impact of trading venue consolidation on market concentration, access conditions, pricing practices and liquidity distribution within the Union. Where ESMA identifies excessive concentration of liquidity, exclusive access arrangements or discriminatory pricing practices that may undermine fair competition, market integrity or financial stability, it shall issue recommendations to relevant Union authorities, including competition policy authorities, and, where appropriate, propose regulatory measures. The Commission may request an opinion from ESMA on proposed mergers or acquisitions involving significant market participants where such transactions may materially affect the functioning of Union capital markets.***

4. Improve market data availability to empower sustainable investors

We believe that the MISP should go further on market data transparency by promoting more granular, harmonised and easily accessible post-trade data across all execution mechanisms. In particular, market participants and supervisors should be able to clearly identify transactions executed at the closing price and distinguish them from transactions executed through other trading models.

Greater visibility of price-forming activity would improve market surveillance, support a more accurate assessment of execution quality across trading venues and strengthen the integrity of the price formation process. Enhanced transparency would also contribute to more efficient capital allocation towards sustainable investments and reinforce the attractiveness, resilience and strategic autonomy of European capital markets.

Amendment in Article 3 (MiFIR) of the Regulation:

Existing provision	Existing legislative logic	Market transparency objective	Proposed amendment text
Article 3 – N**EW** amendment to Article 22b(3) MiFIR	Ensure the quality, harmonisation and usability of post-trade data and consolidated tapes	Improve the visibility of closing-price transactions and strengthen the monitoring of price formation.	***ESMA shall develop draft regulatory technical standards specifying a dedicated post-trade flag for transactions executed at the closing price. The flag shall enable market participants and competent authorities to distinguish transactions executed at the closing price from transactions executed under other trading mechanisms in post-trade reports and consolidated tape data***.