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EU clearing and FMIs in a changing world

Opening

Ladies and gentlemen, dear colleagues, good morning. It is a pleasure to be with you today to speak about Europe's clearing and financial market infrastructure agenda at a moment of profound change. I would like to use the next half hour to take a step back from the daily technical work that occupies many of us and reflect on the bigger picture: how the post-trade ecosystem is changing, what this means for Europe, and how ESMA is seeking to contribute to a safe, efficient and competitive financial system.

Post-trade is sometimes described as the plumbing of financial markets. I have never been entirely happy with that metaphor. Plumbing is essential, of course, but it is usually hidden, static and noticed only when something breaks. However, financial market infrastructures are quite different: They are dynamic networks of trust; they allocate, manage and mutualise risk; they record ownership; they support market transparency; they enable authorities to understand where pressure is building; and in times of stress, they are often where financial stability is either preserved or put under strain.

That is why clearing, settlement, reporting and operational resilience are not niche technical subjects. They are central to the EU's ability to finance its economy, manage risk, integrate capital markets and preserve strategic autonomy in a more uncertain world.

1. A post-trade ecosystem under pressure and transformation

The post-trade ecosystem is facing a combination of challenges that, taken together, are reshaping the environment in which FMIs operate. Some of these challenges are familiar: market volatility, liquidity pressures, collateral scarcity, operational dependencies and cyber threats. Others are newer or evolving rapidly: tokenisation, artificial intelligence, cloud concentration, 24/7 markets, geopolitical fragmentation and the emergence of new providers at the boundary between regulated and unregulated activity.

The first major trend is technological change. Distributed ledger technology, tokenised collateral, tokenised settlement assets and new forms of digital market infrastructure are no longer simply theoretical. They are being tested, piloted and in some cases deployed. And they raise important questions: what is the role of a central counterparty in a tokenised market? How do we ensure settlement finality? How do we reconcile decentralised models with centralised risk management? How do we avoid creating parallel infrastructures that are innovative but fragile?

The second trend is acceleration. Trading cycles are shortening. The move to T+1 settlement in major markets, the prospect of T+0 in some segments, and the development of near-continuous trading models all compress the time available for allocation, confirmation, margining, liquidity mobilisation and settlement. Speed can reduce some risks, but it can also relocate them. If operational processes, liquidity arrangements and cross-border coordination do not keep pace, acceleration may create new points of fragility.

The third trend is cyber and operational risk. The question is not whether critical infrastructures will be targeted, but how well they can prevent, withstand, respond to and recover from disruption. Cyber risk is also increasingly geopolitical. Attacks can be sophisticated, persistent and designed not only to steal data but to undermine confidence. And in financial markets, confidence is the foundation on which liquidity and market functioning rest.

The fourth trend is the changing provider landscape. FMIs are no longer self-contained technology stacks, they depend on cloud services, data providers, software vendors, telecommunications networks, cyber specialists and increasingly AI-enabled tools. Some of these services are supplied by a small number of global providers. This can bring scale and resilience, but it also creates concentration, substitution and exit risks.

The fifth trend is geopolitics. We are operating in a world where interdependences remain necessary, but where dependencies are looked at through a more strategic lens. The EU's objective should not be isolation. Open markets, international standards and cross-border cooperation remain essential. But openness must be accompanied by resilience, by the capacity to act, and by a clear understanding of where critical dependencies lie.

2. ESMA's role across the FMI landscape

In this environment, ESMA's role is broad and increasingly interconnected. We are often seen through the lens of CCP supervision, and – in my view - rightly so, because CCPs sit at the heart of derivatives and securities financing markets. But ESMA's FMI-related responsibilities extend across CCPs, central securities depositories, trade repositories, data, and digital operational resilience.

For CCPs, ESMA has a unique role combining supervisory convergence, direct responsibilities for third-country CCPs, emergency coordination, stress testing, risk monitoring and implementation of the renewed EMIR framework. This is not a substitute for national competent authorities, nor for the colleges and central banks that play indispensable roles. Rather, ESMA is there to strengthen consistency, coordination and a common European perspective on clearing risks.

For CSDs, ESMA contributes to a more integrated and resilient settlement landscape. Settlement is where the promise of a trade becomes legal and economic reality. If clearing is about managing counterparty risk, settlement is about delivering finality, integrity and confidence in ownership. In Europe, this matters particularly because our market remains fragmented along national lines, across legal systems, settlement practices and market conventions.

For trade repositories and data, ESMA's role is equally fundamental. Good supervision requires good data. During stress, authorities need a timely and reliable view of exposures, concentrations and interconnections. Trade reporting is therefore not an administrative burden for its own sake, it is a public good. But it must be usable, proportionate and as simple as possible for reporting entities.

And finally, DORA adds another dimension. It recognises that digital operational resilience is no longer an internal IT matter, it is a board-level, supervisory and systemic issue. ESMA, together with the other European Supervisory Authorities and national authorities, has an important role in making DORA work in practice, including through the oversight framework for critical third-party providers.

3. Ongoing CCP work: EMIR 3, active accounts, margins, stress tests and anti-procyclicality

Let me now turn to the CCP agenda. EMIR 3 is a central element of Europe's clearing policy. It seeks to make EU clearing more attractive and more resilient, while addressing excessive dependencies in certain clearing services of substantial systemic importance. The active account requirement is perhaps the most visible part of this agenda. It is not an end in itself. It is a tool to ensure that EU market participants maintain meaningful operational capacity and activity in EU CCPs for selected services, thereby reducing excessive reliance on third-country infrastructures where this reliance creates risks for financial stability or supervisory control.

Implementation will be critical. The objective is not to disrupt markets or impose unnecessary costs, it is to build credible capacity, support market-led development, and ensure that European authorities have the tools and visibility needed in stress. This requires careful calibration, ongoing dialogue with market participants and close cooperation with national authorities, central banks and the Commission.

Margins are another core priority. Recent years have reminded us that margin models are not merely technical calculation engines, they shape liquidity demand, influence market behaviour and can amplify or dampen stress. Transparent, predictable and risk-sensitive margining is essential. At the same time, we must guard against complacency: margins must be sufficient to cover risks, including in extreme but plausible conditions.

This brings in anti-procyclicality as a good example. Margin calls are most painful when liquidity is already scarce. The challenge is to design tools that mitigate excessive cliff effects without weakening the risk coverage that protects the system. This is not a simple trade-off, and it is not one that can be solved by slogans. It requires data, judgement and a willingness to look at incentives across the clearing chain.

In addition, the ESMA CCP stress tests remain a key supervisory tool. They allow us to examine how CCPs would perform under severe market shocks, liquidity stress, concentration scenarios and operational assumptions. They also help us identify system-wide vulnerabilities that may not be visible from the perspective of an individual CCP or national market. Stress testing is most valuable when it is not treated as a pass-fail exercise, but as a learning mechanism for supervisors and infrastructures alike.

4. CSDs, settlement efficiency and the road to more integrated markets

The CSD agenda is equally important for Europe's competitiveness. Efficient settlement reduces risk, lowers costs and supports cross-border investment. Yet settlement efficiency remains uneven, and Europe's post-trade environment is still more fragmented than it should be. The CSDR has created a common framework, but supervisory convergence, consistent application and market discipline remain necessary.

Ongoing work on settlement discipline, cross-border services, authorisation processes and supervisory cooperation is therefore not just operational housekeeping, it is part of the broader project of building a deeper and more integrated European capital market. If investors face unnecessary frictions when moving across markets, or if issuers and intermediaries encounter avoidable complexity, Europe's ability to mobilise savings for productive investment is weakened.

And for CSDs, innovation matters specifically - tokenisation, DLT-based issuance and digital settlement assets raise fundamental questions about the future of securities settlement. The policy challenge is to allow experimentation while preserving the legal certainty, finality, governance and operational resilience that make market infrastructures trustworthy.

5. Simplification, burden reduction and better supervision

Let me say a word about simplification and burden reduction. In my view, this agenda should not be misunderstood as deregulation. Simplification is not about lowering standards, it is about making rules more effective, more coherent and less duplicative. It is about ensuring that supervisory reporting produces information that authorities can actually use and is about avoiding unnecessary procedural complexity where the same outcome can be achieved more efficiently.

This is particularly relevant for FMIs, where the cost of compliance can be significant, but where the consequences of weak standards can be systemic. The task is therefore to distinguish between useful complexity and unnecessary complexity. Useful complexity reflects the real risks of sophisticated markets. Unnecessary complexity absorbs resources without improving resilience.

At ESMA, simplification should go hand in hand with stronger data capabilities, more consistent supervisory practices and a risk-based allocation of attention. In other words, less burden where risk is low or information is duplicative; more focus where risk is material, cross-border or systemic.

6. SIU, the Market Integration Package and prospects for supervision

The Savings and Investments Union and the Market Integration Package are part of a wider recognition that the EU needs deeper, more liquid and more integrated capital markets. This is not an abstract institutional project, it is about financing innovation, supporting the green and digital transitions, strengthening Europe's competitiveness and giving citizens better opportunities to invest their savings productively.

Market integration requires infrastructure integration. You cannot have truly integrated capital markets if clearing, settlement, reporting and supervisory practices remain unnecessarily fragmented. This does not mean that every function must be centralised, diversity can actually be healthy. But fragmentation that creates avoidable costs, legal uncertainty or supervisory blind spots is not diversity; it is inefficiency.

This brings us to the prospects for supervision. Europe's supervisory architecture has evolved significantly, but the debate is still ongoing. As markets become more cross-border, more data-driven and more technologically integrated, supervision must also become more consistent and more capable of seeing risks across entities, borders and sectors. ESMA's key contribution is to support convergence, provide a European perspective and, where the legislator so decides, exercise direct supervisory responsibilities in a way that is risk-based, transparent and accountable.

7. Operational resilience: cyber, AI, cloud, quantum and third-party services

Let me also spend a moment on operational resilience, which deserves particular emphasis. The traditional distinction between financial risk and operational risk is becoming less clear. A cyber incident can quickly become a liquidity event; a third-party outage can become a market-wide disruption; and a data integrity issue can undermine risk models, margin calls and supervisory assessments.

And the threat landscape keeps expanding. Frontier AI may strengthen defences, improve anomaly detection and support more efficient operations. But it may also empower attackers, create model risk, increase opacity and introduce new dependencies. Cloud services can enhance resilience and scalability, but they also create concentration and oversight challenges. Quantum computing may not break today's cryptography tomorrow morning, but the transition to quantum-safe arrangements needs preparation well before the risk fully materialises.

Third-party risk is therefore one of the defining operational resilience issues for FMIs. The key question is not merely whether an individual institution has outsourced a function prudently. It is also whether the system as a whole has become dependent on a small number of providers, platforms or technologies in ways that are difficult to monitor, substitute or recover from.

In this regard, DORA is a major step forward because it creates a common framework for ICT risk management, incident reporting, resilience testing and third-party oversight. But implementation will matter more than the legal text itself. We need credible testing, realistic scenarios, senior management accountability and cooperation among authorities. Resilience is not achieved by documentation alone, it is achieved by the capacity to continue critical functions under stress and to recover with integrity.

8. International consistency and cooperation in challenging times

And lastly, none of these issues can be solved by Europe alone. Clearing is global; collateral flows are global; technology providers are global; cyber threats are global; and many of the largest market participants operate across jurisdictions. This is why international standards and cooperation remain indispensable.

At the same time, cooperation is becoming more difficult. Geopolitical tensions, different market structures and domestic policy priorities can make international consistency harder to achieve. The answer should not be to abandon cooperation, but to make it more practical, more focused and more honest about dependencies and risks.

For ESMA, cooperation with third-country authorities, central banks and international standard setters is a core part of its mandate. Recognition and supervision of third-country CCPs, engagement in global policy work and bilateral exchanges are essential to understanding risks that may affect EU markets and to ensuring that European positions are informed, credible and constructive.

It has to be noted that international consistency does not mean identical rules everywhere. Markets differ; legal systems differ; and institutional arrangements differ. But consistency does require comparable outcomes, mutual understanding and a shared commitment to high standards. In the FMI world, trust between authorities is not a luxury, it is part of the resilience architecture.

9. Outlook

Let me conclude with three thoughts.

First, the EU's FMI agenda is not only about risk reduction. It is also about enabling markets to function better. Safe clearing, efficient settlement, high-quality data and strong operational resilience are preconditions for competitive capital markets.

Second, innovation and resilience must be pursued together. We should not regulate new technologies by forcing them into old categories where that does not make sense. But likewise should we not allow innovation to become a synonym for moving risks outside the perimeter of effective supervision. The issue is not whether technology is new, it is whether the risks are understood, governed and controlled.

And third, Europe needs both openness and capacity. We should remain committed to global markets, international standards and cooperation. But we must also ensure that critical functions can be supervised effectively, that dependencies are understood, and that Europe can act when circumstances require it.

The role of ESMA, and of the CCP Supervisory Committee in particular, is to contribute to this balance: open but resilient, innovative but safe, integrated but accountable, competitive but firmly anchored in financial stability.

That is not always an easy balance to strike. But it is precisely the kind of balance that Europe's post-trade ecosystem now requires in a changing global environment. Thank you very much.