

# **Response EC Consultation**

Targeted consultation on the integration of EU capital markets



## PART 1

#### 1. Simplification and burden reduction

1. Is there a need for greater proportionality in the EU regulatory framework related to the trade, post- trade, asset management and funds sectors? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If yes, please explain and provide suggestion on what form it should take.

1	2	3	4	5	No opinion
x					

Please, explain

Yes, there is a clear and pressing need for greater proportionality in the relevant EU regulatory framework.

The most significant example is the EU's DLT Pilot Regime, which struggled to deliver expected benefits precisely because it lacked sufficient proportionality. The prudential requirements did not account for the pilot nature of the activities, which involved small-scale projects or limited asset volumes. As a result, innovators faced disproportionately high costs relative to the pilot scope, discouraging participation.

The Pilot Regime imposed relatively low thresholds on the size of permitted DLT-based issuances and the total market value of instruments allowed within the regime. This significantly limited the potential for profitability and viability of projects, especially for players who need to see substantial volumes to justify the heavy investment in new infrastructure. The regime's temporary nature has been seen as a disincentive, as firms are hesitant to pour resources into developing systems that have an uncertain future beyond the pilot period.

The process for authorization and compliance is also burdensome, even with the pilot's offered derogations. The supervision and licensing process is a core aspect of this, as the participation of multiple layers of supervisory bodies results in lengthy, cumbersome authorization processes.

Adan thus advocates for proportionality in the prudential requirements, enlarging the Pilot's scope and designing a streamlined supervision model. We will further elaborate this question in Section 4.4 on the DLT Pilot Regime.

Another aspect of proportionality is the cybersecurity requirements currently mandated for CASPs, which are applied uniformly, regardless of their size or risk profile. This leads to disproportionate compliance costs for smaller players that may pose a limited systemic threat, ultimately hindering market entry. As cyber-resilience is part of the current European simplification agenda, Adan also recommends considering this issue when determining proportionality in the context of trade, post-trade, asset management, and funds sectors.

4. Are there any barriers that could be addressed by turning (certain provisions of) the Alternative



Investment Fund Managers Directive (AIFMD), Financial Collateral Directive (FCD), Markets in Financial Instruments Directive (MiFID), Undertakings for Collective Investment in Transferable Securities Directive (UCITSD), Settlement Finality Directive (SFD) into a Regulation? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If you agree, please explain which barriers and how a Regulation could remove the barrier.

1	2	3	4	5	No opinion
				х	

#### Please explain

In alignment with the considerations raised in question 1 regarding the DLT Pilot Regime, Adan strongly advocates for expanding the scope of the Pilot. Specifically, we propose extending the list of eligible financial assets to encompass all types of financial instruments, rather than limiting the regime to specific product categories. This inclusive approach would prevent restrictive, product-specific limitations and foster a dynamic environment, including commonly traded products in traditional markets.

To realize this potential, Adan calls to do all the necessary regulatory adjustments to ensure these products can be eligible to be traded within the DLT Pilot.

One example is tokenized Alternative Investment Funds (AIF), which should be eligible products to be traded effectively within the DLT Pilot Regime. This will then entail modifying the AIFMD and the CSD Regulation.

Another example is allowing crypto-ETFs. Embracing crypto-assets within the UCITS framework can provide investors with innovative opportunities. This approach not only aligns with the changing dynamics of the investment landscape but also positions UCITS as a forward-thinking investment vehicle in the era of digital finance to ensure European ETFs remain competitive at a global scale. The inclusion of crypto-assets in a diversified UCITS fund allows investors to gain exposure to this asset class via a regulated investment vehicle and through highly-regulated list of partners, mainly traditional funds and banks with a history of strong customer protection and investment offerings. As UCITS funds adhere to stringent regulatory standards, their inclusion of crypto-assets can instill confidence in the market.

5.Are there areas that would benefit from simplification in the interplay between different EU regulatory frameworks (e.g. between asset management framework and MiFID)? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. If you agree, please explain and provide suggestions for simplification. Also if possible present estimates of the resulting cost savings.

1	2	3	4	5	No opinion
				x	

Please explain



One specific area that would benefit from simplification would be streamlining the licensing process. Simplification in this area would bring significant benefits, fostering reduced compliance costs and increased efficiency for financial firms.

Firms seeking authorization for different activities (e.g., fund management and investment advisory) often have to submit similar information to different national or European authorities, even if the core business operations and governance structures are largely the same. These firms will be subject to dual strong prudential requirements, including analogous obligations.

Overlapping requirements could result in increased operational costs and administrative complexities, which may deter innovation and limit the growth of the European digital finance sector, where many SMEs participate. This can create a barrier to entry for smaller businesses, giving larger companies a competitive advantage.

To avoid unnecessary regulatory overload, both for the relevant national authorities and industry players, simplification should be provided to streamline the licensing process while ensuring that entities remain subject to the rules governing the provision of the relevant services.

Some regulations, such as MiCA, provide this flexibility in the case of certain financial institutions that intend to provide crypto-asset services. According to Article 60 of MiCA, those financial entities may provide crypto-asset services if they notify the competent authority of their home Member State at least 40 working days before providing those services for the first time.

A similar schema could be adopted where appropriate to permit entities to function under a unified licensing framework. This way, the EU can create a more efficient and streamlined environment that promotes the growth of the crypto-asset ecosystem while maintaining consumer protection and market integrity.

7. Do you have other recommendations on possible streamlining and simplification of EU law, national law or supervisory practices and going beyond cross-border provision? Yes / no / no opinion



If yes, please list your recommendation and suggested solutions. Please rank them as high, medium or low priority.

Please explain

As highlighted previously, in the context of the DLT Pilot Regime, the sheer number of supervisory bodies involved in an authorization process can be overwhelming and unnecessarily prolong the timeline. Currently, entities seeking authorization face a multitude of supervisory bodies- both at the national level and at the European level.

The example of France, where an entity may deal with the AMF, ACPR, Banque de France, ECB, ESMA, and indirectly with 27 national market authorities during an ESMA process, is a stark illustration. This multi-layered supervisory landscape creates bottlenecks and increases compliance costs.

In addition, there is a crucial need for homogenizing supervisory standards and practices across EU member states. For instance, in France, firms must undergo comprehensive ex-ante reviews (e.g., for MiCA authorizations), which are not applied in other Member States. This also impacts the length of the process.

Furthermore, the passporting promised by the DLT Pilot Regime is hampered by the fragmentation of national secrecy laws across 27 Member States. As an innovative approach, Adan proposes leveraging the existing European Company Statute (ECS) which provides a European legal framework for corporate entities, as a basis for a European secrecy regime. This would enable issuers and firms to incorporate under a "European proof" legal environment, avoiding the need to overhaul national laws entirely. By "transferring" to this regime, firms would benefit from a consistent set of rules regarding secrecy. Yet, this approach retains national law where appropriate.

8. Does the EU trade, post-trade, asset management or funds framework apply disproportionate burdens or restrictions on the use of new technologies and innovation in these sectors? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion'. Please explain and provide examples.

1	2	3	4	5	No opinion
				х	

Please explain

Yes, particularly in the realm of Distributed Ledger Technology (DLT).

The DLT Pilot Regime struggled to deliver its expected benefits precisely due to its scope limitations and lack of sufficient proportionality. The prudential requirements did not fully consider the experimental nature of the activities, and when coupled with the narrowed scope and disproportionately high costs, discouraged participation. This severely restricted the profitability and viability of potential projects. Additionally, the regime's temporary nature is also a disincentive, as firms are hesitant to invest such resources into activities with an uncertain future beyond the pilot phase.

Given these constraints, a more ambitious version of the regime is essential. To enable the pilot to foster substantial market infrastructure development at the European level- enhancing market integration- it should be amended in three key areas:



- 1. The thresholds on the volume of tokenized financial instruments issued and traded should be significantly increased.
- 2. The list of financial assets eligible should be extended to all financial instruments.
- 3. The current six-year limit should be permanently removed to provide participants in the pilot regime with the long-term stability and predictability needed to launch innovative projects.

9. Would more EU level supervision contribute to the aim of simplification and burden reduction? Please choose from 1 (strongly agree) to 5 (strongly disagree) or 'no opinion' and explain.

1	2	3	4	5	No opinion
				x	

Please explain

As previously mentioned regarding the DLT Pilot Regime, the authorization and compliance procedures are burdensome. A key challenge lies in the supervision and licensing process, which involves multiple layers of supervisory authorities, leading to lengthy and cumbersome approval procedures. Moreover, there is a critical need to harmonize supervisory standards and practices across EU member states.

Overall, to reach integrated markets, allow innovative projects to scale in the EU, and to prevent unnecessary regulatory overload for both national authorities and industry participants, simplification measures are essential to streamline the licensing process. Currently, firms seeking authorization for various activities are required to submit similar information to different national or European authorities and face dual prudential requirements and comparable obligations. Such overlapping can increase operational costs and administrative burdens.



# 1. Trading

# 1.1. Nature of barriers to integration, modernisation of liquidity pools

1) On a scale from 1 (absent) to 5 (efficient), what is your assessment of the current level of integration of liquidity pools across the EU?

1	2	3	4	5	No opinion

If you responded 4 or below to the previous question, what are the barriers that limit the level of integration of liquidity pools in the EU? Please select the relevant items.

	Please select the relevant items
Legal/regulatory barriers at EU level;	x
Legal/regulatory barriers at domestic level (including also insolvency law, tax, etc., and including barriers resulting from goldplating of EU law);	
Non-regulatory barriers (market practices);	
Supervisory practices;	x
Other barriers (please specify)	x

#### Please explain

The current level of integration of liquidity pools across the EU remains significantly fragmented. In this context, promoting DLT market infrastructures as a solution to enable pan-European, cross-border access to liquidity is highly compelling.

DLT has the potential to streamline trade and post-trade processes, reduce the number of intermediaries, enhance transparency, and facilitate atomic settlement, thereby creating genuinely integrated and accessible liquidity pools across jurisdictions and asset classes within the EU, ultimately fostering a more efficient and liquid Capital Markets Union (CMU).

2) Please provide concrete examples of the identified barriers. In case of legal barriers (excluding on the "group operations" dealt with in the section on horizontal barriers), please indicate the relevant provisions. Where possible, please provide an estimate of resulting additional costs and/or impacts on execution quality.

As previously mentioned, a more ambitious version of the DLT Pilot Regime is crucial, along with efforts to ensuring simplification, streamlining authorization and supervision, and adapting the legal frameworks to accommodate all types of financial instruments in the Pilot and allow for crypto-ETFs.

#### **1.2. Regulatory barriers to cross-border operations in the trading space**

1) For which areas do you believe that further harmonisation would be beneficial (multiple



choices possible)?

- Rules of trading venues (i.e. exchange rulebook);
- Approval of rules of trading venues and oversight over their implementation/changes;
- Governance of the market operator;
- Open/fair access provisions;
- Other areas (please specify)

The requirement under the DLT Pilot Regime that members fully understand the use and handling of DLT to operate as a Central Securities Depository (CSD) significantly burdens DLT market infrastructure operators, as they must ensure that each member comprehensively understands how the DLT functions in the context of their operations.

Furthermore, this "suitability test" for retail investors interacting with DLT products presents an immense challenge, given the inherent complexity of DLT compared to traditional financial instruments, which complicates the assessment of their capacity to engage with such services. This complex requirement, coupled with the lack of harmonized "adequacy test" rules across Member States, creates an uneven playing field and makes DLT services less attractive, as potential users are deterred by the extensive onboarding process and the inconsistent compliance demands.

Establishing uniform rules across all member states would create a fairer and efficient framework.

## 1.3. Non-regulatory barriers (market practices) to liquidity aggregation and deepening

#### 1.3.1.Integrating liquidity pools across the Union

6. Can the use of new digital technology solutions contribute to integrating liquidity pools or connecting different pools across the EU? What barriers do you face in implementing such technology-based solutions? Please explain.

The use of DLT offers a unique opportunity to bridge the fragmented liquidity pools across the EU, a crucial step toward achieving a truly integrated CMU. DLT can facilitate instant, transparent, secure, and cheaper transactions across jurisdictions, enabling the efficient mobilization of liquidity within the EU and globally, helping to eliminate many of the barriers and inefficiencies that currently exist within fragmented financial markets, paving the way for a more integrated and transparent financial ecosystem. With DLT, markets can operate more cohesively, giving investors and firms easier access to a wider pool of capital and opportunities, regardless of where they're based, supporting the broader goal of the CMU.

Furthermore, Decentralized Finance (DeFi), built upon global DLT networks, amplifies liquidity by connecting capital from various sources worldwide. DeFi allows anyone with an internet connection to participate in lending, borrowing, and trading irrespective of their geographic location. This global accessibility dismantles conventional barriers, aggregating capital from diverse participants into transparent, algorithmically governed liquidity pools. Consequently, this not only broadens the supply of available capital but also democratizes access to financial services, fostering a truly interconnected global financial ecosystem where liquidity is no longer constrained by borders.

Intermediaries and venues interconnections



9. Are there any barriers to the use of technology-based solutions that contribute to achieving higher levels of connection? Yes/no/don't know

If you responded 'Yes', what are these barriers? Are they of a policy, regulatory or supervisory nature?

Yes, there are regulatory and supervisory barriers. In line with the points raised in question 4 of the section on Simplification and Burden Reduction, Adan strongly supports expanding the scope of the DLT Pilot Regime and transitioning it into a permanent framework. To unlock its full potential, necessary regulatory adjustments should be made to enable all types of financial products to be traded within the pilot. For example, this includes permitting tokenized Alternative Investment Funds (AIFs), which would require amendments to the AIFMD and the CSD Regulation. The EU should also consider allowing crypto-ETFs, as integrating crypto-assets under the UCITS framework can offer investors innovative and diverse opportunities.

Regarding supervision, a significant challenge is the complex and multi-layered licensing process, involving numerous supervisory authorities. This can result in lengthy and cumbersome approval procedures, causing delays and inefficiencies. Additionally, there is an urgent need to harmonize supervisory standards and practices across EU member states to streamline the process and ensure consistent application throughout the Union.



#### Focus on ETFs

17. Increased access to financial instruments on a cross-border basis can also be ensured by improving the interconnection between all relevant EU regulated markets and MTFs. To that end, would you consider important to ensure an increased level of interconnection between trading venues in the EU?

Yes/ Yes, provided it is funded/co-funded by public funds/ No/ Don't know.

In case you answered "yes" or "yes, provided it is funded/co-funded by public funds" to the previous question, which of the following options do you prefer?

	Please option.	select	the	relevant
Requiring every EU regulated market and MTF to offer the possibility to trade any share or ETF that has been initially admitted to trading on a regulated market across the EU				
Requiring every EU regulated market and MTF to collect the orders and reroute them to one of the venues where a given share or ETF is traded (i.e. without requiring all venues to directly offer trading in all shares and ETFs)				
Leaving the choice of the option to each EU regulated market and MTF				

Please explain and clarify if you would see merit in limiting the options to only a subset of regulated markets/MTFs (e.g. MTFs with a cross-border dimension). In that case, please clarify what the criteria should be and provide details concerning possible implementation costs. In case you answered "yes" or "yes, provided it is funded/co-funded by public funds" to question 17, what would be the impact in terms of building cross-border liquidity? What would be the potential estimated costs or savings associated with such a measure (where relevant, for each respective type of market participant)? If you replied 'yes' or "yes, provided it is funded/co-funded by public funds" to question 17, do you see any post-trade challenges associated with this?

Interoperability should be viewed from a wider market perspective, with the primary policy goal being to facilitate simplified, comprehensive, and efficient access for both retail and institutional investors to the full spectrum of financial instruments available across the EU. In this context, interoperability is particularly relevant for custodians and depositaries, as their ability to connect to multiple infrastructures ensures smooth investor access. Once efficient access is in place, connections—either directly between infrastructures or via custodians and depositaries—may naturally develop to support specific financial activities such as collateral management, repos, or liquidity operations. However, the market should have adequate time and flexibility to determine the best approach to such interoperability. The critical challenge is incentivizing custodians and depositaries to pursue interoperability initiatives,



which tend to be resource-intensive, costly, and increasingly complex given the rising number of market participants. Support mechanisms, such as industry-led standards combined with targeted fiscal incentives or EU subsidies for these intermediaries, could effectively lower barriers to connectivity. These incentives would promote the development of interoperable infrastructure networks that align with the long-term needs of the EU capital markets.

23. Crypto-markets have seen the emergence of a market architecture whereby retail investors have direct access to a crypto-asset trading venue. Do you see merit in allowing or promoting the direct access of retail participants to trading venues for financial instruments, without an intermediary?

Yes/No/Don't know. If your response is 'yes', please explain the advantages and disadvantages of such a model, as well as the risks and how they could be mitigated.

Yes. We strongly believe there is clear value in enabling retail investors to access trading venues directly, without intermediaries. The crypto markets have already demonstrated that this approach is not only feasible but also offers substantial benefits, especially as the tokenisation of traditional assets like equities becomes increasingly common.

Benefits:

- Financial inclusion: Allowing direct access broadens participation in capital markets, removing traditional barriers posed by intermediaries and promoting fairer investment opportunities for a wider range of retail investors.
- Cost-efficiency and speed: Eliminating intermediaries decreases fees, shortens settlement times, and reduces operational friction, resulting in quicker, less expensive, and more transparent trading processes.
- Continuous, 24/7 markets: Blockchain-based venues provide uninterrupted trading, enabling investors to react immediately to news or market shifts, unlike conventional markets with fixed trading hours.
- Advanced custody options: Blockchain technology facilitates secure self-custody or custody by regulated entities through smart contracts, offering investors greater control over their assets while maintaining security and regulatory compliance.

Risks and mitigation strategies:

- Investor protection: Direct engagement with complex or volatile instruments entails risks for retail investors. This can be addressed through enhanced disclosures, investor education, and technological safeguards such as trading limits, risk warnings, and suitability assessments embedded within the platform.
- AML/KYC compliance: Transitioning to direct access increases the compliance responsibilities
  of trading venues. Implementing robust identity verification, continuous transaction monitoring,
  and automated compliance systems aligned with EU AML regulations is essential to mitigate the
  risks of illicit activities.
- System resilience: Supporting ongoing retail access necessitates scalable, secure, and resilient
  infrastructure capable of managing high transaction volumes and preventing outages or
  manipulation attempts.



 Regulatory updates: Existing frameworks like MiFID II and CSDR should be revised to explicitly authorize and regulate direct retail access models, ensuring that custody, safeguarding, and operational obligations are aligned with the realities of blockchain and decentralized exchanges.

## 1.4. Enhanced quality of execution through deeper markets

47. On a scale from 1 to 5 (1 being "not significantly positive", 5 being "extremely positive"), how positive do you deem extended trading hours / 24-hour trading for the development and competitiveness of EU markets? Please explain your reasoning.

1	2	3	4	5	No opinion
				х	

#### Same reasoning Q 49

48. On a scale from 1 to 5 (1 being "very advantageous", 5 being "highly risky"), how advantageous or risky do you deem extended trading hours/24-hour trading for the orderly functioning of EU capital markets? If you attribute a score pointing at a risk, please explain these risks and, where relevant, differentiate between different categories of investors (e.g. professional investors and retail investors). If you provide a score pointing at advantages, please explain those advantages.

1	2	3	4	5	No opinion
				х	

Same reasoning Q 49

49. In your view, do the advantages of extended / 24h trading outweigh the potential risks

We believe that the advantages of extending trading to 24/7 or beyond outweigh the associated risks, provided the market infrastructure is capable of supporting such operations. This model is most effective when the underlying market also operates around the clock, or when tokenized instruments are structured more like derivatives, with independent pricing mechanisms that do not depend on legacy systems. In these scenarios, ongoing trading facilitates real-time price discovery, improved hedging strategies, and broader market access.

Benefits

• <u>Synchronization with underlying markets</u>: Crypto spot markets already trade around the clock internationally. Extending trading hours for derivatives and other tokenized assets (e.g.,



tokenized equities or bonds) ensures that futures markets accurately reflect real-time spot prices, enabling effective hedging, especially during weekends or major global events.

- <u>Enhanced market accessibility</u>: Around-the-clock trading fosters wider global participation, accommodating both retail and institutional investors across different time zones, aligning with the realities of a digital, global asset market.
- <u>More accurate price discovery</u>: Continuous trading helps minimize artificial volatility spikes often seen at market open or after closures, leading to more stable and responsive price formation.
- <u>Improved risk management</u>: 24/7 markets allow participants to monitor and manage risks in real time, particularly during volatile periods. This reduces the likelihood of significant price swings, such as those often seen on Monday mornings following weekend closures.

Risks and Mitigation Strategies

- <u>Liquidity fragmentation</u>: Liquidity may thin out during off-peak hours, resulting in wider spreads. This can be managed through designated liquidity providers, dynamic position limits, and strong risk controls.
- <u>Operational and staffing challenges</u>: Supporting continuous trading requires robust infrastructure and adequate staffing. For instance, Coinbase has successfully implemented 24/7 support for crypto derivatives, leveraging automation, redundancy, and global support networks to meet operational demands.
- <u>Monitoring and oversight</u>: Advanced surveillance tools, including AI-based monitoring and on-chain analytics, enable effective comprehensive oversight at all hours. Regulators can utilize RegTech solutions to ensure market integrity, regardless of the time.

Policy considerations for the EU- To facilitate 24/7 trading within Europe, specific regulatory adjustments are necessary:

- Update MiFID II/MiFIR to explicitly permit continuous trading models, clarifying oversight responsibilities and transparency obligations during non-standard trading hours.
- Evolve CSDR to accommodate near-real-time or continuous settlement processes, including decentralized systems, especially for tokenized assets.
- Recognize tokenized collateral (such as MiCA-compliant stablecoins) to support around-the-clock trading by enabling borderless margining and settlement beyond traditional banking hours.

There are market examples of successful deployment of 24/7 crypto derivatives trading in other jurisdictions demonstrates that extended trading hours are both practical and advantageous when backed by strong operational and compliance frameworks. The EU should avoid artificially restricting market hours and instead focus on fostering resilience, protecting investors, and enabling innovation.

54. Does the emergence of DLT-based/tokenised asset markets bring in a new element or dynamic, compared to bilateral versus multilateral venues? If so, how? Should our regulatory framework be adapted to reflect this change? If so, how?

Distributed Ledger Technology (DLT) is primarily a technology characterized by a decentralized protocol for



transferring ownership of financial assets. The notarization function is no longer centralized in a trusted third party but is distributed across all the owners of nodes in the underlying blockchain through a consensus mechanism. Its main purpose is to challenge the responsibility of post-trade platform operators, and consequently, it primarily impacts the CSDR regulatory framework.

Therefore, yes, the current regulatory framework shall be adapted to reflect this change, specifically the CSD Regulation.

# 1.5. Other issues on trading

58. Please provide any further suggestions to improve the integration, competitiveness, simplification, and efficiency of trading in the EU. Please provide supporting evidence for any suggestion

Promoting DLT-based market infrastructures as a means to enable pan-European, cross-border access to liquidity is highly promising. DLT can streamline trading and post-trade activities, reduce reliance on multiple intermediaries, increase transparency, and support atomic settlement, thereby establishing truly integrated and accessible liquidity pools across different jurisdictions and asset classes within the EU. Ultimately, this would enhance the efficiency and liquidity of the Capital Markets Union (CMU). As noted earlier, advancing a more comprehensive version of the DLT Pilot Regime is essential, along with efforts to simplify processes, streamline authorization and oversight, and adapt legal frameworks to cover all types of financial instruments within the Pilot, including crypto-ETFs.

3. Post-trading



# 3.1.4.Legal certainty

Questions (nb. 'barrier' includes difficulties or challenges and consider legal certainty aspects deriving from the use of DLT (where relevant))	Answers	
	Yes	No
37) Does the law applicable to the assets and to the CSD influence a decision to acquire or dispose of financial instruments cross-border?	Yes. Different jurisdictions have different rules regarding securities law, which can impact things like: who legally owns the assets in question?; How the ownership of the assets is transferred during a transaction and enforcement of rights. The applicable law can also affect the legal status of assets when they are moved across borders and may influence the enforceability of contracts and other legal obligations, creating legal uncertainty.	
38) Are there barriers for issuers to obtain legal certainty on the ownership of the securities issued in a CSD or any other registrar?	Yes.National laws governing securities ownership can vary significantly, leading to potential conflicts of law and uncertainty about who has the right to ownership of securities held across borders. Currently, there is no definition legal definition of ownership on the blockchain and we see divergences of interpretation e.g french/german conception of ownership.	x
<ul> <li>39) Are there barriers for investors to obtain legal certainty on their rights and powers (e.g. ownership rights, rights in relation to corporate events) and for intermediaries to have legal certainty on their duties in relation to financial instruments, cash or cash equivalent, issued in/maintained in/settled by a CSD? Are the barriers the same or are there different barriers where the</li> </ul>	Yes. As we outlined in question 37), there are barriers to legal certainty for investors and intermediaries, especially when CSD services are provided through DLT. These barriers stem from legal uncertainties, technological issues, and the need for harmonized regulations across different jurisdictions. Fragmentation leads to uncertainty regarding who legally owns the assets in question?; How the ownership of the assets is transferred during a transaction and enforcement of rights and can also affect the legal status of assets when they are moved across borders. For intermediaries, challenges arise from varying interpretations of their responsibilities across different legal systems, especially concerning asset segregation, investor protection rules, and the enforcement of corporate actions	



provision	of	CSD
services	are	made
through DL	.T.	

50) Considering various new types of settlement assets (including tokenised central bank money, electronic money tokens and tokenised commercial bank money) and the different nature of native (only created and represented on the DLT) and non-native (existing outside of the DLT) assets, should the same conflict of law rules apply to all these settlement assets?		
settlement assets (including tokenised central bank money, electronic money tokens and tokenised commercial bank money) and the different nature of native (only created and represented on the DLT) and non-native (existing outside of the DLT) assets, should the same conflict of law rules apply to all these settlement assets?	50) Considering various new types of From a conflict of law standpoint, the	
central bank money, electronic money tokens and tokenised commercial bank money) and the different nature of native (only created and represented on the DLT) and non-native (existing outside of the DLT) assets, should the same conflict of law rules apply to all these settlement assets?	settlement assets (including tokenised underlying principles should remain	
tokens and tokenised commercial bank money) and the different nature of native (only created and represented on the DLT) and non-native (existing outside of the DLT) assets, should the same conflict of law rules apply to all these settlement assets? settlement asse	central bank money, electronic money consistent regardless of the nature of	
money) and the different nature of native (only created and represented on the DLT) and non-native (existing outside of the DLT) assets, should the same conflict of law rules apply to all these settlement assets?	tokens and tokenised commercial bank settlement assets, whether they are	
native (only created and represented on the DLT) and non-native (existing outside of the DLT) assets, should the same conflict of law rules apply to all these settlement assets?	money) and the different nature of native or non-native to the DLT. The	
on the DLT) and non-native (existing outside of the DLT) assets, should the same conflict of law rules apply to all these settlement assets? determine jurisdictional applicability and legal sovereignty in cross-border transactions, which should not be fundamentally altered by the nature of the assets involved. Since the legal framework aims to provide clarity and predictability, it is essential that these rules are uniformly applied and technology neutral.	native (only created and represented primary goal of conflict of law rules is to	
outside of the DLT) assets, should the same conflict of law rules apply to all these settlement assets? Indamentally altered by the nature of the assets involved. Since the legal framework aims to provide clarity and predictability, it is essential that these rules are uniformly applied and technology neutral.	on the DLT) and non-native (existing determine jurisdictional applicability and	
same conflict of law rules apply to all transactions, which should not be these fundamentally altered by the nature of settlement assets? the assets involved. Since the legal framework aims to provide clarity and predictability, it is essential that these rules are uniformly applied and technology neutral.	outside of the DLT) assets, should the legal sovereignty in cross-border	
these settlement assets? fundamentally altered by the nature of the assets involved. Since the legal framework aims to provide clarity and predictability, it is essential that these rules are uniformly applied and technology neutral.	same conflict of law rules apply to all transactions, which should not be	
settlement assets? the assets involved. Since the legal framework aims to provide clarity and predictability, it is essential that these rules are uniformly applied and technology neutral.	these fundamentally altered by the nature of	
framework aims to provide clarity and predictability, it is essential that these rules are uniformly applied and technology neutral.	settlement assets? the assets involved. Since the legal	
predictability, it is essential that these rules are uniformly applied and technology neutral.	framework aims to provide clarity and	
rules are uniformly applied and technology neutral.	predictability, it is essential that these	
technology neutral.	rules are uniformly applied and	
	technology neutral.	

	Please explain your answer	
For questions 36 to	(and, where relevant, clarify	
47 and 51 where	the type of barrier (i.e.	
vour renty is 'ves'	barrier or a	
complete the	difficulty/challenge)).	
following fields as		
opproprieto	Please provide a clear	
appropriate.	explanation of the barrier	
For superiors OC to	and the reasons for this	
For questions 36 to	being indicated as a barrier	
47, and 51 where	including but not limited to:	
your reply is no	- the specific legal or	
justity your reply, in	regulatory	
particular identifying	requirement(s) that	
potential risks.	create(s) the barrier.	
	if relevant (national	
	or EU level);	
	- which financial	
	instrument the barrier	
	refers to:	
	- supervisory or	
	market practice(s)	
	that create(s) the	
	barrier, if relevant	
	(national or EU level);	
	- the operational	



requirements that create the barrier (national or FU level):	
- the	
technical/technologi	
cal aspect(s) related	
to the barrier, if relevant:	
the type of	
- the type of	
intermediary	
structure(s)/chain(s)	

	that create(s) the barrier, if relevant.	
Pl	lease provide a ranking of the priority of ddressing the barrier as: - high priority; - medium priority; - low priority.	
Pi ba ar co	lease provide an estimation of the costs of the arrier nd a description of where the additional costs ome from and how much they are.	
P sc sc	<ul> <li>lease provide potential solutions and rank the olutions in terms of preference. Suggestions for olutions can include, but are not limited to,</li> <li>legislative changes (specifying which changes are being suggested).</li> <li>use of supervisory convergence tools (specifying which tools are being suggested);</li> <li>adoption of market practice(s);</li> <li>other.</li> </ul>	
Pi be	lease provide data on the potential costs and enefits of the suggested solutions.	

# 1.1.1.Barriers and other aspects under the SFD

Questions (for the purpose of the questions below, please note that the term barrier also includes difficulties or challenges)	Answers	
	Yes	No



54) Do the definitions, in particular the Yes. In the context of traditional financial definition of a "system" and markets, a "system" generally refers to the "transfer orders", result in barriers interconnected network of institutions, rules, related to the change in market procedures, and infrastructure that facilitate the	
definition of a "system" and markets, a "system" generally refers to the "transfer orders", result in barriers interconnected network of institutions, rules, related to the change in market procedures, and infrastructure that facilitate the	
"transfer orders", result in barriers interconnected network of institutions, rules, related to the change in market procedures, and infrastructure that facilitate the	
related to the change in market procedures, and infrastructure that facilitate the	
practice in the set-up of systems as processing, clearing, and settlement of financial	
well as the use of DLT? transactions. Similarly, current legislation	
assume centralized execution and	
responsibilities of "transfer orders".	
In a DLT-driven market, these functions can be	
separated and executed by different regulated	
entities operating on shared infrastructure,	
moving away from the traditional centralized	
structure and enabling more resilient,	
decentralized systems.	
To future-proof regulation, the EU should revise	
these definitions based on roles rather than	
assuming they must be performed by a single	
centralized entity. We recommend that the EU	
framework evolve to support new types of	
decentralized and hybrid market infrastructures,	
while ensuring proper oversight and risk	
management protocols are in place.	

70) Is the point in time when a MiCA and F	PSD already provide with analoge rules that
disposition becomes could shed	light in this regard.
irrevocable problematic to pinpoint in DLT-based settlement systems, and in particular those with probabilistic settlement?	Transactions may have varying settlement bending on the DLT's speed, network , and confirmation times. In a DLTs thus, the compatibility of these revocation be more complex due to the inherent tics of blockchain technology. In a al setting, a disposition can be revoked by ithin specified time limits. In a DLT-based the execution of transactions is often and final once <u>confirmed</u> , posing in implementing a similar revocation policy. cknowledged by ESMA guidelines- 5.3 times and cut-off times (Guideline 3) to which CASPs should establish, and maintain adequate policies and relating to, at least: the cut-off times for s for the transfer of crypto-assets to be s received on the same business day; the execution times depending on the et transferred; the number of block



confirmations needed for the transfer of crypto-assets to be irreversible on the DLT, or sufficiently irreversible in case of probabilistic settlement, for each DLT	
network. According to ESMA guidelines, CASPs will have to inform their clients of when a transfer is irrevocable or sufficiently irrevocable	
Revoking a transaction set to be executed on a specific date before that date is somewhat feasible on DLTs if arrangements are in place to allow for such	
actions. This typically requires smart contracts or other mechanisms to manage user consent and conditional execution. However, revoking a	
transaction after it has been confirmed may not be possible.	
Following the PSD rules, there may be a designated date before the disposition is set to be executed where	
revocation is still possible. However, this will always have to be before it has been confirmed.	

For question 52 please complete the following fields as appropriate.	Please explain your answer (and, where relevant, clarify the type of barrier (i.e. barrier or a difficulty/challenge)).	
For questions 53 and 54, 57 to 60, and 62 to 68 where your reply is 'yes' please complete the following fields as appropriate.	<ul> <li>Please provide a clear explanation of the barrier, and the reasons for this being indicated as a barrier, including, but not limited to, <ul> <li>the specific legal or regulatory requirement(s) that create(s) the barrier, if relevant (national or EU level);</li> <li>the supervisory or market practice(s) that create(s) the barrier, if relevant</li> </ul> </li> </ul>	

For questions 53 and 54, 57 to 60, and 62 to 68 where your reply is 'no' please justify your reply, in particular identifying	<ul> <li>(national or EU level);</li> <li>the operational requirements that create the barrier (national or EU level);</li> <li>the technical/ technological aspect(s) related to the barrier if</li> </ul>	
potential risks.	relevant.	



Please provide a ranking of the priority of addressing the barrier as: - high priority; - medium priority; - low priority. Please provide an estimation of the costs of	
the barrier.	
Please provide potential solutions and rank the solutions in terms of preference. Suggestions for solutions can include, but are not limited to, - legislative changes (specifying which changes are being suggested); - use of supervisory convergence tools (specifying which tools are being suggested); - adoption of market practice(s); - other.	
Please provide data on the potential costs and benefits of the suggested solutions.	

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**3rd Session** 

3.2 Barriers to the application of new technology and new market practices

3.2.1 Applicability of the CSDR to DLT-based CSDs and the provision of services

Questions (for the purpose of the questions below, please note that the term barrier also includes difficulties or challenges)	Answers
71) Considering the core functions of a CSD, i.e. those of notary, central maintenance and settlement, is the current legal framework appropriate to mitigate and control risks that could arise from the use of DLT?	No. The existing CSD framework is centered around centralized post-trade models and does not fully reflect how DLT transforms fundamental CSD functions such as notary, maintenance, and settlement. In a DLT-driven market, these functions can be separated and executed by different regulated entities operating on shared infrastructure, moving away from the traditional CSD structure and enabling more resilient, decentralized systems.



To future-proof settlement regulation, the EU should
revise CSDR to regulate these core functions based on
roles and outcomes rather than assuming they must
be performed by a single centralized entity. This
approach would foster more flexible, function-based
models where multiple authorized entities operate
nodes and share governance responsibilities while
maintaining the same regulatory standards. Such a
transition would mitigate concentration risks,
encourage innovation, and ensure regulation aligns
with the operational realities of DLT-based markets.

	Yes	No
73) Are there any legal barriers to ensure the integrity of the issue, segregation and custody requirements also in the context of DLT-based issuance and settlement?	X	
74) Does the definition of cash need to be refined to take into account technological developments affecting the provision of cash, in particular the emergence of tokenised central bank money, tokenised commercial bank money and electronic money tokens? If 'yes', please specify how the use of such settlement assets can be facilitated while maintaining a high level of safety for cash settlement in DLT market	X Yes, the definition of cash should be updated to better reflect ongoing technological advancements, particularly the rise of Electronic Money Tokens (EMTs), such as stablecoins regulated under MiCA. MiCA-authorized stablecoins are subject to strict reserve requirements, governance standards, and redemption obligations, establishing them as a dependable and resilient form of on-chain money suitable for use in DLT-based capital markets.These instruments enable atomic settlement and programmable transactions, which are essential for unlocking the efficiency and security benefits of distributed ledger technology. The current DLT Pilot Regime acknowledges this potential by providing an exemption from Article 40 of the Central Securities Depositories Regulation (CSDR), which otherwise requires settlement in central bank money. We recommend extending this exemption beyond the Pilot Regime to cover DLT-based securities transactions elsewhere, and allowing stablecoins to be used within decentralized settlement systems.	



infrastructures?	The development of EU DLT-based capital markets will rely heavily on practical deployment of MiCA-compliant stablecoins (which are ready for production), alongside wholesale CBDCs and tokenized forms of commercial bank money. A diversified set of settlement assets, including wholesale CBDCs, tokenized commercial bank money, and MiCA-authorized stablecoins, is vital for improving settlement efficiency. While central bank money remains the preferred choice for cash settlement in some markets, commercial bank money and stablecoins can offer additional significant benefits. Although wholesale CBDCs may be primarily suited for interbank settlement, stablecoins and tokenized	
	bank money provide the cross-border mobility and	
75) Could the use of DLT	The operability necessary for wider market adoption.	
help reduce the reporting burden?	Yes. Distributed Ledger Technology (DLT) has the potential to greatly reduce reporting burdens by providing real-time, tamper-resistant, and automated transaction records. Because on-chain data is naturally transparent and synchronized among participants, it can facilitate streamlined regulatory reporting, minimize manual reconciliation efforts, and lower operational costs.	
	The increasing adoption of zero-knowledge (zk) technologies offers promising avenues for privacy-preserving transparency. These tools can enable the selective disclosure of verified information to regulators without revealing all transaction details, helping to strike a balance between transparency and data protection in future reporting frameworks.	
	For example, DLT is used to tokenize bonds, and metadata is attached within the token in order to facilitate the reporting of green assets. The DLT facilitates reporting on CSRD requirements.	
76) Would a per-service authorisation of CSD services, with compliance requirements proportionate to the risk of the individual service, make the CSDR more	Yes. Implementing a per-service authorization framework would enable new entrants and technology providerS, particularly those offering DLT-based solutions, to deliver Central Securities Depository (CSD) services without needing to comply with all the requirements typically applicable to traditional, vertically integrated CSDs. This approach is especially pertinent for functions	

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technologically such as notarization, which confirms the issuance of	
neutral and securities. In a DLT environment, this role can be	
contribute to efficiently and securely executed by the blockchain	
removing barriers to itself, utilizing its immutable and timestamped	
adoption of new records to verify issuance and ownership without	
technologies, such asrelving on a central intermediary. Recognizing this	
DIT? inherent capability within a per-service regulatory	
model would allow DIT to serve key functions in	
market infrastructure while ensuring appropriate	
eversight and protections are maintained	
Versight and protections are maintained.	
77) Are there any legal currently, there are considerable legal and regulatory	
barriers for DLI nurdies that prevent DLI service providers from	
service providers in offering fully integrated trading, settlement, and	
providing trading, clearing services within a single entity under EU law.	
settlement and The existing regulatory framework- comprising MiFID	
clearing in an II, CSDR, and EMIR- mandates that trading venues,	
integrated manner, central counterparties (CCPs), and central securities	
within one entity? depositories (CSDs) remain separate legal entities,	
each with designated authorizations, functions, and	
governance structures. These rules were originally	
designed for traditional, siloed market infrastructures	
and do not account for the integrated functionalities	
enabled by DLT, where settlement finality, risk	
mitigation, and auditability can be achieved on-chain	
without multiple intermediaries.	
The DLT Pilot Regime is a positive step toward	
modernizing this framework. It permits operators to	
obtain a single authorization for DIT-based trading	
and sottlement systems (DIT TSS) along with	
temperary exemptions from certain CSDD and MiEID	
lemporary exemptions from certain CSDR and MIFID	
li requirements. However, this regime others only	
limited, experimental, and scope-restricted licensing	
and does not extend to clearing services. As such, it	
lacks the legal certainty and flexibility necessary for	
full-scale commercial deployment of integrated DLT	
market infrastructure.	
To fully harness DLT's benefits—such as reduced	
latency, real-time settlement, operational efficiencies,	
and systemic risk mitigation—EU legislation must	
evolve to support technology-neutral approaches that	
enable trading, settlement, and clearing within a	
unified DLT-based system, with appropriate	
safeguards in place.	
78) Are there any other The absence of harmonized legal recognition for	
barriers that youDLT-based securities remains a significant obstacle.	
consider relevant for many EU jurisdictions the legal status of tokenized	
the DLT based securities - covering aspects such as	



	·
provision of CSDdematerialization, transfer of ownership, and	
services? finality—remains unclear or fragmented. This legal	
ambiguity hampers the confidence of DLT-based CSD	
services in their operations and complicates	;
cross-border interoperability.	
79) In particular in We recognize that validators in permissionless	
permissionless blockchains have influence over transaction ordering	
blockchains, validatorswhich gives rise to Maximal Extractable Value (MEV)	
have the ability to However MEV is not inherently abusive it is a natural	
choose which as pect of block chain architecture that reflects the	
transactions to economic value associated with transaction	
prioritise for validationsequencing Many MEV-related activities such as	
and arbitrage and DeFi liquidations are vital to the	
decide on the order offunctioning of decentralized finance (DeFi)	
transaction ecosystems These practices support price discovery	
actilement Con this enhance market efficiency and promote protocol	
facture protocol stability enabling DeFi systems to operate effectively	
effectively additional without centralized oversight	
affect orderly without centralized oversight.	
settlement and how technical challenge rather than market abuse and	
can it be mitigated?	
than broad regulatory measures. While some forms	
of MEV like sandwich attacks can barm users	
existing mitigation measures—including user-defined	
clippage tolerances private or encrypted memorols	
and larger liquidity pools—are already in place	,
We suggest that regulators promote market-driven	
solutions to manage MEV encouraging participants	
and protocol developers to address MEV in ways that	
align with their specific technologies and user needs	
thereby supporting continued innovation in	
transaction design	
20) Doos the emergence V	
of DITbased	
tokonigod financial	
instrumente require	
changes to the	
provision of CSD	
services or the	
requirement to use a	
If an which CSD relatives the rise of DIT based takenized financial instrum	Length calls for a
or requirements could reasonsement of how CSD convices are concentualized	d implemented
be meaningfully and regulated DLT fundamentally redefined accord	ntial nost-trade
impacted in a DITfunctions like sefekcoping notary and cottlem	ant in a DIT
appricement?	ully automated
environment? Environment, many or mese functions can be integrated and validated directly on the blackshein of	ofton roculting in
	men resulting III

A	DA	N

	increased transparency, security, and operational effici	iency.
	The default assumption that a traditional CSD mus	t be involved in
	every issuance or settlement should be reconsi	dered within a
	DIT-native framework Instead regulation should prid	pritize achieving
	eare outcomes—such as cafety transparency and	rocilionco-and
	core outcomes—such as safety, transparency, and	
	allow flexibility in the technological approach to	reaching those
	objectives.	
	Several critical CSD roles are significantly impacted by	<sup>,</sup> DLT, including:
	→Notary function: On-chain issuance and record	ding via smart
	contracts can provide a permanent, tamper-proof pr	oof of issuance
	and ownership potentially reducing or eliminating	the need for a
	central notary	and noou for u
	Contraction of the second programmable of the se	ustadu, aslutiona
	can assume satekeeping responsibilities witho	out relying on
	intermediated accounts.	
	→ <u>Settlement finality</u> : DLT facilitates near-instanta	aneous, atomic
	settlements, diminishing dependence on traditional b	atch processing
	and post-trade reconciliation overseen by CSDs.	, ,
	© Reconciliation and record-keeping. Immutable sha	red ledgers can
	remove the need for duplicative record maintenance	across different
	entities lowering operational risks and easts	acioss uniereni
	entities, lowering operational risks and costs.	
	Consequently, we recommend that the CSDR frame	ework evolve to
	support new types of decentralized and hybrid market	t infrastructures,
	permitting DLT-based service providers to under	take post-trade
	functions directly, while ensuring proper overs	sight and risk
	management protocols are in place.	-
81) Can certain functions	X	
normally assigned to		
or recorved for a CSD		
be salely, securely and		
effectively be		
performed by other		
market		
participants in a DLT		
environment?		
If 'ves', please specify	Yes. In a DLT-native setting, essential functions trac	litionally carried
which functions and	out by CSDs can be securely and efficiently executed	d by DLT service
which more	providers custodians or even directly on the h	lockchain DIT
	facilitates the automation and decentralization of	those key relation
participants, and state	nacinates the automation and decentralization of t	ulese key roles,
reasons.	provided appropriate regulatory safeguards are in plac	e.
	Notably, the notary and issuance functions can be had	ndled directly on
	the blockchain through smart contracts, which establ	ish a permanent
	and tamper-proof record of issuance, thereby removir	ng the need for a
	central notary.	
	Likewise, safekeeping and custody arrangements can	be managed via
	digital wallets and programmable asset management	solutions
	anglear maneto and programmable asset management	solutions.



For question 72	Please explain your	Q 73) Yes, the current EU legal frameworks pose		
please	answer (and, where	obstacles to maintaining the integrity of issuance,		
complete the	relevant, clarify the	segregation, and custody for securities issued via DLT.		
following fields	type of barrier (i.e.	→ <u>Issuance</u> : DLT facilitates the native on-chain		
as appropriate.	barrier or a	ssuance of financial instruments, eliminating the need		
For questions	difficulty/challenge)).	for a central notary or registrar. However, existing EU		
73, 77 and 78,		laws, particularly under CSDR, typically mandate		
where your	Please explain the	centralized registration, creating legal uncertainty		
reply is 'yes'	barrier and the reasons	regarding the recognition and enforceability of		
complete the	for this being indicated	on-chain issuances. This disconnect with the		
following fields	as a barrier, including,	"book-entry" requirement hampers the ability of		
as appropriate.	but not limited to	natively issued DLI instruments to be listed or used as		
	- the specific legal	collateral, despite delivering comparable economic		
	or regulatory	attributes to traditional securities.		
	requirement(s)	$\rightarrow$ <u>Segregation</u> . DLi provides transparent and		
	that create(s)	Nonotholoss Ell logal framoworks gonorally assume		
	the	traditional account-based segregation systems and do		
		not explicitly accommodate on-chain approaches		
		leading to legal uncertainty especially during		
		insolvency proceedings Clarification is necessary to		
		ensure that DLT-based segregation conforms with legal		
		standards and adequately safeguards investors.		
		$\rightarrow$ <u>Custody</u> : The custody regulations across Member		
		States remain fragmented and often do not account for		
		DLT-specific custody features like multi-signature		
		wallets or smart contract controls. This fragmentation		
		impedes the scaling of custodial services across the		
		EU and limits the development of a cohesive digital		
		asset market.		
		$\rightarrow$ To overcome these barriers, the EU should		
		modernize its regulations to explicitly recognize		
		DLT-native processes and support alternative models		
		of post-trade infrastructure. Such adjustments would		
		roster innovation while upholding market integrity and		
		protecting investors.		



For questions 73, 77 and 78,	barrier, if relevant (national or EU
where your reply has been	level); the supervisory or market
no justify your reply, in	- the supervisory of market practice(s) that create(s) the
particular identifying	barrier, if relevant (national or FU
potential fisks.	level);
	- the operational requirements
	that create the barrier (national
	or EU level);
	- the
	technical/technological
	aspect(s) related to the barrier, if
	relevant.
	Please provide a ranking of the priority
	- high priority:
	- mgri priority;
	- low priority
	Please provide an estimation of the
	costs
	resulting from the barrier.
	Please provide potential solutions to
	issues identified, including the potential
	risks, and rank the solutions in terms of
	preference. Suggestions for solutions
	can include, but are not limited to:
	- legislative changes (specifying
	which changes are being
	- use of supervisory convergence
	tools (specifying which tools are
	being suggested);
	- centralised supervision;
	- adoption of market practice(s);
	- other.
	Please provide data on the potential
	costs and benefits of the suggested
	solutions.



PART 2

Horizontal barriers to trading and post-trading infrastructure



# PART 2 4. Horizontal barriers to trading and post-trading infrastructures

# 4.4 Innovation – DLT Pilot Regime (DLTPR) and asset tokenisation

Questions	Answers	
	Yes	No
23) Do you believe that the DLTPR limit on the value of financial instruments traded or recorded by a DLT market infrastructure should be increased?	Yes. The existing thresholds significantly constrain the scalability and economic feasibility of projects under the DLT Pilot Regime. Removing these thresholds aligns with the regime's primary goal of promoting large-scale innovation within European financial markets. The designation of DLT TSS is not a lower-tier classification; rather, the rigorous standards for obtaining and maintaining DLT TSS status reflect the high level of technical sophistication and complexity required. Given the substantial regulatory oversight and compliance costs—comparable to those faced by Central Securities Depositories (CSDs) and exceeding those of Multilateral Trading Facilities (MTFs)—retaining restrictive thresholds adversely affects the business models and overall competitiveness of DLT infrastructures. Eliminating or raising these thresholds is therefore essential to facilitate meaningful innovation, attract significant investments, and enable DLT-based solutions to compete on equal footing with traditional market infrastructures.	
24) Do you believe that the scope of assets eligible within the DLTPR should be extended?	Yes. Yes, we endorse broadening the range of eligible assets under the DLTPR. Currently, the DLTPR is limited to shares, plain vanilla bonds, and select investment fund units, which considerably restricts its utility and attractiveness. Adan strongly recommends broadening the scope of the Pilot by including all types of financial instruments, rather than restricting it to specific product categories. This inclusive approach would eliminate restrictive, product-specific constraints and promote a dynamic environment that encompasses commonly traded products in traditional markets. Expanding the range to cover structured financial products such as EMTNs, warrants,convertible bonds, shares of AIF, and derivatives would substantially increase the regime's applicability and appeal. These instruments play a central role in modern capital	



markets, and their inclusion is vital to accurately reflect current market conditions and provide a robust platform for testing innovative financial technologies. Widening the scope of eligible assets is crucial for developing a comprehensive and competitive European digital finance ecosystem, thereby enhancing Europe's financial sovereignty and market resilience. Adan advocates strengthening clarity around the possibility to use EMTs as settlement assets of transactions in tokenised financial instruments by reminding clarifications provided in ESMA's Q&A 2126. 25) Do you believe No. A key benefit of the DLTPR and the DLT TSS that the DLTPR designation is its integrated settlement feature, which should beenables instant delivery-versus-payment and inherently extended toleliminates counterparty risk. This core advantage cover other makes the need for a separate clearing system types offunnecessary. systems, such While certain complex financial instruments like as clearing derivatives- currently outside the scope of the Pilot Regime may still require clearing for margin calls, the DLT TSS's integrated design and direct participant relationships would facilitate more efficient management of such operations compared to standalone clearing infrastructures. Therefore, it is crucial to preserve this functionality within the DLT TSS framework, capitalizing on its inherent efficiencies and technological strengths, rather than extending the DLTR to external clearing systems. Benefits and risks estimation: Keeping the settlement process integrated within DLT TSS enhances operational efficiency and mitigates systemic risk. Nonetheless, appropriate regulatory oversight will be necessary to ensure robust risk management, especially if more complex instruments are considered for future inclusion.			
<ul> <li>current market conditions and provide a robust platform for testing innovative financial technologies.</li> <li>Widening the scope of eligible assets is crucial for developing a comprehensive and competitive European digital finance ecosystem, thereby enhancing Europe's financial sovereignty and market resilience.</li> <li>Adan advocates strengthening clarity around the possibility to use EMTs as settlement assets of transactions in tokenised financial instruments by reminding clarifications provided in ESMA's Q&amp;A 2126.</li> <li>25) Do you believeNo. A key benefit of the DLTPR and the DLT TSS that the DLTPR designation is its integrated settlement feature, which should beenables instant delivery-versus-payment and inherently extended toeliminates counterparty risk. This core advantage cover other makes the need for a separate clearing system types ofunnecessary.</li> <li>systems, such While certain complex financial instruments like as clearing derivatives- currently outside the scope of the Pilot systems?</li> <li>Regime-may still require clearing for margin calls, the DLT TSS's integrated design and direct participant relationships would facilitate more efficient management of such operations compared to standalone clearing infrastructures. Therefore, it is crucial to preserve this functionality within the DLT TSS framework, capitalizing on its inherent efficiencies and technological strengths, rather than extending the DLTPR to external clearing systems.</li> <li>Benefits and risks estimation: Keeping the settlement process integrated within DLT TSS enhances operational efficiency and mitigates systemic risk. Nonetheless, appropriate regulatory oversight will be necessary to ensure robust risk management, especially if more complex instruments are considered for future inclusion.</li> </ul>		markets, and their inclusion is vital to accurately reflect	
<ul> <li>platform for testing innovative financial technologies.</li> <li>Widening the scope of eligible assets is crucial for developing a comprehensive and competitive European digital finance ecosystem, thereby enhancing Europe's financial sovereignty and market resilience.</li> <li>Adan advocates strengthening clarity around the possibility to use EMTs as settlement assets of transactions in tokenised financial instruments by reminding clarifications provided in ESMA's Q&amp;A 2126.</li> <li>25) Do you believe/No. A key benefit of the DLTPR and the DLT TSS that the DLTPR designation is its integrated settlement feature, which should beenables instant delivery-versus-payment and inherently extended toeliminates counterparty risk. This core advantage cover other makes the need for a separate clearing system types offunnecessary.</li> <li>systems, such While certain complex financial instruments like as clearing derivatives- currently outside the scope of the Pilot systems?</li> <li>Regime- may still require clearing for margin calls, the DLT TSS's integrated design and direct participant relationships would facilitate more efficient management of such operations compared to standalone clearing infrastructures. Therefore, it is crucial to preserve this functionality within the DLT TSS framework, capitalizing on its inherent efficiencies and technological strengths, rather than extending the DLTPR to external clearing systems. Benefits and risks estimation: Keeping the settlement process integrated within DLT TSS enhances operational efficiency and mitigates systemic risk. Nonetheless, appropriate regulatory oversight will be necessary to ensure robust risk management, especially if more complex instruments are considered for future inclusion.</li> </ul>		current market conditions and provide a robust	
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especially if more complex instruments are considered for future inclusion.		necessary to ensure robust risk management,	
for future inclusion.		especially if more complex instruments are considered	
		for future inclusion.	

following fields as appropriate. limits should be increased, which concrete assets should be oligible and why)	For questions 23 to 25, where your reply is 'yes' please complete the following fields as appropriate.	Please provide details on the preferred changes to the DLTPR and explain your reasoning (how limits should be increased, which concrete assets should be	
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	Please provide a ranking of the importance of the issue as: - high priority	
	<ul> <li>medium priority or</li> <li>low priority</li> </ul>	
	Please provide an estimation of the benefits and	
	the DLTPR that you propose. For example, if you	
	suggest extending the scope of instruments, or	
	increasing the threshold, you are encouraged to	
	estimate how much additional financial activity	
	attract, and opine on the associated risks.	
For questions 23 to 25, where your	Q 23)	
reply is 'no' please explain your reply,	Priority: High	
in particular identifying potential risks.	Benefits and risks estimation: Removing th encourage considerable additional financial large-scale, economically viable projects possible liquidity pools. The risks linked to removing t minimal, given the already stringent regulatory f DLT TSS entities, which ensures strong market protection.	e thresholds would activity by making and fostering deeper these thresholds are ramework overseeing integrity and investor
	Q24) Priority: High Benefits, and, risks, estimation: Broadening, the (	eligible assets would
	significantly boost transaction diversity and volu more vibrant and innovative market landsca particularly from complex instruments like derivati managed through existing rigorous regula transparency standards embedded within the DLTF	me, contributing to a ape. Potential risks, ves, can be effectively tory oversight and PR framework.
	Q25) Priority: Medium Benefits and risks estimation: Keeping the integrated within DLT TSS enhances operational ef systemic risk. Nonetheless, appropriate regulate necessary to ensure robust risk management complex instruments are considered for future incl	settlement process ficiency and mitigates ory oversight will be , especially if more usion.

Question	Answer	
	Yes	No



26) Should the DLT trading and settlement system (DLT TSS), allowing for trading and settlement activities within a single entity, become embedded into the regular framework (CSDR, MIFID)?	x
Please explain your reply, noting in particular the risks and the benefits.	The DLT TSS represents a transformative approach by unifying trading and settlement within a single regulated entity. Incorporating this model into the existing EU legal framework (CSDR and MiFID) would provide long-term clarity, fostering increased investment and wider acceptance. The DLT TSS directly tackles many of the inefficiencies of current capital markets, such as fragmentation, reconciliation challenges, and slow settlement processes. Additionally, it reduces entry barriers for issuers and could promote a more diverse issuer base—especially SMEs—potentially revitalizing capital markets amid a shift towards private markets and shadow finance driven by the cumulative regulatory and operational burdens on public issuance.

27) What other changes to the DLTPR are needed to ensure that it remains a framework that is fit for the purpose of allowing new entrants and established financial companies to deploy pioneering innovation with DLT in the EU, while also ensuring appropriate risk mitigation?

It is crucial to establish long-term regulatory clarity by formally extending or solidifying the Pilot Regime on a permanent basis. Additionally, advancing the implementation of a wholesale CBDC remains a key priority. Meanwhile, facilitating broader access to tokenized deposits and e-money tokens (EMTs) under streamlined conditions is necessary to underpin efficient delivery-versus-payment (DvP) settlement processes.

28) What type of below-specified changes to the DLTPR would improve business certainty and planning for businesses that are considering to join the DLTPR?

Please rank each set of changes on a scale of 1-5 (1 denoting 'least important').

(a) Eliminate references in the DLTPR to the limited duration of licenses: (5/5)

The existing restriction of license validity hampers long-term strategic investments and introduces unnecessary legal uncertainty. Removing this limitation would provide reassurance to market participants, encouraging significant investments in technological development and infrastructure. It would send a strong signal of regulatory stability, vital for fostering a sustainable digital capital markets ecosystem. This adjustment would align Europe with international practices such as the UK's Digital Securities Sandbox, which emphasizes the importance of continuity and long-term viability for digital market initiatives.

(b) Implement size-proportional requirements within the DLTPR (e.g., based on transaction volumes): (2/5) While the current compliance obligations for DLT TSS entities are stringent, they reflect the robust operational resilience and market integrity standards needed for these innovative infrastructures. The primary challenge is not



scaling these requirements but ensuring they are aligned with commercially viable business models, which are currently constrained by artificially imposed thresholds. The resilience standards required of DLT TSS infrastructures should not be diluted, as these are essential to safeguard market integrity; consequently, efforts should focus on revising transaction thresholds (as suggested in option (d)) to enable businesses to benefit from economies of scale without compromising necessary regulatory rigor.

(c) More defined regulatory pathways for transitioning into the full CSDR framework: (3/5)

The pathway from the Pilot Regime to full compliance with the established CSDR framework is currently somewhat unclear, which could deter potential participants. Offering clearer guidelines and well-structured transitional arrangements would significantly bolster market confidence and encourage entry by providing greater long-term clarity. For instance, implementing phased requirements along with explicit guidance from regulators like ESMA would facilitate smoother transition processes. Although advantageous, this aspect is considered of moderate importance compared to the more immediate priorities of threshold adjustments and license duration reforms.

(d) Broaden the scope of eligible financial instruments and relax transaction thresholds: (5/5)

Expanding the range of permissible financial instruments beyond the current restrictive categories by including all types of financial instruments and removing thresholds is essential. Such flexibility directly impacts the commercial viability and attractiveness of DLT-based market infrastructures. Present restrictions limit innovation, scalability, and profitability potentials. Broader eligibility and higher thresholds would enhance operational feasibility, attract more diverse market participants, and stimulate innovation and global competitiveness. Jurisdictions like Switzerland and Singapore demonstrate the advantages of less restrictive frameworks, evidenced by higher market activity and innovation levels, positioning them strongly on the international stage. In summary, prioritizing changes (a) and (d) would greatly enhance the DLTPR's attractiveness, fostering business

certainty, ensuring economic sustainability, and elevating the EU's digital market infrastructure to competitive international standards.



29) Does the DLTPR create a sufficiently clear and flexible framework for the use of EMTs as a settlement asset, bearing in mind the overarching need to ensure high level of safety for cash settlement in DLT market infrastructures?

No, that's not the case. The wording in Article 5, point 8 of the DLTPR states that "Services related to 'e-money tokens' that are equivalent to the services listed in Section C, points (b) and (c), of the Annex to Regulation (EU) No 909/2014 shall be provided by the CSD operating the DLT SS in accordance with Title IV of Regulation (EU) No 909/2014 or by a credit institution."

Market participants and regulators have widely understood this to mean that EMT issuers need to be credit institutions. As a result, most EMTs—tipically issued by Electronic Money Institutions (EMIs)—are not eligible. This unintended restriction severely limits the flexibility and practical use of EMTs within the DLTPR, and it runs counter to the goal of the Pilot Regime to promote innovation and wider adoption of digital settlement solutions. Clarifying or adjusting this provision to clearly allow EMTs issued by EMIs would better reflect the original intent and expand the operational possibilities under the framework.

30) Do you think that in addition to, or instead of the current derogations-based approach (allowing switching off of certain MIFID and CSDR provisions), the DLTPR should take a principles-based approach whereby high-level provisions govern trading and settlement services, with the purported aim of creating more flexibility for deploying innovative DLT-based projects?

[YES/NO] Please explain your reply

What would be the advantages and disadvantages of such an approach and how can the disadvantages be mitigated?

Please provide examples of principles-based standards or regulation (EU or non-EU), in the financial or non-financial domain, that may serve as a useful model or inspiration for a principles- based DLTPR, and why you think these examples are insightful.

Yes, a principles-based framework is a better fit because it offers more flexibility and can adapt to rapid technological changes, unlike the current detailed rules which risk becoming outdated quickly. From the licenses already issued and applications under review, we've gained useful insights into how these new infrastructures operate and what they need to stay compliant. These practical lessons should be explicitly reflected in the regulatory texts, providing clearer guidance and making the DLTPR more stable and predictable over the long term. This would encourage ongoing innovation and investment, helping the DLTPR support a strong, flexible digital market infrastructure across Europe.

<u>Advantages and disadvantages</u>: A principles-based regulatory approach offers key benefits: it's more flexible for diverse and evolving market models, quicker to adapt to fast-paced tech innovation, and makes regulation more agile. This approach supports a wider array of uses and keeps rules relevant as technology advances.

A principles-based approach provides regulators with greater flexibility to assess DLT projects on a case-by-case basis while still achieving fundamental regulatory objectives. This reduces legal restrictions



and uncertainties, fostering innovation and allowing rules to evolve alongside technological advancements.

By emphasizing high-level principles rather than prescriptive rules, the regime can adapt more swiftly and encourage novel market practices without compromising safety. Under this framework, firms could seek waivers from ESMA or national regulators based on the merits of their projects, rather than being confined to current explicit allowances. This merit-based flexibility would better facilitate the growth of digital assets and their integration with traditional finance.

However, this flexibility can lead to problems. National authorities might interpret and apply rules inconsistently, causing fragmented regulation and more uncertainty for supervisors. This could actually discourage market players from investing in new solutions. To tackle these issues, we need to strengthen ESMA's role in coordination and consistent oversight. It should develop clear, detailed guidelines at the EU level, incorporating practical insights and regulatory expectations from current and past licensing processes. Plus, an ongoing, structured dialogue between ESMA, national regulators, and market participants is essential to continually refine and clarify these principles, ensuring consistency, transparency, and predictable regulation in the long run.

<u>Examples</u>: Looking to other countries, several have adopted successful principles-based regulations. Notably:

The Monetary Authority of Singapore (MAS) employs a regulatory sandbox that uses clear, overarching principles. This allows for innovation tailored to each project's risk profile while maintaining strong oversight and market stability.

The UK's Financial Conduct Authority (FCA) runs an innovation sandbox that fosters flexible experimentation through well-defined principles, balancing innovation with strict consumer protection and market integrity.

Switzerland's FINMA framework applies high-level, principles-based guidelines for digital assets, offering adaptable oversight that accommodates various innovative business models. By drawing on these international examples, the EU could implement a similar approach within its DLT Pilot Regime. This would involve establishing clear guiding principles, supported by detailed interpretive guidelines and strong supervisory coordination, ensuring both flexibility and regulatory clarity to promote sustainable innovation in European financial markets.

Question	Answer	
	Yes	No
31) Do you believe that DLT is a useful technology to support trading services in financial instruments?		x



Please	explain your	While DLT	is excellent	for mainta	aining secure	immutable,	and
response.	1	transparent	registers- ma	aking it perf	fect as a fou	Indational "go	olden
	:	source" ledg	er for financia	al instrumen <sup>.</sup>	ts within DLT	SS or DLT TSS	3. its
		direct benefi	t for trading a	ctivities in th	ne context of t	he EU Pilot Re	gime
	i	s less clear.	Most trading,	, even with D	LT, still happe	ns off-chain d	ue to
	1	the need for	speed, scale	, and efficier	ncy. Of course	, there are sp	ecific
	i	nstances, e	specially in d	lecentralized	finance (DeF	i), where on-	chain
	1	trading is c	ore to the m	nodel's desig	gn, given its	deliberate la	ck of
	i	ntermediarie	es. However, t	this differs f	fundamentally	from the EU	Pilot
		Regime's f	ramework, v	vhich still	relies on	regulated m	arket
	i	nfrastructur	es as interme	diaries. So, v	while DLT's str	engths for reg	gistry
	1	and settlem	ent are unden	iable, its im	mediate adde	d value for tra	ading
		services und	er the Pilot Re	gime remain	is somewhat li	mited.	-

32) Do you believe there are regulatory barriers beyond those addressed by the DLTPR that may hinder or prevent DLT-based provision of trading services in financial instruments?		
If 'yes': Please specify and explain these regulatory barriers	We have not seen any additional that go beyond those already cover framework. Regarding the scope its exemptior trading and the trading of tokenise MTFs should be envisaged.	regulatory barriers red within the DLTPR ns, the admission to d AIF shares on DLT

33) For a financial entity using DLT to deploy its services, the distributed ledger is often an external platform on which services are run, and this platform may have a very distributed governance structure. What are the benefits and risks of deploying financial services, including post-trading services, on distributed ledgers external to the financial service provider, and therefore outside its direct control?

Regulation should remain technologically neutral, ensuring Financial market infrastructures preserve the flexibility to select either public or private distributed ledger technology (DLT) solutions. Choosing a public DLT can offer notable benefits, such as lower infrastructure costs through shared network maintenance, heightened resilience due to widespread decentralization, improved transparency via publicly verifiable transactions, and better interoperability within diverse ecosystems and participant groups.

Nonetheless, employing public DLT also entails specific risks that require careful management. These include diminished direct control over network operations, governance challenges stemming from decentralized decision-making processes, and exposure to significant changes like blockchain forks or unpredictable increases in transaction fees (gas fees), which could threaten operational stability and economic sustainability.

These risks can and should be effectively addressed through appropriate technical and governance



measures, such as permissioned smart contracts, well-defined operational protocols, contingency plans for forks, and mechanisms to manage and hedge against gas fee fluctuations. By adopting these strategies, market infrastructures can harness the substantial advantages of public DLT while ensuring robust safeguards and regulatory compliance.

34) How should the regulatory perimeter between a technological service provider and a financial service provider, especially a CSD, be drawn in the above described DLT context?

The regulatory frameworks established by the DLTPR and the Digital Operational Resilience Act (DORA) already clearly delineate the roles between financial and technological service providers. In our view, technological service providers should stay outside the scope of financial regulation. The regulated market infrastructure must retain overall responsibility for ensuring compliance, risk management, and oversight, including the selection of technology providers and managing related risks. This approach preserves clear accountability, provides flexibility in choosing technology, and avoids extending financial regulation to purely technical service providers which is not warranted.

35) The Commission recently published a <u>study on the use of permissionless blockchains</u> for <u>enhancing financial services</u>, which set out operational robustness criteria for assessing permissionless blockchains. Do you believe that beyond the <u>Digital</u> <u>Operational Resilience Act</u> (<u>DORA</u>), additional legislative or non-legislative action is needed to ensure appropriate mitigation of risk stemming from decentralised IT systems such as permissionless blockchains?

[YES/NO.]

Please explain your reply.

-Yes. While DORA effectively addresses many operational risks in traditional IT systems, the decentralized and public nature of certain DLTs introduces specific challenges that DORA is not fully equipped to handle. In particular, DORA typically assumes the existence of a clearly identifiable legal entity responsible for compliance. Public DLTs, by contrast, operate through decentralized networks with dispersed control, complicating accountability and compliance enforcement.

Specific issues unique to decentralized systems, such as validator selection, potential consensus manipulation, governance decentralization, and protocol forks, require targeted regulatory attention. To effectively mitigate these risks, additional EU-level guidance or tailored secondary legislation is necessary. Such measures should clearly define responsibilities and best practices for regulated entities interacting with decentralized networks, ensuring robust governance and appropriate risk management frameworks are implemented without compromising the inherent benefits of decentralized systems.

We recommend that DORA compliance requirements for regulated entities should apply solely to their own IT systems and service providers, rather than to the public blockchains they interact with, which lack identifiable legal entities. However, financial institutions should be mandated to establish clear policies for managing resilience risks when utilizing such infrastructure. Importantly, DeFi protocols should be encouraged—not penalized—for implementing safeguards like circuit breakers or oracle switching



mechanisms. These resilience features do not amount to centralized control and should not be considered a financial service under regulation.

Industry-driven best practices such as pre-deployment audits, bug bounty programs, and emerging AI-based security tools already contribute to enhancing protocol robustness. Smart contract certification can further support DORA's objectives but should remain voluntary and integrated into a flexible, comprehensive security framework. This approach strikes a balance between fostering innovation, ensuring operational resilience, and maintaining regulatory clarity as the sector continues to develop.

36) Basel prudential standards on crypto exposures applicable to credit institutions assign group 2 status to tokenised assets, including tokenised financial instruments, that are issued and recorded on permissionless distributed ledgers. The transitional prudential treatment of exposures to tokenised assets in the Capital Requirements Regulation currently applicable does not make a distinction based on the type of underlying distributed ledger. Do you believe that prudential rules should differentiate between permissioned and permissionless distributed ledgers?

[YES/NO.]

Please explain your reply.

No. Prudential regulations should be technology-neutral. The focus should be on effective risk management rather than the specific type of ledger used. Applying stricter prudential requirements only to permissionless systems could distort technological decision-making and hinder innovation. Tokenized financial instruments can deliver similar standards of transparency, resilience, and auditability across both permissioned and permissionless networks, as long as they are appropriately designed and governed. The prudential framework should focus on the asset's inherent risk profile and the strength of the control environment, rather than making assumptions based on the underlying ledger architecture. Differentiating requirements according to ledger type would be arbitrary and counterproductive.

37) Do you believe that risks from permissionless blockchains, in particular operational risks and other risks set out in the BIS Working paper on novel risks, mitigants and uncertainties with permissionless distributed ledger technologies, can be mitigated? [YES/NO]

Please explain your reply.

Yes. Operational risks associated with permissionless blockchains can be effectively addressed through strong governance frameworks, advanced cryptographic protections, resilient consensus mechanisms, and comprehensive real-time monitoring. Nonetheless, the primary responsibility rests with each market infrastructure, during its authorization process, to propose and demonstrate appropriate risk mitigation measures tailored to the specific blockchain they utilize.

Regulators should maintain a technology-neutral approach, focusing exclusively on ensuring that the infrastructure meets core regulatory objectives—such as security, resilience, transparency, and accountability—regardless of whether a permissioned or permissionless blockchain is used. This ensures



room for innovation while upholding consistent and rigorous regulatory standards.

38) Asset tokenisation concerns the use of new technologies, such as distributed ledger 51 technology (DLT), to issue or represent assets in digital forms known as tokens. Where do you see most barriers to asset tokenisation in Europe? Please rank each of the potential barriers on a scale of 1-5 (1 denoting 'least barriers').

(a)Member State securities and corporate law 5

This represents the most significant barrier. The considerable divergence in national securities and corporate laws across EU Member States creates substantial complexity, limiting the capacity of infrastructures to seamlessly offer tokenisation services throughout Europe. Harmonisation of rules governing the issuance, ownership, and transfer of digital securities remains essential to enable scalable and effective pan-European tokenisation.

(b) Member State laws other than securities and corporate law 1

Outside of securities and corporate laws, no significant additional national legal barriers have been identified as specifically impeding asset tokenisation. Other aspects of national legislation generally do not pose substantial obstacles for tokenised assets.

(c) EU laws that relate to trading and post-trading 5

EU-level regulations directly governing trading and post-trading (notably MiFID II, MiFIR, and aspects of CSDR beyond the Pilot Regime) present major barriers. These regulations were designed for traditional market infrastructures and, as discussed in previous responses, often lack the flexibility needed for innovative, token-based models. Adjustments to EU trading and post-trading laws are critical to fully enable the potential of DLT-based market infrastructures.

(d) EU laws other than laws that relate to trading and post-trading

Please explain your reply, pointing to concrete examples in areas beyond the SFD, FCD and CSDR.3

There may be additional EU-level barriers outside the scope of trading and post-trading regulations, although these are generally indirect rather than specific to asset tokenisation. One illustrative example is the potential extension of the European Company (Societas Europaea - SE) status to include specific provisions harmonising securities and corporate laws at the EU level. Such an approach could provide a unified legal framework for issuers across Member States, thus mitigating the complexity arising from national variations and facilitating greater adoption of tokenisation throughout Europe.



Question	Answer		
	Yes	No	
39) Should public policy intervene to support interoperability between non- DLT systems and DLT systems?		x	
If reply is 'yes': Please explain how this can be done in a manner that is cost-efficient for the industry.			
If reply is 'no': Please explain your response.	No. In the context of a DLT TSS, interoperability with traditional systems (such as MTFs or CSDs) is not inherently advantageous, as it may compromise one of the core benefits of a DLT TSS—the capacity to autonomously perform instantaneous Delivery versus Payment (DvP) settlements internally.		
	Instead, interoperability should be vie perspective. The primary policy ge simplified, comprehensive, and efficie institutional investors to the full spec across the EU. In this context, interop custodians and depositaries, who infrastructures to provide seamless in	ewed from a broader market bal should be to facilitate ent access for both retail and trum of financial instruments berability is more relevant for can connect to multiple vestor access.	
	Once effective investor access is in infrastructures—either directly o depositaries—may naturally develop operations such as collateral man management. However, the market sh flexibility to determine the most ap interoperability.	place, connections between r via custodians and to support specific financial agement, repos, or liquidity ould have adequate time and propriate approach to such	
	The main challenge, therefore, in custodians and depositaries to purs As these projects can be resource-int complex due to the increasing num support could come from	is creating incentives for ue interoperability initiatives. ensive, costly, and potentially nber of market participants, industry-driven standards,	



	complemented by targeted fiscal incentiv at these intermediaries. Such measures connectivity and promote the develo infrastructure networks that best serve th the long term.	ves or EU subsidies aimed would reduce barriers to opment of interoperable e EU capital markets over
40) Should public policy intervene to support interoperability between distributed ledgers?	x	
If reply is 'yes': Please explain how this can be done in a manner that is cost-efficient for the industry.		
If reply is 'no': Please explain your response.	No, for the same reasons as the answer to	o question 41.

41) Lack of standardisation acts as a hindrance to interoperability. This is especially the case with a relatively new technology such as DLT. Where is the greatest need for standardisation in the area of DLT?

Multiple replies are possible. Please rank each of your reply from 1-5, with 1 denoting 'least important'

(a) Business standards applicable to digital assets: 3/5

Establishing clear business standards, such as data taxonomy, could provide additional clarity; however, it does not appear essential. Financial instruments eligible under the Pilot Regime are already well-defined and typically align with existing classifications. Nonetheless, explicit clarification could be beneficial in reassuring investors that holding a listed equity through a traditional CSD or a DLT SS/DLT TSS is legally equivalent. Investors should be concerned solely with the intrinsic qualities of the issuer and the financial instrument, rather than the underlying registry technology.

(b) Technical standards applicable to digital assets and smart contract-based applications: 1/5 Technical standards for digital assets and smart contracts should be left to market participants to determine. Imposing premature standards could introduce unnecessary constraints and limit innovation. The market itself should identify best practices organically as technology and business models mature.

(c) Technical standards applicable to links (bridges) between DLTs: 1/5 As discussed in the response to Question 41, establishing technical standards for bridges between DLT



infrastructures is currently not considered a priority. The market needs sufficient time to explore and develop optimal solutions naturally, before any potential intervention through standardisation.

(d) Other–Standards for connections between intermediaries (custodians and depositaries) and DLT TSS: 5/5

The most critical area for standardisation relates to connections between intermediaries (custodians and depositaries) and DLT-based market infrastructures (DLT TSS). Standardised interfaces or connectivity protocols would significantly enhance interoperability, facilitate broader market participation, and simplify investor access. Given the current immaturity of these connections, standards should ideally be developed collaboratively by the industry to ensure they are practical, effective, and widely adopted.



42) Given how you foresee DLT-based financial market infrastructure to develop, what do you think is the best way of providing interoperability between distributed ledgers?

Please rank each of your reply from 1-5, with 1 denoting 'least important'

- (a) regulated financial entities, such as a CSD, that are present on multiple ledgers, acting as a distributed ledger hub for clients
- (b) pure technology companies that focus on sending messages securely across distributed ledgers for clients that are regulated financial companies
- (c) regulated financial entities that focus on sending messages securely across distributed ledgers for clients that are regulated financial companies
- (d) some

other model Please

explain your reply.

As previously discussed (notably in the response to Question 41), direct interoperability between different DLT platforms is not inherently necessary. The primary goal should instead be to enable retail and institutional investors to smoothly carry out key financial activities—such as investing, trading, custody, collateral management, and more.

These functionalities are best supported through intermediaries like custodians and depositaries. By connecting to multiple DLT-based market infrastructures, these intermediaries can provide the essential operational interoperability naturally. This allows investors to access a unified interface, facilitating simplified and comprehensive interactions with diverse financial instruments, regardless of the underlying blockchain technology.

Rather than insisting on direct interoperability between DLT systems, efforts should focus on encouraging these intermediaries to develop standardized, market-driven connectivity solutions. This approach promotes market efficiency, flexibility, and cost-effectiveness, while effectively meeting investor needs without imposing premature or unnecessary restrictions on the underlying infrastructures.