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COVER NOTE

From: Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director

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To: Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

No. Cion doc.: C(2026) 51 final

Subject: Commission Delegated Regulation (EU) .../... of 16.1.2026 supplementing Council Directive (EU) 2025/50 with regard to regulatory technical standards specifying the methodology for the calculation of market capitalisation and the market capitalisation ratio

Delegations will find attached document C(2026) 51 final.

Encl.: C(2026) 51 final



EUROPEAN
COMMISSION

Brussels, 16.1.2026
C(2026) 51 final

COMMISSION DELEGATED REGULATION (EU) .../...

of 16.1.2026

**supplementing Council Directive (EU) 2025/50 with regard to regulatory technical
standards specifying the methodology for the calculation of market capitalisation and
the market capitalisation ratio**

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

Directive (Directive (EU) 2025/50 of the Council of 10 December 2024 on faster and safer relief of excess withholding taxes¹ (the FASTER Directive) aims at making withholding tax relief procedures on cross-border dividend (and interest) payments in the EU more efficient and secure for investors, financial intermediaries and tax administrations. The Directive enables certified financial intermediaries (i.e. intermediaries that meet certain conditions and are registered in national registers) to request relief of excess withholding tax on behalf of the registered owner, based on a standardised procedure, and impose to them certain reporting obligation vis-à-vis tax administrations.

The FASTER Directive includes a derogation according to which rules of Chapter III on withholding tax relief procedure are not binding on Member States that have a comprehensive relief-at-source system in place and a market capitalisation ratio² below a certain threshold. However, such Member States may opt to apply those provisions. Those two criteria, together, can ensure that investors across the internal market have effective access to efficient withholding tax relief procedures in all Member States.

As for the market capitalisation criterion, it correlates with the size of the economy and the possible scale of dividend payments. Low market capitalisation implies low volumes of dividend distributions and therefore a lower risk of tax abuse. For Member States which have a relatively small stock market and whose national relief-at-source system is sufficiently efficient, a requirement to change those systems would not be considered proportionate. When a Member State reaches or exceeds the market capitalisation ratio threshold for a certain period of time, the common rules of the FASTER Directive should apply and should remain applicable, irrespective of whether at any time thereafter, its market capitalisation ratio falls below that threshold.

Article 20(1) of the FASTER Directive mandates the European Securities and Markets Authority (ESMA) to develop regulatory technical standards (RTS) specifying the methodology for the calculation of market capitalisation and the market capitalisation ratio of Member States.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

In line with its mandate, ESMA launched a consultation in June 2025, presenting its proposals for a harmonised methodology based on transaction data reported under MiFIR³. The proposals covered the calculation of share prices, the aggregation of market capitalisation at the legal entity and country levels, and the derivation of the market capitalisation ratio. The consultation period closed on 25 July 2025. ESMA received 3 responses. A final report

¹ OJ L, 2025/50, 10.1.2025, p. 1-32.

² As indicated in Article 3(1), points (32) and (33) of the FASTER Directive respectively, ‘market capitalisation’ means the total value of the publicly traded shares of companies whose shares are admitted to trading on a regulated market or on a multilateral trading facility, represented in a Member State as published on an annual basis by ESMA; ‘market capitalisation ratio’ means the ratio expressed as a percentage of the market capitalisation of a Member State on 31 December to the overall market capitalisation of the Union on 31 December, in a given year.

³ Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 Text with EEA relevance, OJ L 173, 12.6.2014, pp. 84–148.

summarised the feedback received to the consultation, presented ESMA's assessment of the responses, and outlined the next steps in the development of the final RTS. ESMA also sought the advice of the Securities and Markets Stakeholder Group (SMSG) which did not provide any comment.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

The Delegated act establishes the regulatory technical standards (RTS) specifying the methodology for the calculation of market capitalisation and the market capitalisation ratio of Member States as defined in Article 3(1), points (32) and (33), of the FASTER Directive respectively.

In order to allow Member States and market participants adequate time to prepare for the application of the FASTER Directive based on the calculation of market capitalisation and the market capitalisation ratio, this Regulation should apply from XX June 2026.

COMMISSION DELEGATED REGULATION (EU) .../...

of 16.1.2026

supplementing Council Directive (EU) 2025/50 with regard to regulatory technical standards specifying the methodology for the calculation of market capitalisation and the market capitalisation ratio

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Directive (EU) 2025/50 of 10 December 2024 on faster and safer relief of excess withholding taxes⁴, and in particular Article 20(2) thereof,

Whereas:

- (1) For the purpose of consistency, the methodology for calculating market capitalisation should align with the established frameworks used for determining liquid markets under Regulation (EU) No 600/2014 of the European Parliament and of the Council⁵ and Commission Delegated Regulation (EU) 2017/567⁶, while adapting to the requirements of Directive (EU) 2025/50. In particular, in accordance with the definition set out in Article 3(1), point (32) of Directive (EU) 2025/50, market capitalisation refers exclusively to the total value of shares admitted to trading on regulated markets or multilateral trading facilities.
- (2) Given that shares may be admitted to trading on multiple trading venues across the Union, it is essential to identify the most representative price source to ensure a consistent and meaningful measure of market capitalisation. Therefore, share prices used for the calculation should reflect actual market conditions and be derived from the most relevant market in terms of liquidity for each instrument, as defined in Article 4(1)(a) of Commission Delegated Regulation (EU) 2017/587⁷. Furthermore, transaction data reported in accordance with Article 26 of Regulation (EU) No 600/2014 and Commission Delegated Regulation (EU) 2017/590⁸ provides an appropriate basis for this determination.

⁴ OJ L, 2025/50, 10.1.2025, ELI: <http://data.europa.eu/eli/dir/2025/50/oj>.

⁵ Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (OJ L 173, 12.6.2014, p. 84, ELI: <http://data.europa.eu/eli/reg/2014/600/oj>).

⁶ Commission Delegated Regulation (EU) 2017/567 of 18 May 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to definitions, transparency, portfolio compression and supervisory measures on product intervention and positions (OJ L 87, 31.3.2017, p. 90, ELI: http://data.europa.eu/eli/reg_del/2017/567/oj).

⁷ Commission Delegated Regulation (EU) 2017/587 of 14 July 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on transparency requirements for trading venues and investment firms in respect of shares, depositary receipts, exchange-traded funds, certificates and other similar financial instruments and on transaction execution obligations in respect of certain shares on a trading venue or by a systematic internaliser (OJ L 87, 31.3.2017, p. 387, ELI: http://data.europa.eu/eli/reg_del/2017/587/oj).

⁸ Commission Delegated Regulation (EU) 2017/590 of 28 July 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards

- (3) The number of outstanding shares is a fundamental component in calculating market capitalisation, as it represents the total equity base over which share prices are applied. To ensure consistency, reliability, and alignment with existing reporting practices, this information should be sourced from the data submitted to European Securities and Markets Authority (ESMA) in accordance with Delegated Regulation (EU) 2017/567 for the purposes of determining a liquid market for equity instruments.
- (4) To ensure a harmonised and transparent approach in attributing issuers to Member States for the purposes of market capitalisation aggregation, the legal address of the issuing entity, as recorded in the Global Legal Entity Identifier Foundation database, should be used. In accordance with ISO 17442, this address represents the official registered location of the entity, typically used for regulatory and tax purposes, and therefore provides a sound basis for determining the issuer's country of operation.
- (5) To facilitate cross-country comparisons and to support the objectives of Directive (EU) 2025/50 in assessing the relative size of Member State capital markets, the market capitalisation ratio should be expressed as a percentage of the market capitalisation of a Member State relative to the total market capitalisation of the Union on the same reference date. This definition, as set out in Article 3(1), point (33), of Directive (EU) 2025/50, ensures consistency and comparability across jurisdictions.
- (6) This Regulation is based on the draft regulatory technical standards submitted by the ESMA to the Commission.
- (7) ESMA has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council⁹,

HAS ADOPTED THIS REGULATION:

Article 1
Methodology for the calculation of market capitalisation

1. The market capitalisation of a Member State shall be calculated as the total market value of all shares admitted to trading on a regulated market or a multilateral trading facility, issued by legal entities incorporated or legally established in that Member State, as of 31 December of the relevant year.
2. For each share, market capitalisation shall be calculated by multiplying:
 - the number of shares outstanding on 31 December;
 - the share price calculated in accordance with paragraph 3.
3. The share price shall be determined, on the most relevant market in terms of liquidity within the Union, as the average price of up to the last 100 transactions executed during the final 5 minutes preceding the last trade of the year for that share. Where

for the reporting of transactions to competent authorities (OJ L 87, 31.3.2017, p. 449, ELI:<http://data.europa.eu/eli/reg/del/2017/590/oj>).

⁹ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2020, p. 84, ELI: <http://data.europa.eu/eli/reg/2010/1095/oj>).

100 or more transactions were executed within this 5-minute window, the 100 latest transactions shall be used for the calculation. Where fewer than 100 transactions were executed in this period, all available transactions within the window shall be used. Where applicable, the resulting share price shall be converted into euros.

4. The transaction data used for calculating the share price shall be as reported in accordance with Article 26 of Regulation (EU) No 600/2014 and Delegated Regulation (EU) 2017/590. Only executed not cancelled transactions shall be considered.
5. The number of shares outstanding shall be determined in accordance with the applicable provisions of Delegated Regulation (EU) 2017/567.
6. Shares no longer admitted to trading prior to 31 December shall be excluded from the calculation.
7. For each legal entity, market capitalisation shall be calculated by summing the market capitalisation of all shares issued by that entity.
8. The market capitalisation of a Member State shall be calculated by aggregating the market capitalisations of all legal entities whose legal address is in that Member State.

Article 2
Methodology for the calculation of the market capitalisation ratio

1. The market capitalisation ratio of a Member State shall be calculated as the ratio, expressed as a percentage, of the market capitalisation of that Member State on 31 December of the relevant year, as calculated in accordance with Article 1, to the total market capitalisation of all Member States of the Union on the same date.
2. The following formula shall be used:

$$MarketCapRatio_{Country_i} = \left(\frac{MarketCap_{Country_i}}{\sum_{j=1}^N MarketCap_{Country_j}} \right) \times 100$$

where:

- $MarketCap_{Country_i}$ is the market capitalisation of country i,
- N is the total number of Member States.

Article 3

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 16.1.2026

For the Commission
The President
Ursula VON DER LEYEN