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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on Financial Services and Banking Union (MISP) Financial Services Attachés
Subject:	Market Integration and Supervision Package - Commission Non-paper - Funding and implementation elements of the MISP Package - Working Party on 20.04.2026

Non-paper - Funding and implementation elements of the MISP Package

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1. Purpose of this non-paper

This non-paper provides clarifications on the funding and implementation aspects of the Market Integration and Supervision Package (MISP). It is based on the Legislative Financial and Digital Statement (LFDS), which accompanied the MISP proposal and provides an overview of the planned changes to ESMA's responsibilities. The figures proposed do not prejudge any future decisions on the next MFF. At the same time, it is expected that the LFDS will inform those discussions to ensure coherence between the proposed expansion of ESMA's responsibilities and the resources to be provided under the next MFF.

2. Context and objectives of the proposal

The MISP package aims to address fragmentation in EU capital markets, which drives unnecessary costs and reduces market efficiency. These costs limit the ability and incentives for market players to expand offerings across borders. In effect, EU players tend to remain small and thereby forego possible economies of scale.

Fragmentation is evident across multiple key segments. In trading, the EU market remains highly dispersed, with over 300 venues. In post-trading, infrastructures' remit of activity remains largely national, with cross-border settlement accounting for only around 1-3% of activity. In asset management, the market is fragmented into around 65 000 funds, resulting in smaller fund sizes and comparatively higher costs. One key driver of this fragmentation are national supervisory barriers, which make cross-border offerings and activity cumbersome or, in some cases, outright uneconomical, especially for smaller players with limited resources. As noted in the impact assessment, divergent supervisory approaches and inconsistent enforcement across the EU contribute to market fragmentation along national lines.

The resulting market structure is a key reason why EU capital markets remain less developed and less integrated than those of global peers, with total market capitalisation at around 73% of GDP compared to 130% in the UK and 270% in the US.

The proposal provides for a targeted transfer of supervisory responsibilities to ESMA for entities of Union-wide relevance in due consideration of the type or scope of their activities (including significant CCPs, CSDs and trading venues, as well as all CASPs). It also introduces new intervention powers and improved decision-making to strengthen supervisory convergence in areas where supervisory responsibilities are not transferred to ESMA. This will enhance the consistency of supervision and help reduce the costs of cross-border activities. It thereby supports more integrated and efficient markets.

At the same time, the framework ensures a clear allocation of responsibilities between ESMA and National Competent Authorities (NCAs), reinforces cooperation mechanisms and seeks to avoid unnecessary duplication of supervisory tasks to minimise costs for supervisors and supervised entities.

To finance ESMA's expanded role under the MISP package, the proposal combines three funding streams. First, activities that directly benefit supervised entities would be fee-funded, increasing the fee-funded share of ESMA's budget from 35% to 65% in the long run after the start-up phase.

Second, new supervisory convergence and coordination tasks that are not suitable for fee-funding would be co-financed by the Union budget and NCAs on a 50/50 basis, while the existing 40/60 split would remain for ESMA's pre-existing activities. Third, the Union budget would finance the preparatory phase and the upfront development of IT systems, with the share of those IT costs linked to fee-funded activities being recovered over time through supervisory fees.

This approach reflects concerns raised by Member States and NCAs, including in the context of ESMA's high-level task force on funding, regarding the current financing model for non-fee-funded activities and the expected loss of fee revenues. At the same time, due consideration has been given to funding constraints arising for the Union budget in light of the forthcoming Multiannual Financial Framework (MFF) for 2028–2034, as well as for national budgets.

3. Methodology for establishing ESMA's direct supervision staffing needs

The resource needs presented in this document are derived from a combination of data collected from the NCAs, ESMA's operational experience, and Commission analysis. The calculations of the estimated staffing requirements at EU level are based on the existing supervisory practices and resources currently used across Member States, while adapting them to the specific features of EU-level supervision. These estimates capture the staffing required at ESMA to exercise the new mandates. They also reflect the expectation that supervision at EU level can be organised more efficiently in several respects, including through the concentration of expertise, the reduction of duplicative supervisory processes, and the greater use of common support functions and systems. As supervisory responsibilities are transferred to ESMA, some reduction or reallocation of supervisory capacity can be expected at national level, although the precise extent of that adjustment will depend on how the transfer of tasks is implemented in practice.

The starting point was targeted data collection from NCAs via a questionnaire[1], which provided the following information:

- The number of full-time equivalents (FTEs) dedicated to supervision by sector (trading venues, significant CCPs, significant CSDs, asset management, and CASPs), including how many FTEs were allocated to each entity in a given sector.
- The associated supervisory costs.

This data helped establish indicative cost-per-FTE benchmarks and provided an evidence base for understanding the scale and structure of supervisory resources currently used across Member States. Given the differences in market size, labour costs, and supervisory models, the

[1] 19 Member States replied with usable data. The detail and comprehensiveness of responses differed between Member States.

analysis focused on relevant sectors (depending on where responsibilities are expected to be transferred) and produced cost ranges rather than single-point estimates. Across the Member States consulted, average supervisory costs per FTE ranged from EUR 132,000 to EUR 214,000, with sector-specific ranges reflecting differences in complexity and risk profiles. Per sector[2], the average FTE cost ranges were as follows: CCPs: EUR 136 000 – EUR 218 000, CSDs: EUR 141 000 to EUR 178 000, Trading Venues: EUR 122 000 to EUR 199 000, CASPs: EUR 129 000 to EUR 262 000.

Building on this evidence, supervisory needs at the EU level were estimated using sector-specific data, based on the number of entities or groups expected to fall within ESMA's remit and the assumed supervisory effort required for each category. The NCA data served as a benchmark to calibrate these estimates, which were then refined using ESMA's operational experience and the Commission services' own assessments.

For the direct supervision sectors, the proposal assumed that ESMA would supervise around 8 CCPs, around 14 CSDs, around 10 trading venue groups (representing around 150-200 trading venues), and all CASPs (between 400 and up to 600+ entities[3]). The staffing needs were then estimated sector-by-sector with the help of NCA responses to a survey on costs and FTEs needed for national supervision.

- For trading venues[4], it was estimated that up to 104 FTEs would be needed. The survey of NCAs as regards the FTE needs to supervise trading venues indicated an average of approximately 2 FTEs per supervised entity. It is assumed that this headcount reflects the average resource needed at the level of each market operator. The scope of the proposal targets approximately 30-40 operators, which manage the largest trading venues in the Union (there are ongoing changes in the market that make it difficult to determine the precise estimate). Considering the upper bound of the proposed range of operators in scope, this estimate was adjusted upwards to 2.5 FTEs per market operator. This reflects that the 2 FTE benchmark reported by NCAs is an average across nationally supervised entities, whereas the operators expected to fall within ESMA's remit are the largest operators managing the main trading venues in the Union and would therefore require a higher supervisory intensity per operator. The estimate also takes into account ESMA's new responsibilities regarding compliance with the organisational requirements related to market surveillance[5]. An additional 4 FTEs were added for supervisory convergence.
- For CCPs, the estimate used 6 FTEs per CCP for up to 8 CCPs, with a reduction of around 10% to reflect efficiency gains from ESMA's existing tasks, plus 4 FTEs for supervisory convergence, leading to an estimate of 47 FTEs.
- For 14 CSDs, the estimate differentiated between international CSDs (6 FTEs each), medium-sized CSDs (3 FTEs each), and smaller CSDs (2 FTEs each), resulting in an initial estimate of around 41 FTEs. Given the expected synergies arising from the group structure of these entities, it is reasonable to expect that these FTE needs could be reduced by around one quarter. This would place the lower bound estimate at approximately 31 FTEs.

[2] For Asset Managers the range was EUR 181 000 – EUR 227 000.

[3] As of today, there are around 175 licensed CASPs, and there are more than 100 applications pending in various MS.

[4] In the area of trading, the estimation is therefore based on an upper and lower bound. For reasons of prudence, for the LFDS the upper bound was used.

[5] Overall market surveillance, including the monitoring of trading activity and the investigation of suspected market abuse cases, would remain with the NSAs.

In addition, 4 FTEs would be required for cooperation and oversight tasks related to the TARGET2-Securities platform, as well as 4 FTEs for supervisory convergence. Taken together, these elements result in an overall estimate of 39 FTEs.

- For CASPs, the estimate distinguished between significant CASPs (2.5 FTEs per CASP) and non-significant CASPs (5 CASPs per FTE), plus 1 FTE for supervisory convergence, resulting in 158 FTEs.

Finally, a percentage was applied to the estimated FTE figures to determine overhead functions for horizontal services such as HR, IT, legal support, administrative support, etc. In order to enhance cost-efficiency, **the overhead rate was reduced to 20%, compared to the usual 30% applied by ESMA**. This reflects the assumption that, as ESMA grows, economies of scale can reduce the share of resources needed for horizontal support while maintaining effective supervisory capacity.

Activity	**Number of supervised entities**	**Staffing needs (FTEs)**		**Total**
		Per entity	**Additionally**	
CCP supervision	8 CCPs	6	4 for convergence	47 (6x8-10%+4)
CSD supervision	2 international CSDs	6	4 for convergence 4 related to T2S platform tasks	39 (41-10+4+4)
	5 medium-sized CSDs	3		
	7 smaller CSDs	2		
TV supervision	40 market operators	2.5	4 for convergence	104 (40x2.5+4)
CASP supervision	15 significant CASPs	2.5	1 for convergence	158
	Around 600 non- significant CASPs	0.2		
			Total:	**348**

4. Resource needs and staffing assumptions

4.1 Overview

At steady state, once ESMA would have fully assumed direct supervision over significant market infrastructures and all CASPs, the supervisory activity is expected to require approximately 480 new FTEs (including overhead), as outlined in the proposed legislative and financial digital statement.

Structure of resource needs

Staffing requirements are organised around distinct categories of supervisory activities, reflecting the different functions performed by ESMA.

Direct supervision and Executive Board

The majority of resources (around 340 new FTEs before overhead) are dedicated to the direct supervision of financial market participants of Union-wide relevance, including significant CCPs, CSDs, trading venues and all CASPs. These resources cover the full supervisory cycle, including authorisation, ongoing supervision, risk monitoring, investigations and enforcement.

The category of "direct supervision" also includes the Executive Board (5 FTEs), which is mainly responsible for preparing and adopting supervisory decisions relating to directly supervised entities.

Convergence in areas where ESMA would have direct supervisory powers

Convergence activities linked to direct supervision (around 13 new FTEs before overhead) are reflected within the staff in charge of direct supervision. Adding to this, 10 existing FTEs would be moved internally to this activity within ESMA.

Within staff in charge of direct supervision, dedicated resources support the development and consistent application of common methodologies and supervisory practices. These methodologies and practices would also be shared with NCAs in charge of non-significant entities and thus contribute to a convergent outcome across the sector.

Convergence in areas where ESMA would not have direct supervisory powers

Additional resources (around 47 new FTEs before overhead) are allocated to supervisory convergence activities at Union level. In certain cases, like cross-border UCITS/AIF passporting and collaboration-platform, they are directly linked to specific mandates and are thus eligible for fee-funding. In most other cases, involving coordination of large cross-border asset management groups, DLT-related coordination, and new convergence tools that link is not easily established and thus this supervisory convergence activity needs to be co-financed from EU and MS contributions.

Fee funded supervisory convergence

Specific coordination tasks are carried out for cross-border UCITS funds and AIF activities[6], which support the supervision of funds and managers operating across Member States and the functioning of passporting procedures, including the centralisation of notifications, the management of procedural workflows and home-host exchanges, the handling of related disagreements and complaints, and the operation of the supporting data platform.

Co-financed supervisory convergence

In the asset management area ESMA would ensure a coordinated approach to the oversight of large cross-border asset management groups through a mandate to carry out, together with NCAs, periodical group-wide reviews of the supervisory approach for asset management companies, which should foster a more convergent NCA supervision of asset management groups' activities.

[6] These activities are fee-funded.

This coordination may cover operations, management, risk monitoring and corporate structure. Beyond these periodic reviews, ESMA's role would also include ongoing risk monitoring, using supervisory data and risk indicators to identify emerging vulnerabilities and, where necessary the initiation of investigations.

ESMA's coordination role in the DLT Pilot Regulation would continue and expand over a larger number of entities, since the threshold of the Pilot would be increased and more businesses would use the scheme. This additional work would imply an increase in resource needs for ESMA. In addition, ESMA would be the direct supervisor for a new distributed model for settlement of financial instruments ("settlement scheme").

More generally, ESMA would be expected to use binding mediation, peer reviews and breach of Union law tools more often. In addition, new tools that have proven their effectiveness in sector legislation, such as collaboration platforms, would be included in the supervisory toolset. Collaboration platforms with a strong role for ESMA would facilitate coordination and information exchange between home and host supervisory authorities for addressing, where needed, issues concerning cross-border activities.

These activities address broader inconsistencies in supervisory practices, supporting a more consistent application of EU rules across Member States.

Management, administrative and support functions

Supervisory activities are complemented by management, administrative and support functions (around 80 new FTEs to beef up existing functions), ensuring coordination, consistency and operational effectiveness across sectors. These represent approximately 20% of total staff resources, in line with the assumptions set out in the methodology.

4.2 Breakdown of activities for the steady state

Activity	**Fee-funded FTEs**	**Co-Financed FTEs**	**Total**
Executive Board (Chair [7]and 5 full-time independent members)	5 *(5 ADs)*	0	5
CCP supervision	47 (incl. **4** for convergence linked to direct supervision) *(23 ADs, 5 ASTs, 14 CAs, 5 SNEs)*	0	47
CSD supervision	39 (incl. **4** for convergence linked to direct supervision) *(19 ADs, 4 ASTs, 12 CAs, 4 SNES)*	0	39

[7] The new Executive Board would be composed of ESMA's Chair (already on the payroll) and 5 full-time independent members.

Trading Venue supervision	104 (incl. **4** for convergence linked to direct supervision) *(54 ADs, 9 ASTs, 32 CAs, 9 SNEs)*	0	104
CASP supervision	158 (incl. **1** for convergence linked to direct supervision[8]) (79 ADs, 16 ASTs, 47 CAs, 16 SNEs)	0	158
Large cross-border asset management group coordination and risk-monitoring Cross-border UCITS/AIF passporting and collaboration-platform	15 *(7 ADs, 2 ASTs, 5 CAs, 1 SNE)*	15 *(7 ADs, 2 ASTs, 5 CAs, 1 SNE)*	30
DLT pilot	0	7 [9] *(7 ADs)*	7
Supervisory convergence - *non-direct, new posts*	0	10 *(5 ADs, 1 AST, 3 CAs, 1 SNE)*	10
Convergence linked to direct supervision - *internal transfer of 10 existing supervisory convergence FTEs*	+10	-10	0
Overhead/support	76 *(38 ADs, 7 ASTs, 24 CAs, 7 SNEs)*	4 *(2 ADs, 1 AST, 1 CA)*	80
Total	**454**[10]	**26**	**480**

4.3 Cost assumptions

Average staff costs are based on the Commission's standard personnel cost assumptions (2025 baseline). The standard annual cost applied per FTE is based on the Commission rates for Paris-based staff, differentiated per Temporary Agent, Contract Agent and Seconded National Expert.

The rates cover salary and social expenses, and also include provisions to cover the costs of buildings, IT, etc. necessary for an FTE to work. These rates are increased by 2% year-on-year to allow for inflation.

[8] Some convergence work will be necessary (although at a smaller scale), as some entities providing crypto-asset services will remain under NCAs (Art. 60 entities without crypto as their main activity).
[9] 2 existing FTEs will be continued (40/60) + 5 additional FTEs (50/50).
[10] Staff figures purely for core direct supervision tasks would be 43 CCPs, 35 CSDs, 100 TVs, 157 CASPs, 5 Executive Board + 20% overhead = 408 FTEs.

The use of this standardised planning rate ensures consistency with Commission budgeting practices and provides a prudent basis for estimating costs, avoiding the risk of underestimating the resources required for EU-level supervision.

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5. IT Systems and Infrastructure

The proposal provides for the development of common ESMA-level data and IT capabilities to support ESMA's expanded supervisory responsibilities and to enable more integrated EU supervision where supervisory mandates would remain split. In support of the objective of reducing supervisory fragmentation and strengthening supervisory convergence across the Union, these common capabilities are intended to avoid duplication of investments and processes, support a more efficient use of resources, improve interoperability and data quality, and facilitate more consistent and streamlined exchanges of information and documentation between authorities. These common capabilities are also intended to strengthen the effectiveness of supervision by supporting secure and timely cooperation between ESMA and NCAs, more consistent access to reliable and up-to-date supervisory information, and access to supervisory insights through the use of advanced analytical tools at Union level. (The detailed descriptions of the IT systems are outlined in the Commission non-paper on "ESMA mandates on IT tools".)

IT Development Costs for these systems are estimated at **EUR 28.2 million** (current prices) in total. These costs include the development of ESMA's central supervision system for CCPs, CSDs, Trading Venues and CASPs, the ESMA crypto assets market surveillance platform, the ESMA system for cross-border notifications of funds and home-host NCA interaction, and the ESMA Data Platform (centralised data and analytics).

Annual Maintenance Costs from 2030 onwards are projected at **EUR 10.4 million** (current prices).

The development of key IT systems would be phased in to align with ESMA's expanding responsibilities. The ESMA central supervision system for CCPs, CSDs, Trading Venues and CASPs, the ESMA crypto-assets market surveillance platform and the ESMA system for cross-border notifications of funds and home-host NCA interaction would be developed in the earlier stages, while the ESMA Data Platform (centralised data and analytics) would be introduced later, starting in 2030.

Summary Table of IT Needs (in EUR million)

Type of Platform	One-off development costs (2028-2029)	One-off development costs (2030-2031)	Annual maintenance (2030-2034)	Annual maintenance (2032-2034)
ESMA central supervision system for CCPs, CSDs, Trading Venues, CASPs, and SFR	8.000		3.700	

designated systems				
ESMA crypto-assets market surveillance platform	4.200		2.500	
ESMA system for cross-border notifications of funds and home-host NCA interaction	1.000		0.200	
ESMA Data Platform (centralised data and analytics)		15.000		4.000
Total	**28.200**		**10.400**	

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Across all IT solutions, the proposal puts emphasis on avoiding duplication of data collection and ensuring interoperability between systems, securing data access and ensuring compliance with professional secrecy and confidentially, supporting efficient and convergent supervision through shared tools, common datasets and enhanced cooperation between ESMA and NCAs, and achieving cost savings and economies of scale at EU level by developing IT capabilities centrally instead of multiple development of the same functionalities at national level. The above table reflects IT costs in 'current prices' of 2025. In the cost calculation, these costs supported over the period 2028-34 were adjusted to take account of inflation (2% per year[11]). As a result, the total IT development costs would amount to EUR 30.269 million over 2028-34 as shown below:

IT DEVELOPMENT (EUR million) – 2028-34 total	**Current 2025 price**	**Cost adjusted for inflation**
A – ESMA central supervision system for CCPs, CSDs, Trading Venues and CASPs, and SFR designated payment systems	EUR 8.000	EUR 8.406
B – ESMA crypto-assets market surveillance platform	EUR 4.200	EUR 4.414
C - ESMA system for cross-border notification of funds and home-host NCA interaction	EUR 1.000	EUR 1.051
D - ESMA Data Platform	EUR 15.000	EUR 16.398
Total	EUR 28.200	EUR 30.269

Out of the EUR 30.269 million invested in IT development over the 2028-34 period, the EU would finance 100% of the development of all systems (A, B, C and D). A total of EUR 12.189 million is to be recovered, i.e. 100% of the development of systems B and C and 80% of system A, by including the depreciated cost in fees. This leaves a residual amount of EUR 18.080 million fully

[11] A common inflation rate of 2% is currently retained throughout the Commission services for budgetary purposes.

financed by the EU as regards IT development, which corresponds to 100% of system D and 20% of system A[12].

As regards maintenance costs, a provision for 2% inflation has also been included. This leads to the following maintenance costs over the 2028-34 period per system:

IT MAINTENANCE (EUR million)	Current 2025 price per year	Total cost 2028-34 adjusted for inflation
A – ESMA central supervision system for CCPs, CSDs, Trading Venues and CASPs, and SFR designated payment systems	EUR 3.700	EUR 20.842
B – ESMA crypto-assets market surveillance platform	EUR 2.500	EUR 14.084
C - ESMA system for cross-border notifications of funds and home-host NCA interaction	EUR 0.200	EUR 1.127
D - ESMA Data Platform	EUR 4.000	EUR 13.786
Total	EUR 10.400	EUR 49.838

Out of the EUR 49.838 million maintenance costs over 2028-34, these are fee-funded as regards 80% of A and 100% of B and C. The rest, i.e. 20% of A and 100% of D would be co-financed by the EU and NCAs at 50/50.

The maintenance cost is typically estimated at approximately 25% of the development cost. However, it could be higher where the systems are using data services and / or cloud services. The use of such services will increase the costs beyond 25%, proportionally with the volume of the data such system would manage, due to the costing model associated with these services (i.e. annual subscriptions with costs proportional with the volume of the service).

6. Funding architecture

6.1 Overview of the Funding Model

The updated funding model for ESMA[13] involves both fee-based funding and co-financed contributions, each linked to specific supervisory tasks. The financing structure is as follows:

- **Fee-funded activities** will be fully covered by fees paid by directly supervised entities (i.e. trading venues, CCPs, CSDs and CASPs). This includes the direct supervision of these entities, as well as convergence tasks linked to those direct supervisory mandates (e.g. peer reviews, common supervisory actions). Convergence work directly benefits supervised entities in a given sector by ensuring consistent application of Union law and

[12] Based on actual use across all supervision mandates, the platform would cover up to 80% of direct supervisory needs and up to 20% of other activities via functionalities supporting document collaboration and notifications between Union and Member State authorities.

[13] ESMA's main funding sources in 2026 include (1) co-financing by the EU and NCAs (62%), based on the 40/60 scheme, and (2) fees levied from stakeholders (35%). In this paper, the focus is on these main funding sources. For the record, there are additional minor funding sources, which include EEA/EFTA contributions (1%), contributions for specified delegated tasks (1%) and EU funding stemming from ad hoc service level agreements (1%). These are not affected by the MISP.

a level playing field between significant and less significant entities in that sector, therefore, including such costs in supervisory fees charged to directly supervised entities is justified. It also includes staff for the seamless passporting of UCITS funds and AIFs by centralising notifications and operating collaboration platforms. It furthermore includes IT maintenance costs and overhead and operational costs related to direct supervision.

- **Co-financed activities** are split into the following two categories. The old and the new tasks will be distinguished via activity-based accounting.
    - **50/50 Split (EU-NCA):** Covers new supervisory convergence tools, coordination of large cross-border asset management groups and DLT-related coordination.
    - **40/60 Split (EU-NCA):** Applies to pre-existing co-financed ESMA activities, including regulatory work such as Level 2 and 3 measures, and pre-existing supervisory convergence activities that are not linked to ESMA's direct supervisory mandates.
- **EU-only funded activities** will cover preparatory work for the new direct supervisory mandates to support ESMA's expanded role. The EU budget will also cover upfront IT development costs, which will subsequently be recovered, including via depreciated cost in fees collected from directly supervised entities, starting in [2030][14].

The total estimated co-financing needs by the EU and NCAs for the implementation of the MISP Package amount to approximately **EUR 78.3 million** over the 7-year period 2028-34, covered by the next MFF. That is, the EU budget is proposed to contribute to the MISP initiative by EUR 52.4 million and the NCAs by EUR 25.9 million. These figures are without prejudice to the decisions on the next MFF.

This estimation is calculated tentatively for the period **2028-2034** based on the assumption that the package enters into force in 2028. Should the entry into force and application start earlier, the time period would need to be adjusted, and the financial impact revised and adopted in a revised Legislative financial and digital statement.

6.2 Allocation of Costs by Activity

The table below clarifies the **funding type**, **funding split**, and **activity categories** under the expanded supervisory framework.

Activity	**Funding Type**	**Funding Split**
1. Direct Supervision (*)		
Trading Venues, CCPs, CSDs, CASPs	Fee-funded	100% fee-funded (100% EU funded in 2028)

[14] The funding proposal assumes that the investment cost would be depreciated over 5 years, but it would be for ESMA to determine the method and period of depreciation it would apply in accordance with the applicable accounting standards.

2. Direct Supervision Linked Convergence		
Staff performing convergence tasks linked to direct supervision	Fee-funded	100% fee-funded (100% EU funded in 2028)
3. Horizontal Supervisory Convergence Tools		
Collaboration platforms, failure in supervision (Article 17aa), cross-border suspension of services (17aaa), coordination of large cross-border asset management groups and DLT-related coordination.	EU / NCA	50% NCA / 50% EU
[continuing work/not covered by the LFDS such as regulatory work and supervisory convergence Activities (60/40) in areas not directly supervised by ESMA]	EU / NCA	60% NCA / 40 %EU

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6.3 Total Costs Funded by EU and NCAs

The table below summarises the total additional costs associated with MISP, by financing sources and types of expenses over the period 2028-2034 (on the assumption that the package enters into force in 2028). This table illustrates how the financial burden is shared between the EU and NCAs across the various activities, as well as the portion supported by fees.

TOTAL COSTS funded by EU /NCA/fees – next MFF (*)	**Costs by type and funding source Period 2028-34 *EUR million***		
Financed by....	***EU***	***NCAs***	***Fees***
2028 staff start-up costs - necessary to set up the fee- funded activities	8.319	0.000	0.000
2028-34 other staff costs – MISP full	23.563	23.563	470.881
2028-34 staff costs – internal transfer (10 FTEs + 2 overhead) (**)	-6.797	-6.797	13.594
Development of IT direct supervision systems (100% paid by EU initially in 2028 and 2029 then recovered)	12.189	0.000	0.000
Recovery of depreciation of IT systems for direct supervision over 2029-2034 via fees	-12.189	0.000	12.189
Devpt of IT for convergence systems (100% EU-funded)	18.080	0.000	0.000

IT maintenance costs – all systems	8.977	8.977	31.884
Various operational expenses (mission, communication, etc)	0.260	0.174	4.995
TOTAL MISP *(***)*	**52.402**	**25.917**	**533.544**

EUR 78.3 million

(*) Year 2027 is not part of the next MFF and is therefore not included. In order to reconcile with the LFS, an EU contribution of EUR 0.149m should be added, as well as an NCA contribution of EUR 0.224m for 2027.

(**) From 2029, 10 FTEs currently dealing with supervisory convergence at ESMA (co-financed) would be transferred to convergence activities related to direct supervision (fee-funded), as well as their overhead (2 FTEs). As a result, the MISP package, which would have required in the first place 38 additional FTEs (including overhead) at full speed for supervisory convergence & DLT activities ends up with a net of only 26 additional FTEs for that.

(***) The totals correspond to the LFDS.

This table underlines the significant support from the Commission in 2028 to finance 100% of the staff that is hired to prepare and set up the various strands of the fee-funded activities. This represents EUR 8.3 million entirely supported by the Commission in 2028, with no subsequent recovery.

Adding to this, the Commission will entirely support the development of IT systems, with a total cost of 12.189 + 18.080 = 30.269 million over 2028-2031. Of this amount, the Commission would recover over the next 5 years the amount of EUR 12.189 million, corresponding to IT systems for fee-funded activities, via the depreciation mechanism.

As a result, the Commission will contribute EUR 52.402 million to ESMA over 2028-34, which is EUR 26.485 million more than the expected NCA contribution over that period (EUR 25.917 million)[15].Overall, the additional contribution from NCAs between 2028-34 would increase by 10.4% due to MISP compared to business as usual (no MISP). This should, however, be assessed against the savings expected at NCA level from the transfer of certain direct supervisory tasks to ESMA. Questionnaire responses received from participating NCAs indicate that current supervisory effort in the sectors concerned is already considerable and likely to increase further with the expansion of cross-border active sectors (e.g. CASPs). This points to material potential savings at NCA level. The precise scale of those savings can only be determined at the level of NCAs individually, and they are expected to materialise only gradually over time. Savings are expected to arise from a reduced need to maintain the same staffing and specialist supervisory capacity at national level for the tasks transferred to ESMA. Savings are also expected from lower national spending on supervisory IT, data collection, monitoring and reporting systems, as data collection and supervisory workflows are centralised at EU level. Further savings are expected from reduced duplication in supervisory processes and staffing, including fewer parallel reviews, fewer repeated data requests, less coordination across authorities for the same cross-border entities, and easier pooling and exchange of expertise. In the Member States concerned, the

[15] The amount of EUR 26.485 million is broken down as follows: EUR 8.319 million for staff start-up costs + EUR 18.080 million for IT development + EUR 0.086 million for various operational expenses.

impact assessment reports average annual FTE costs in the range of EUR 132 000 to EUR 214 000. This shows that even partial reductions in national supervisory effort can generate meaningful savings over time.

The additional 480 staff for MISP would progressively come on top of the 413 total FTEs at ESMA in the baseline scenario for 2028 (i.e. before MISP). Currently roughly 38% of ESMA staff is fee-funded, and 62% is co-financed by the EU/NCAs.

In addition, the table below provides an overview of the evolution of funding sources at ESMA for all activities (i.e. existing activities + new MISP activities combined) over the 2028-34 period:

ESMA FUNDING SOURCES (%)	2028	2029	2030	2031	2032	2033	2034
EU CONTRIBUTION	36%	19%	17%	16%	13%	13%	13%
NCAs CONTRIBUTION	33%	23%	21%	20%	22%	22%	22%
FEES	31%	58%	62%	64%	65%	65%	65%
TOTAL	100%	100%	100%	100%	100%	100%	100%

In the table above, the proportion of the EU contribution is higher in the years 2028-2031 due to the efforts of the EU to finance set-up costs and IT developments of the MISP. In 2028, the NCA contribution of 33% is already lower than the 'legacy' level of 38% in 2027. The proportion of co-financing (EU/NCA) decreases as from 2029, along with increased reliance on fees and at full speed, lands below the current level.

6.4 Financial Sustainability and Impact on Member States

The development of the funding model carefully considers the financial implications for Member States, ensuring that ESMA's expanded role remains financially sustainable while minimising the need for contributions from national budgets. Subject to the final decisions on the next MFF, several key adjustments have been made to address Member States' concerns and support long-term sustainability:

- **Increased EU budget contribution**: To lessen the financial impact on Member States, the EU budget will cover the initial development costs of IT systems, such as the ESMA central supervision system for CCPs, CSDs, Trading Venues, CASPs, and SFR designated payment systems , and the crypto-assets market surveillance platform, as well as all staff costs during the preparatory phase. Some of the initial IT costs will be recovered over five years through fees collected from directly supervised entities, starting in 2030.
  A greater proportion of the new SIU tasks that are not fee-funded will be funded through the EU budget. The split between the EU and NCA contribution for these new tasks linked to supervisory convergence will be 50/50 instead of 40/60. This is a structural change that will be maintained for the new ESMA tasks going forward, to alleviate NCAs, while increasing the burden on the EU budget, subject to the decision on the next MFF.
- **Shifting costs to supervised entities**: A substantial portion of the costs for tasks such as direct supervision and IT development will be covered by the entities directly supervised. This ensures that the entities benefiting from supervision contribute to these costs, reducing the need for financial contributions from Member States. Based on the experience of the SSM, fees for market participants will likely not go down (unless for cross-border entities), but additional costs can be outweighed by the benefits of a single

harmonised EU-level supervision. In this context it is also important to note that it is possible to exempt or reduce fees for smaller entities based on the new Article 39n.

- **Increased budgetary control and accountability** (see below).

More centralised supervision and enhanced supervisory convergence will lead to efficiency gains in supervision and contained staffing growth. Efficiencies and synergies will be achieved by consolidating supervisory tasks and IT systems. This will reduce redundancy, improve coordination, and lower operational costs.

Market participants will benefit from operational efficiency gains and reduced compliance costs. This applies in particular to cross-border entities, that do not need to adjust to several different national supervisors with divergent demands and accordingly multiple supervisory fees.

Finally, NCAs will experience some cost-savings in areas where ESMA takes on supervisory responsibilities. These savings will materialise in the medium to long-term. During the transition phase, there will necessarily be a certain amount of adaptation costs. Therefore, it is important to organise the transition as efficiently and effectively as possible. In the longer term, subject to the cooperation arrangements according to Art. 8a ESMAR, it would be envisaged that in most sectors, NCAs would not maintain large staff 'reserves' and that the assistance to ESMA is limited.

7. Governance, budgetary control and accountability

ESMA's budget would be drawn up by the Executive Director in line with ESMA's Framework Regulation. It would be adopted by the BoS after approval by the Executive Board. Thus, there would be strong involvement of NCAs. They could exercise budgetary control rights throughout the budgetary process. With the new proposal, under Article 44b(3), the Commission would have a stronger role in the preparation of the budget. If the Commission representative were to vote against the draft budget in the Executive Board, the vote would be postponed, and the Executive Board would need to approve the draft budget by a 2/3 majority.

Under Article 39n of the ESMA Regulation, together with relevant provisions in sector legislation, supervisory fees would be charged to financial market participants under ESMA's supervision to cover the costs incurred by ESMA in carrying out its tasks. These costs would include registration, authorisation, certification, supervision, enforcement, and supervisory convergence activities, as well as the development and maintenance of tools used for these purposes. The fees would also cover any reasonably justifiable costs incurred by competent authorities when requested by ESMA to assist in its supervisory tasks.

The methodology for calculating and allocating these fees would be specified in a delegated act, in accordance with Article 75a, by the European Commission, which would set out the types of fees, the matters for which they are due, and the payment methods. Until the new delegated act is in place, the existing sectoral fee delegated acts would continue to apply. Fees would be proportional to the annual turnover of the supervised financial market participant, with provisions for exemptions, reductions, or temporary caps, where deemed appropriate.

On an annual basis, ESMA would publish a fee transparency report on its website, detailing the categories of financial market participants under its supervision and the methodology used to allocate costs. This ensures transparency in how fees are calculated and applied.

To ensure proper oversight and accountability, regular reporting on the collection and use of supervisory fees would be conducted within ESMA's governance framework, ensuring that funds are allocated efficiently and in accordance with the intended activities.

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8. Implementation timeline

The implementation of ESMA's expanded supervisory role would occur in phases, ensuring that governance, staffing, and IT systems are developed gradually to meet ESMA's evolving responsibilities.

Phase 1: Preparatory Phase (~2028)

In the first year following the entry into force, ESMA would focus on preparatory activities, including the recruitment of staff, the establishment of the Executive Board and internal rules, and the development of initial IT systems needed for supervision. The cooperation arrangements according to Article 8a setting out the operational modalities of cooperation between ESMA and NCAs for direct supervisory mandates would also be prepared in this phase. The transfer of supervisory tasks from NCAs to ESMA would be progressively phased in, with cost implications for both NCAs and ESMA. The aim is to keep the transition period as short as possible to minimise transition costs and facilitate smoother cooperation. Staff costs for the preparatory phase in 2028 and initial IT development costs over 2028-2031 will be covered by the EU budget.

- **FTEs**: up to 70 (10 FTEs each for CCPs, CSDs, Trading Venues, and CASPs, 10 FTEs for AM and AIFM/UCITS coordination, 5 for the Executive Board, 2 for the DLT pilot, plus a total overhead of 13).
- **IT Development**: Early development of supervisory IT systems will commence, including the central supervision system for CCPs, CSDs, Trading Venues, CASPs, and SFR designated payment systems, the crypto-assets market surveillance platform, and the system for cross-border notifications of funds and home-host NCA interaction.

During this phase, ESMA would also begin taking over supervisory files, data, and knowledge from NCAs for the entities that would fall under ESMA's direct supervision.

Phase 2: Governance changes enter into application and CCP Supervision starts (~T+1)

By **12 months** after the entry into force, the Executive Board would be fully operational and start its legal mandate. ESMA would begin direct supervision of significant CCPs while continuing its existing mandates (e.g. credit rating agencies). The development of cooperation arrangements would influence staffing levels, as tasks performed at ESMA level will not need to be replicated by NCAs and vice-versa. It will be important to design and negotiate these cooperation arrangements in a way that maximises efficiencies and makes staffing needs at EU and national level predictable and plannable. The arrangements will need to strike the right balance of involvement of national expertise to reduce duplications and optimise supervision. A successful design can reduce staffing requirements and improve operational efficiency. Based on effective cooperation arrangements under Article 8a ESMAR, in this phase NCAs could expect to start receiving reimbursements of their costs incurred for supporting ESMA supervision in relation to the supervision of significant CCPs.

- **FTEs**: up to 352 total (47 FTEs for CCPs, 39 FTEs for CSDs, 104 FTEs for Trading Venues, 51 FTEs for CASPs, 5 for the EB, 7 for the DLT pilot, 30 for AM & UCITS coordination, 10 for convergence, plus a total overhead of 59). The staffing in this preparation phase would be built up over time. The figures are highly tentative in this regard and, with the exception of CCP supervision where ESMA becomes the direct supervisor at the start of T+1, are likely to be considerably lower, even at the end of the T+1 period, given the initial reliance on cooperation/assistance of NCAs in the T+2 phase and the progressive build-up of ESMA's capacities.

- **IT Development**: The development of the Supervisory system for CCPs, CSDs, TVs, and CASPs, as well as other IT systems would continue. These systems would enable ESMA to begin real-time supervision of the entities under its responsibility. The data platform would not be developed yet, but other foundational systems would be in place.

Phase 3: Expansion to CSDs, Trading Venues, and CASPs (~T+2)

24 months after entry into force, ESMA would take on direct supervision of significant CSDs, Trading Venues, and CASPs. This would complete the transfer of supervisory responsibilities to ESMA.

- **FTEs**: 412 total (47 FTEs for CCPs, 39 FTEs for CSDs, 104 FTEs for Trading Venues, 101 FTEs for CASPs, 5 for the EB, 7 for the DLT pilot, 30 for AM & UCITS coordination, 10 for convergence, plus a total overhead of 69). However, the staffing in the transition phase would be built up over time and would likely rely on resources from NCAs. The presented figures are tentative in this regard and are likely to be considerably lower, given the initial reliance on cooperation/assistance of NCAs and the progressive build-up of ESMA's capacities.

- **IT Development**: Continued development and deployment of the central supervision system for CCPs, CSDs, Trading Venues and CASPs, and further deployment of the crypto-assets market surveillance platform and system for cross-border notifications of funds. At this stage, ESMA's data platform (centralised data and analytics) would start to be developed.
  At this stage, NCAs could start receiving reimbursements of their costs incurred for supporting ESMA supervision in relation to significant CCPs, CSDs, TVs and all CASPs.

Phase 4: Steady-State Operation and Final Staffing

After the transition phase (length to be determined), ESMA would reach steady-state operations with all supervisory sectors in place and all envisaged IT systems fully implemented.

- **FTEs**: 480 total (47 FTEs for CCPs, 39 FTEs for CSDs, 104 FTEs for Trading Venues, 158 FTEs for CASPs, 5 for the EB, 7 for the DLT pilot, 30 for AM & UCITS coordination, 10 for convergence, plus a total overhead of 80). The starting point of this phase and staffing needs at ESMA will depend on the length of the transition phase and planning of ESMA, in coordination with NCAs.
- **IT Development**: Full operationalisation of all envisaged IT systems. By now, the data platform (centralised data and analytics) would be fully developed and integrated, ensuring seamless data sharing and analysis across EU supervisory frameworks.