Council of the European Union
General Secretariat

PUBLIC

Interinstitutional files:
2025/0381 (COD)
2025/0382 (COD)
2025/0383 (COD)

Brussels, 22 May 2026

WK 7336/2026 INIT

LIMITE

EF
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WORKING DOCUMENT

From:	Presidency
To:	Working Party on Financial Services and Banking Union (MISP) Financial Services Attachés
N° Cion doc.:	ST 16345 2025 INIT
Subject:	Market Integration and Supervision Package - Working Party meeting on 28 May 2026 - Supervision: SI PT non-paper on NCA budget contributions

Non-paper by SI and PT

Final — 22 May 2026

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Proportionate financing of ESMA: adapting the NCA contribution key in the context of the MISP package

1. Context

The Market Integration and Supervision Package (MISP) substantially expands ESMA's mandate and budget. Under the Commission's proposal, ESMA's workforce would grow by 480 FTEs to a total of nearly 900 staff, with total costs of approximately EUR 612 million over the 2028–2034 period. While direct supervision would be largely fee-funded, a significant portion of ESMA's budget — covering supervisory convergence activities, horizontal tools and the preparatory phase — would continue to be co-financed by the EU budget and by mandatory contributions from National Competent Authorities (NCAs).

In the 2026 ESMA budget, NCA contributions amount to **EUR 35.0 million**.[3] Under the current framework, these contributions are apportioned among NCAs on the basis of **weighted votes under Article 3(3) of Protocol No 36** on transitional provisions, as provided for in Article 62(1)(a) of the ESMA Regulation. These weights were originally designed as a political voting mechanism reflecting the demographic size of Member States under the Treaty of Nice. They were not designed to reflect the size or structure of national financial markets, nor the supervisory burden or benefit that each Member State derives from ESMA's activities.

The MISP proposal amends Article 62(1) of the ESMA Regulation (Article 1(49) of the Master Regulation) but does not modify point (a) — the allocation key for NCA contributions remains unchanged. As ESMA's budget grows significantly under MISP, the divergence between the contribution key and the actual size of financial markets will widen proportionally.

This non-paper proposes a targeted amendment to Article 62(1)(a) to replace the Protocol No 36-based allocation key with a key that reflects the actual size of national financial markets. This would ensure a more balanced distribution of costs among Member States, consistent with the principle of proportionality.

2. The case for updating the allocation key

The Protocol No 36 weights were designed for an entirely different purpose — qualified majority voting in the Council — and have been retained for ESMA financing since its establishment in 2011, although recital (64) of the ESMA Regulation indicates that this was intended as a temporary arrangement ("at least initially"). At that time, ESMA's co-financed budget was relatively modest, and the allocation key attracted limited attention. Under MISP, the overall NCA contribution is expected to increase by 10.4% compared to the baseline scenario without MISP, with additional co-financed NCA contributions projected at approximately EUR 25.9 million over the 2028–2034 period.[1]

Moreover, while ESMA's fee-based revenue from directly supervised entities has grown in recent years, this has not translated into lower NCA contributions — on the contrary, NCA contributions have continued to increase alongside fee revenue, reflecting the expanding scope of ESMA's activities, in particular in the area of supervisory convergence.

The structural mismatch between the current key and the actual size of national financial markets results in significant divergences between contribution shares and actual market size. To illustrate this, the following analysis compares the current Protocol No 36-based allocation with four objective indicators of financial market size, all drawn from official ESMA and Commission data[2]:

— **Equity market capitalisation** (ESMA, Table 5) — reflects the overall size and depth of the domestic equity market;

— **Trading volume across all instrument classes** (ESMA, Table 6) — reflects the intensity of trading activity across equities, bonds and other instruments;

— **Fund net asset value** (ESMA, Table 8 and Commission Impact Assessment) — reflects the size of the asset management sector, including UCITS, AIFs and MMFs;

— **Number of NCA-supervised entities** (ESMA, Tables 1, 2 and 8) — reflects the breadth of the supervisory perimeter of the capital markets NCA, covering regulated markets, trading facilities, data service providers, CCPs, CSDs, benchmark administrators and fund managers.

These four indicators capture different but complementary dimensions of the financial sector. None is perfect in isolation. A **composite indicator**, combining these metrics with weights reflecting their relative importance for the supervisory burden, provides a more robust and balanced measure.

The detailed simulation is presented in the table overleaf.

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Table: Protocol No 36 key vs. market-size indicators (illustrative simulation)

MS	P36 weight	P36 share	Equity mkt cap share	Trading vol share	Fund NAV share	Nr. entities share	Composite share	Δ from P36
RO	14	4.33%	0.38%	0.01%	0.05%	0.95%	0.47%	+3.87pp
PL	27	8.36%	1.42%	0.36%	0.42%	10.46%	4.62%	+3.73pp
GR	12	3.72%	0.71%	0.18%	0.04%	1.06%	0.61%	+3.10pp
CZ	12	3.72%	0.30%	0.04%	0.25%	1.69%	0.80%	+2.92pp
PT	12	3.72%	0.50%	0.10%	0.17%	1.94%	0.93%	+2.78pp
BG	10	3.10%	0.04%	0.00%	0.01%	1.51%	0.62%	+2.48pp
BE	12	3.72%	2.59%	0.92%	1.02%	1.38%	1.46%	+2.26pp
AT	10	3.10%	1.11%	0.10%	0.73%	1.18%	0.86%	+2.24pp
HU	12	3.72%	0.33%	0.02%	0.19%	3.55%	1.53%	+2.19pp
SK	7	2.17%	0.03%	0.00%	0.04%	0.34%	0.15%	+2.02pp
LT	7	2.17%	0.04%	0.00%	0.01%	0.45%	0.19%	+1.98pp
HR	7	2.17%	0.25%	0.00%	0.01%	0.77%	0.36%	+1.81pp
EE	4	1.24%	0.04%	0.00%	0.01%	0.27%	0.12%	+1.12pp
LV	4	1.24%	0.01%	0.00%	0.00%	0.32%	0.13%	+1.11pp
SI	4	1.24%	0.10%	0.00%	0.03%	0.36%	0.17%	+1.07pp
FI	7	2.17%	2.15%	0.33%	0.69%	1.45%	1.21%	+0.96pp
ES	27	8.36%	6.33%	6.91%	2.17%	10.80%	7.40%	+0.96pp
IT	29	8.98%	6.29%	25.19%	2.07%	3.84%	8.25%	+0.73pp
CY	4	1.24%	0.06%	0.01%	0.05%	1.33%	0.56%	+0.68pp
MT	3	0.93%	0.02%	0.00%	0.15%	1.81%	0.76%	+0.17pp
DK	7	2.17%	5.34%	0.54%	0.90%	2.01%	2.16%	+0.01pp
SE	10	3.10%	7.90%	1.00%	3.07%	3.93%	3.97%	–0.87pp
DE	29	8.98%	17.17%	7.57%	13.23%	6.21%	10.08%	–1.10pp
IE	7	2.17%	9.65%	1.11%	25.99%	4.95%	9.33%	–7.16pp
NL	13	4.02%	11.95%	35.14%	3.44%	4.75%	12.00%	–7.98pp
FR	29	8.98%	23.44%	20.47%	11.93%	19.66%	19.03%	–10.05pp
LU	4	1.24%	1.85%	0.00%	33.32%	13.02%	12.24%	–11.00pp
EU-27	**323**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	

Sources: ESMA statistics on securities and markets (ESSM, December 2025), Tables 5, 6 (all instrument classes), 8 — reporting date December 2024; Commission Impact Assessment, Sectoral Annex on Asset Management, Table 1 (UCITS NAV, Q4 2024, source: EFAMA); Protocol No 36 to the TFEU, Article 3(3). Number of NCA-supervised entities covers RMs, MTFs, OTFs, APAs, ARMs (Table 1), CCPs, CSDs, benchmark administrators (Table 2), and UCITS and AIF managers (Table 8); it excludes investment firms and systematic internalisers due to inconsistent reporting of credit institutions across Member States. Composite: weighted combination of four indicators (40% number of NCA-supervised entities, 20% equity market capitalisation, 20% trading volume, 20% fund NAV). The table is ordered by Δ from P36 (descending). This simulation is illustrative; the precise indicator(s), weights and methodology would be specified in a delegated act.

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Key findings

The data reveal a consistent pattern across all four indicators: Member States with smaller financial markets contribute above their proportionate share relative to the actual size of their financial sectors.

21 out of 27 Member States currently contribute above their proportionate share relative to a market-based key. The divergences are most pronounced for Member States combining small financial markets with medium-to-high Protocol No 36 weights — in particular RO (+3.87pp), PL (+3.73pp), GR (+3.10pp), CZ (+2.92pp), PT (+2.78pp) and BG (+2.48pp).

Key examples:

— **Slovenia** accounts for 0.17% of EU financial market activity under the composite indicator but contributes 1.24% of NCA contributions — **a contribution share approximately 7 times above its proportionate share based on market size**. Under all four individual indicators, Slovenia's share ranges from 0.00% to 0.36%, consistently below its 1.24% contribution share.

— **Portugal** accounts for 0.93% of the composite but contributes 3.72% — approximately 4 times its proportionate share.

— Similar divergences are observed for a broad range of Member States across different regions and market structures, including PL, RO, GR, CZ, BG, HU, AT and the Baltic States — all of which contribute above their proportionate share by a significant margin.

— Conversely, some Member States with larger financial markets contribute below their proportionate share under the current key, as shown in the table above.

This divergence has tangible budgetary implications. Under MISP, the additional NCA contributions over 2028–2034 are estimated at EUR 25.9 million.[1] A significant portion of this increase would fall on Member States whose financial markets — and therefore whose direct benefit from ESMA's expanded activities — are among the smallest in the Union.

Moreover, since at least 2017, it has been widely acknowledged that the current funding framework is no longer sustainable. In this context, the ongoing reform process represents a timely opportunity to move towards a more balanced, coherent and sustainable funding model.

3. Rationale for adaptation

The case for adapting the allocation key rests on four principles:

(a) Proportionality. The principle of proportionality, enshrined in Article 5(4) TEU, requires that the content and form of Union action shall not exceed what is necessary to achieve the objectives of the Treaties. A contribution key that results in contribution shares differing by more than an order of magnitude from the actual financial market size of the Member State concerned raises questions of proportionality that merit consideration in the context of the MISP reform.

(b) Benefit principle. The primary purpose of ESMA's co-financed activities is to strengthen the supervision and integration of EU securities markets. Member States with larger and more active financial markets derive proportionally greater benefit from these activities — through more efficient cross-border operations, harmonised supervision of their domestically based entities, and enhanced investor confidence. The funding key should reflect this.

(c) Capacity to contribute. The Protocol No 36 key implicitly assumes that a Member State's capacity to contribute to ESMA's budget is proportional to its population. In practice, the relevant capacity is better approximated by the size of the financial sector and the associated NCA resources. For a small NCA with limited staff and budget, the relative cost of the ESMA contribution per supervised entity is considerably higher. This is compounded by differences in the funding models of NCAs across the Union: some NCAs are funded exclusively from fees and levies charged to supervised entities, with no recourse to the state budget. For such authorities, the ESMA contribution is effectively borne by the domestic financial industry. Where that industry is small, the per-entity burden becomes particularly acute.

(d) Consistency with the evolving nature of ESMA. The MISP proposal fundamentally transforms ESMA from a coordination body into a direct supervisor of systemically significant market participants — including significant CCPs, CSDs, trading venues and crypto-asset service providers. This transformation is comparable, in its nature and ambition, to the establishment of the Banking Union, which transferred direct supervisory powers over significant credit institutions to the ECB. When the ECB assumed its supervisory role, its financing framework was already aligned with economic size through the ECB capital key, which is based on equal weighting of each Member State's share in EU population and GDP (Article 29 of Protocol No 4 on the Statute of the ESCB and of the ECB), and is updated every five years. As ESMA's mandate converges towards a comparable model of direct supervision, it is appropriate that its financing framework evolves in a similar direction. This adaptation is specific to the changes introduced by MISP and does not prejudge the financing arrangements of other European Supervisory Authorities.

4. Proposed approach

We propose to amend Article 62(1)(a) of the ESMA Regulation to replace the reference to Protocol No 36 weighted votes with a contribution key based on an **objective indicator reflecting the size of national financial markets**. Several possible indicators could serve as the basis, either individually or in combination:

— **Equity market capitalisation**;

— **Trading volume**;

— **Fund net asset value**;

— **Number of NCA-supervised entities**.

As the illustrative simulation demonstrates, **all four indicators point in the same direction**: smaller financial markets contribute above their proportionate share under the current key, regardless of which indicator is used. A **composite indicator** combining these metrics, with weights reflecting their relative importance for the supervisory burden, would be more robust, less sensitive to the structure of any single sector, and fairer to Member States with different market structures.

The precise indicator or combination of indicators, the weighting methodology and any transitional arrangements should be specified in a **delegated act**, ensuring that the key can be updated periodically to reflect evolving market structures, while the principle of a market-size-based allocation would be established in Level 1.

To ensure a smooth transition, the new key could be **phased in** over a transitional period (e.g. 3–5 years). A **floor mechanism** (de minimis contribution) could also be considered.

5. Drafting proposal

We propose the following amendment to the ESMA Regulation:

Article 62(1)(a) — current text:

(a) mandatory contributions from national public authorities competent for the supervision of financial market participants, which shall be provided in accordance with a formula based on the weighting of votes provided for in Article 3(3) of Protocol (No 36) on transitional provisions. For the purposes of this Article, Article 3(3) of Protocol (No 36) on transitional provisions shall apply also beyond the date specified therein, namely beyond 31 October 2014;

Article 62(1)(a) — proposed text:

(a) mandatory contributions from national public authorities competent for the supervision of financial market participants, which shall be provided in accordance with a formula based on the relative size of the national financial market of each Member State. The Commission shall adopt a delegated act in accordance with Article 75a specifying the methodology for calculating the contribution key, including the relevant indicators or combination of indicators reflecting the size of national financial markets, any weighting between indicators and any transitional arrangements. Until the delegated act

referred to in this point applies, contributions shall be provided in accordance with a formula based on the weighting of votes provided for in Article 3(3) of Protocol (No 36) on transitional provisions;

Recital (new):

The allocation of mandatory contributions from national competent authorities to the budget of the Authority should reflect the actual size and structure of the national financial markets of Member States, rather than the weighting of votes under Protocol No 36 on transitional provisions. A market-size-based contribution key, drawing on objective and verifiable indicators such as market capitalisation, trading volumes, net asset value of funds and the number of supervised entities, would better align the financial burden with the benefit each Member State derives from the Authority's activities and with the capacity of its competent authority to contribute. To ensure a smooth transition, the existing allocation key should continue to apply until the new methodology enters into force.

6. Conclusion

The MISP package represents a significant expansion of ESMA's mandate and budget. This non-paper does not question the objectives of the package. It proposes a targeted, proportionate and evidence-based adjustment to ensure that the financing of ESMA's expanded activities is distributed fairly among Member States.

The current allocation key, based on Protocol No 36 weighted votes, produces outcomes that diverge significantly from the actual size of national financial markets. As the simulation demonstrates, **21 out of 27 Member States currently contribute above their proportionate share** relative to a market-based key — a finding that holds across all four indicators considered. Updating the current key to reflect market size would strengthen the legitimacy of the funding framework, improve buy-in from all Member States, and align the cost allocation with the principle of proportionality.

We, the signatories of this paper, call upon the Commission to give due consideration to the arguments presented herein in the context of the ongoing MISP negotiations. We stand ready to deepen the discussion on this matter and actively participate during Working Party discussions.

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[1] Commission Non-paper on Funding and Implementation Elements of the MISP Package (WK 5317/2026), Table on Total Costs funded by EU/NCA/Fees.

[2] ESMA statistics on securities and markets (ESSM), published 12 December 2025: Table 5 — Market capitalisation of shares; Table 6 — Trading volumes (all instrument classes); Table 8 — Fund managers, funds and NAV. Reporting date December 2024. Fund NAV combines UCITS (source: EFAMA, as cited in Commission Impact Assessment, Sectoral Annex on Asset Management, Table 1, Q4 2024) with AIFs and MMFs (source: ESMA ESSM, Table 8). Number of NCA-supervised entities covers RMs, MTFs, OTFs, APAs, ARMs (Table 1), CCPs, CSDs, benchmark administrators (Table 2), and UCITS and AIF managers (Table 8); it excludes investment firms and systematic internalisers due to inconsistent reporting of credit institutions across Member States. Composite: weighted combination of four indicators (40% number of NCA-supervised entities, 20% equity market capitalisation, 20% trading volume, 20% fund NAV).

[3] ESMA Budget for 2026 (ESMA63-214362608-3499, 23 February 2026). NCA contributions from Member States for 2026 amount to EUR 35,042,635.