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WORKING DOCUMENT

From:	Presidency
To:	Working Party on Financial Services and Banking Union (MISP) Financial Services Attachés
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Subject:	Market Integration and Supervision Package - Working Party meeting on 28 May 2026 - Supervision: SE non-paper on ESMA

Market integration and supervision package - ESMA governance reforms

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The capital market is an essential part of the Swedish economy, providing financing both to large companies and SMEs through a well-functioning ecosystem. Given the importance of the capital market, it is crucial to have sufficient influence over, and insight into, supervision. In order to consider moving supervision over certain financial actors to ESMA, as proposed by the European Commission, it is important to make sure that its governance is sufficiently inclusive and reflects the market realities through a number of changes, outlined below.

- **The Board of Supervisors must remain the main decision-making body**. The Executive Board should be limited to direct supervision of market participants. All other decisions should rest with the Board of Supervisors. This will ensure both efficient supervision through the Executive Board and broad representation regarding strategic decisions through the Board of Supervisors.

- **A more balanced Executive Board.** The Executive Board needs to have both strong supervisory expertise and experience from the main capital markets under supervision. In other words, the Executive Board should adequately reflect Europe's capital market reality through geographical balance. To ensure such a balance, its membership should reflect objective criteria that capture 1) the capital market's overall size (e.g. stock market capitalization), 2) the capital market's importance for the national economy (e.g. overall capital market financing to GDP and average retail investor capital per capita) and 3) funded pension capital to GDP for the long-term growth of the capital market. This would mean that Member States with capital markets that are significant in absolute and relative terms should have stronger representation on the Executive Board. As Member States's capital markets develop and the aggregate activity becomes more evenly distributed across the Union, these criteria will automatically become of less significance. Hence, this may be seen as a transitory arrangement. To achieve a more balanced Executive Board, its size could increase to some extent.

- **Sufficient checks, balances and accountability.** To allow for checks and balances in practice, especially given the quick decisions, the Board of Supervisors must be able to object against the Executive Board's decisions by simple majority. Executive Board members should furthermore not have voting rights in the Board of Supervisors but could participate as observers. To strengthen accountability, the proposal that the Chair shall participate in a session on the performance of the Authority at the request of the Council should be mandatory and conducted on an annual basis, like the hearings before the European parliament. Further, to ensure restraint regarding ESMA's budget, it is important to integrate budget control and transparency mechanisms in the regulation. This includes an independent oversight body that oversees the authority's expenditure.

- **Clear cooperation arrangements between ESMA and NCAs**. It is essential to ensure close cooperation between ESMA and NCAs and that these arrangements are clearly defined in the regulation on a permanent basis. This should include forms of cooperation, for example through joint supervisory teams, and specifying what these arrangements are expected to cover. Local knowledge is necessary for strong supervision but also essential since some areas will remain under national responsibility, even for entities under ESMA's supervision (e.g. resolution of CCPs, overall responsibility for national financial stability and security and preparedness). Clarity is also a prerequisite for the NCAs to plan their activities and to charge compensation from ESMA.

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