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The SAFE Regulatory Radar in July

Proposals for a digital euro, new rules for central securities depositories, and revisions for regulations on markets in financial instruments



At the end of each month, the SAFE Regulatory Radar highlights a selection of important news and developments on financial regulation at the national and EU level.

Digital euro: New proposals to establish a European Central Bank Digital Currency

A proposed legislative framework paves the way for a possible digital euro while maintaining the option to make cash and online payments. On 28 June 2023, the European Commission presented the [Single Currency Package](#) which aims to give people, who want to pay with central bank money, the choice between a digital and a physical euro.

The first [proposal](#) requires member states to monitor cash acceptance levels and access to cash and to take action if acceptance or access is not ensured. The aim is to ensure that everyone in the euro area is free to choose their preferred means of payment.

The second [proposal](#) establishes the digital euro and defines rules on its legal tender status, data protection anti-money laundering, distribution, limits to its use as a store of value, conditions for its use outside the euro area, and essential technical features. Under the proposal, the digital euro will be distributed to citizens and businesses through banks and other payment service providers and will be free of charge for basic use, as is the case with cash today.

This regulation provides for the possibility, but not the obligation for the [ECB](#) to introduce the digital euro. The [ECB](#) will conclude its investigation phase of the digital euro project in October 2023, after which it will decide whether to launch the actual development process.

In a recent [critical analysis](#), SAFE Senior Fellow [Ignazio Angeloni](#) concludes that the arguments against a digital euro currently outweigh those in favor, but that it may be useful to have a digital euro ready to use for certain future circumstances.

On the umbrella topic of crypto assets, the Financial Stability Board (FSB) issued a [global framework](#) on 17 July 2023, with high-level recommendations for the regulation, supervision, and oversight of crypto-asset activities and “global stablecoin” arrangements.

CSDR: Improving efficiency and stability of securities settlements

New rules target the organization of the Central Securities Depositories (CSDs) in the EU. On 27 June 2023, the European Council and Parliament provisionally agreed on amendments to the Central Securities Depositories Regulation (CSDR), which was adopted in 2014. A Central Security Depository (CSD) is responsible for settling securities transactions, recording newly issued securities in a book-entry system, and for the safekeeping of securities.

The proposed changes include clarifications and simplifications to the passporting regime to reduce barriers to cross-border settlements and to reduce administrative and financial burdens. In addition, supervisory colleges will be established to facilitate cooperation and information exchange between member state authorities. Supervisors will also be better informed about the activities of non-EU [CSDs](#) operating in the EU. To improve the settlement discipline, the proposal includes adjustments to the rules on mandatory

buy-ins, which occur in the event of a settlement failure. These buy-ins would be introduced as a measure of last resort, to be activated only if the rate of settlement failures does not improve and poses a threat to financial stability.

Next, the provisional agreement must be formally approved by the EU's member states' ambassadors before it can be adopted by the Council.

MiFIR/MiFID II: Proposal to improve access to market data and strengthen EU market infrastructures

A provisional agreement sets out rules to improve market data transparency, enhance orderly trading, and ban payments for order flows. On 29 June 2023, the European Parliament and the European Council announced that they had reached a provisional agreement on the revision of the [Markets in Financial Instruments Regulation \(MiFIR\)](#) and [Markets in Financial Instruments Directive \(MiFID II\)](#). It is based on proposed amendments to [MiFIR](#) and amendments to [MiFID II](#) presented by the European Commission on 25 November 2021.

First, the parties agreed to establish EU-level "consolidated tapes", which will collect and make available, as close as possible to real-time, data on prices and volumes of securities traded in the EU. This will improve overall price transparency and competition between trading venues, and provide investors with up-to-date transaction information across the EU. By June 2026, European Securities and Markets Authority (ESMA) shall assess whether information asymmetries between market participants have decreased and the attractiveness of the EU as a location for investment has increased.

Second, the agreement prohibits brokers from receiving payments for routing client orders to certain trading platforms, known as "payment for order flows" (PFOF). However, the compromise allows for a temporary exemption until 30 June 2026 in certain countries where [PFOF](#) is more common.

Third, the negotiators from the European Parliament and the European Council decided to improve the regulatory framework for commodity and emissions derivatives by revising position limits and position management controls, the ancillary activity exemption, and the goal to harmonize commodity and emissions derivatives transactions with respect to data collection, formats, and public disclosure.

Once the agreed proposal has been consolidated, it must be formally adopted by the European Parliament and the Council before it can be published in the Official Journal of the European Union.

Public consultations

- **European Securities and Markets Authority (ESMA):**[Public consultation](#) on the Technical Standards specifying certain requirements of MiCAR. The deadline is 20 September 2023.
- **European Banking Authority (EBA):**[Public consultation](#) on draft Regulatory Technical Standards on the requirements, templates and procedures for handling complaints under MiCAR. The deadline is 12 October 2023.
- **EBA:**[Public consultation](#) on draft Technical Standards on information for authorization under MiCAR. The deadline is 12 October 2023
- **EBA:**[Public consultation](#) on draft templates and template guidance for collecting climate related data from EU banks. The deadline is 11 October 2023.
- **EBA:**[Public consultation](#) on Guidelines on the application of the group capital test for investment firm groups. The deadline is 25 October 2023.
- **European Insurance and Occupational Pensions Authority (EIOPA):**[Public consultation](#) on Supervisory Statement on supervision of reinsurance concluded with third country insurance and reinsurance undertakings. The deadline is 10 October 2023.
- **European Commission:**[Call for feedback](#) on a digital euro for the EU. The deadline is 8 September 2023.
- **European Commission:**[Call for feedback](#) on payment services – revision of EU rules (Directive). The deadline is 19 September 2023.
- **European Commission:**[Call for feedback](#) on payment services – revision of EU rules (new Regulation). The deadline is 19 September 2023.
- **European Commission:**[Call for feedback](#) on open finance framework. The deadline is 19 September 2023.
- **Financial Stability Board (FSB):**[Public consultation](#) on policies to address vulnerabilities from liquidity mismatch in open-ended funds. The deadline is 4 September 2023.

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