EDITORIAL

The European Financial Package of December 2025

Thierry Bonneau*

Department of Law, Pantheon-Assas University, Paris, France

Abstract

The European financial package of December 2025 concerns a lot of texts. If it is adopted, the role of the European securities and market authority within the savings and investment union will not be unlike that of the European central bank within the banking union. A federal financial Europe is gradually taking shape.

Key Words: *EU proposals; Financial sector; ESMA; Financial intermediaries; Financial operations*

1. Which Legislative Texts are Covered by the Package?

On 4 December 2025, the European commission published three legislative proposals which, if adopted, will bring about far-reaching changes to European legislation. This is hardly debatable given the number of texts that will be amended or replaced: the proposal for regulation 941 aims to replace the directive of 19 May 1998 on settlement systems with a regulation; the proposal for a directive 942 amends the UCITS (Undertakings for Collective Investment in Transferable Securities), AIF (Alternative Investment Funds) and markets in financial instruments directives and the proposal 943 amends 14 regulations governing ESMA (European Securities and Markets Authority), markets in financial instruments, central securities depositories, the cross-border distribution of collective investment undertakings, the pilot scheme, the crypto-asset market (crypto-asset service providers), the resolution of central counterparties, benchmarks, securitization, European green bonds, credit rating agencies and ESG rating providers [1-3].

2. What are the Main Proposals?

Some texts have been amended only slightly. Others have been amended quite substantially or replaced. The proposals result in fairly substantial changes. Although ESMA had, in the past, been granted supervisory powers over certain financial intermediaries, its role had not yet been formalized in the regulation of 24 November 2010 which established it. This has now been done with proposal 943, which not only introduces this direct supervisory function but also establishes a common framework of texts governing this function. This development is accompanied by amendments to other texts granting it new powers of direct supervision over other financial intermediaries, such as crypto-asset service providers.

**Corresponding Author*: *Thierry Bonneau, Professor, Department of Law, Pantheon-Assas University, Paris, France; E-mail: thierry.bonneau0487@orange.fr*

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The financial markets are currently governed by MiFID II of 15 May 2014 and not by the regulation of the same date. It is planned to transfer many of the provisions governing them to the regulation and to create the status of pan-European market operator, which will be under the direct supervision of ESMA. Such a proposal has implications for euronext: currently supervised by the Franch financial authority (Autorité des Marches Financiers: AMF), this market operator will in future be supervised by ESMA.

Central Securities Depositories (CSDs), governed by the CSD regulation of 23 July 2014, are currently supervised by national authorities. It is planned to introduce a distinction between CSDs of significant importance and those of less significant importance, with the latter remaining under the supervision of national authorities whilst the former will be supervised by ESMA.

The directive of 19 May 1998 on settlement finality in payment and securities settlement systems is set to be replaced by a regulation. The aim of adopting this regulation is to address divergences in member states' approaches, update definitions and ensure technological neutrality in order to enable the implementation of new technologies such as distributed ledger technology.

The UCITS directive of 13 July 2009 and the AIFM directive of 8 June 2011 are being amended, in particular to introduce the concept of a European group of management companies and alternative investment fund managers, to reduce national divergences, and to introduce the European depositary passport. The proposed directive, which amends these texts, aims to make it easier for citizens to grow their wealth by investing in capital markets, to increase the EU's investment capacity and to integrate EU capital markets.

The regulation of 20 June 2019 on facilitating the cross-border distribution of collective investment undertakings is amended to remove barriers to cross-border operations of investment funds and to strengthen ESMA's powers. The aim is to foster a common supervisory culture and to better coordinate the activities of the competent national authorities in home and host countries.

In addition to the amendments to the MiCA regulation, the pilot scheme established by the regulation of 30 May 2022 is amended to increase the flexibility, proportionality and scope of the scheme. A simplified regime for smaller DLT market infrastructure operators is introduced, and additional exemptions, particularly concerning DLT trading platforms, are amended and expanded.

3. What is the Impact on the European Union?

Rightly or wrongly, one might have thought that the pace of reform needed to be slowed down, given the criticism of regulatory overload, particularly in 2025 [4]. However, the requirements of European integration have led the European commission to publish three proposals for legislation that amend or replace existing legislation. It should be noted that the instruments used confirm the current trend: there are increasingly more regulations. Another trend is the growing role of ESMA within the savings and investment union, a role that is not unlike that of the European central bank within the banking union. A federal financial Europe is gradually taking shape.

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