
Press release

AFME Urges EU to Raise DLT Cap to EUR 50bn and Pursue Bolder Reforms to Avoid Initiative Failing

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The Association for Financial Markets in Europe (AFME) is today calling on EU policymakers to take bolder action on reforming the Distributed Ledger Technology Pilot Regime (DLT PR) and to raise the proposed EUR 10 billion cap on DLT Settlement Schemes to at least EUR 50 billion, warning that current plans risk leaving the regime economically unviable and failing to deliver meaningful change to Europe's capital markets.

In a new position paper on reforms to the DLT PR under the Market Integration and Supervision Package (MISP), AFME argues that incremental adjustments will not be sufficient. Without reforms that enable scale and new market structures, Europe risks repeating the shortcomings of the existing pilot and falling behind other global financial centres.

AFME argues that reform must go beyond simply replicating existing capital markets infrastructures 'on-chain'. Instead, policymakers should seize the opportunity to address the inefficiencies of the existing settlement infrastructure - including fragmentation, lack of choice and high settlement costs - and build more accessible, connected and resilient capital markets. This will be key to realising the Savings and Investment Union (SIU) and achieve greater EU market integration.

The paper highlights the European Commission's proposed Settlement Scheme model as a real opportunity to build a more accessible network-based (distributed) market architecture on DLT. These Schemes would enable well-regulated financial institutions with access to central bank liquidity to settle transactions through a network-based model based on legally binding agreements; similar to established schemes in the payments sector.

Coen ter Wal, Managing Director and Head of Technology and Operations at AFME said: "A €10 billion cap is prohibitively restrictive and uncompetitive, especially as other jurisdictions move to tokenise assets at scale. Without change, the revised regime risks repeating the shortcomings of the current pilot - remaining a niche sandbox rather than becoming a launchpad for next-generation capital markets infrastructure."

"To unlock the full benefits of DLT, reforms must go further and enable a shift towards a 'Distributed Finance' model - with networks of regulated entities jointly operating DLT-based settlement infrastructure. This would reduce costs and risk, improve connectivity, and increase choice and competition, while strengthening resilience."

AFME is calling for:

- An increase in the cap per Settlement Scheme to at least €50 billion, with flexibility for further adjustment via delegated acts;
- Removal of limits restricting participants to two schemes, to avoid fragmentation;
- Greater flexibility in settlement models, including the use of commercial bank money and free-of-payment settlement.

AFME concludes that without bolder reforms, the EU risks missing a critical opportunity to modernise its capital markets and strengthen its global competitiveness.

– Ends –

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Notes:

1. The Association for Financial Markets in Europe (AFME) is the voice of the leading banks in Europe's financial markets, providing expertise across a broad range of regulatory and capital markets issues. We represent over 150 leading global and European banks and other significant market players. Our members play a vital role in Europe's financial ecosystem, underwriting around 90% of European corporate and sovereign debt, and 85% of European listed equity capital issuances. Importantly, AFME members are market makers, providing liquidity, which is essential for ensuring financial markets can function efficiently. We also represent law firms and other associate members which advise market participants and support AFME's legal and regulatory initiatives. For more information please visit the AFME website: www.afme.eu
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