The City of London Law Society

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Directorate-General for Financial Stability, Financial Services, and Capital Markets Union
European Commission
1049 Brussels
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16 October 2026

Dear Sir or Madam,

I am writing in my capacity as chairman of the Financial Law Committee of The City of London Law Society (the "**CLLS**"), with respect to the letter dated 29 July 2026 (the "**July 2026 Letter**) from the Financial Markets Law Committee (the "**FMLC**") to you, sent in response to the publication by the European Commission (the "**Commission**") of a proposed legislative package on market integration in the EU (the "**MISP**").[1] The proposed legislative package included a proposed Regulation replacing the Settlement Finality Directive (the "**Proposed EU SFR**") and amending the EC Financial Collateral Directive (the "**FCD**")[2]. The legislative package has been submitted to the European Parliament and the Council for consideration and adoption, and the Commission has requested feedback on the EU SFR; the July 2026 Letter from the FMLC contains detailed feedback on the Proposed EU SFR and the proposed amendments to the FCD. On 5 October 2026, the Presidency of the Council of the European Union published its Note[3] to the Permanent Representatives Committee/Council relating to the MISP, attaching to the Note the Presidency's compromise text of draft legislation, including the Proposed EU SFR[4] (the "**Proposed Compromise Text of the EU SFR**").

The CLLS represents approximately 23,000 lawyers practising in the City of London, through both individual and corporate membership, including some of the largest international law firms in the world. These law firms advise a variety of clients from multinational companies and financial institutions to governmental departments in the U.K. and elsewhere, often in relation to complex, multi-jurisdictional legal issues. The Financial Law Committee is one of the twenty two specialist Committees established by the CLLS, and its focus is on matters relating to financial law, including legislation and legislative initiatives relating to or affecting financial collateral and settlement finality regimes.

The Financial Law Committee has established a working group (the "**Digital Assets Working Group**") which considers legal developments relating to digital assets, including but not limited to dematerialised debt and equity securities, tokenised assets, crypto assets and the like. The workstreams considered by the Digital Assets Working Group include legal issues arising or which may arise from developments in relevant laws and regulations relating to financial collateral in the form of digital assets, and to settlement finality when dealing with digital assets which may be held in clearing and settlement systems. In that context, the Digital Assets Working Group was invited to consider and review a draft of the July 2026 Letter.

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[1] Available at: https://finance.ec.europa.eu/publications/market-integration-package_en
[2] Available at: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/16212-EU-financial-systemrules-on-settlement-finality-update-_en
[3] Available at: https://data.consilium.europa.eu/doc/document/ST-13777-2026-INIT/en/pdf
[4] Available at: https://data.consilium.europa.eu/doc/document/ST-13775-2026-INIT/en/pdf

The Financial Law Committee welcomes the MISP, including the Proposed EU SFR and the proposed amendments to the FCD: these are, in our view, timely and well-considered proposals, and necessary in order to reflect innovations in the financial markets and financial market products. The purpose of this letter is to note that the Digital Assets Working Group reviewed the July 2026 Letter, and that the members of the Financial Law Committee endorse the contents of the July 2026 Letter.

The Digital Assets Working Group shares the concerns raised by the July 2026 Letter, in particular those relating to the absence of clarity in a number of key respects of the inter-relationship between EU designated systems and third country registered systems, and various definitions critical to the status and/or treatment of financial collateral and the settlement of transfer orders, particularly in the event of an insolvency of a participant in a relevant system. We are pleased to note that the Proposed Compromise Text of the EU SFR has addressed a number of the concerns raised in the July 2026 Letter, including revisions made to more closely align protections for EU designated systems and third-country registered systems. We believe, however, that some gaps highlighted in the July 2026 Letter remain.

The Digital Assets Working Group would be delighted to meet with you to discuss these concerns further with you, either together with our colleagues in the FMLC or separately. The members of the Digital Assets Working Group who reviewed the July 2026 Letter are set out below.

Yours faithfully,



Sarah Smith
Chairman, Financial Law Committee, The City of London Law Society

Digital Assets Working Group – EU SFR Sub-Group

Natalie Lewis (Chair), Jonathan Gilmour, Travers Smith LLP
Fiona Fitzgerald, Kelly Shutt, Allen Overy Shearman Sterling LLP
Simon Williams, Ashurst LLP
Sarah Smith, Baker & McKenzie LLP
Rebecca Shepherd, Clifford Chance LLP
Adam Pierce, Andrew Barber, Dentons UK and Middle East LLP
Timothy Fosh, Eversheds Sutherland (International) LLP
Joel Harrison, Michelle Kirschner, Gibson Dunn & Crutcher LLP
Nick May, Emily Barry, Herbert Smith Freehills Kramer LLP
Bryony Widdup, Isobel Wright, Hogan Lovells Cadwalader International LLP
Richard Hay, Sophia Le Vesconte, Linklaters LLP
Adam Sanitt, Norton Rose Fulbright LLP
Emily Bradley, David Shone, Slaughter and May
Natalie Butchart, Slaughter and May (Secretary to the Financial Law Committee)