

STRATEGIC AUTONOMY AND COMPETITIVENESS OF EU PLAYERS



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Enhancing competitiveness of EU financial players amidst economic divergences

In the context of increasing economic divergence across the EU, enhancing the competitiveness of EU financial players is of vital importance for financing economic and social challenges. EU financial institutions must adapt and innovate to maintain their position in European and global markets in an evolving global economic landscape characterised by rapid technological advances and shifting geopolitical dynamics.

Let me outline key areas that can bolster the competitiveness of EU financial players while addressing the challenges posed by domestic ring-fencing practices in the supervision of cross-border banking groups.

1. Creating a true Savings and Investments Union (SIU)

Improving access to capital markets is crucial for the growth and competitiveness of EU financial players. This involves fostering a more integrated capital market across the EU, which can only be achieved by addressing remaining barriers to cross-border investment and enhancing the transparency and efficiency of capital markets. The SIU initiative is a vital step in this direction. By promoting the diversification of funding sources and encouraging investment in innovative sectors, the SIU can provide EU financial institutions with the necessary resources to compete globally.

2. Support for digital innovation and fintech integration

As the financial sector increasingly embraces digital transformation, the EU must prioritize the integration of fintech solutions within its financial ecosystem. Supporting innovation through regulatory sandboxes and facilitating collaboration between traditional banks and fintech startups can drive competitiveness. By fostering an environment conducive to technological advancement, the EU can position its financial institutions at the forefront of global financial services. Furthermore, investing in cybersecurity measures and digital infrastructure will enhance the resilience and security of financial systems, instilling confidence among consumers and investors alike.

3. Addressing domestic ring-fencing practices

Domestic ring-fencing practices pose significant challenges for cross-border banking groups within the EU. These practices can lead to inefficiencies and increased costs as banks are required to maintain separate capital and liquidity buffers in

each jurisdiction. Even if it is a controversial issue, addressing these practices by promoting a more cohesive and integrated approach to cross-border banking supervision while providing safeguards for national financial stability can enhance competitiveness. By reducing the burden of domestic ring-fencing, EU financial institutions will be better positioned to operate efficiently across borders and to ensure more efficient allocation of capital.

4. Strengthening the EU's international presence

To bolster the competitiveness of EU financial players, it is essential to enhance the EU's international presence in global financial discussions and regulatory frameworks. This includes advocating stronger for the EU's interests in international forums such as the FSB and the Basel Committee. By actively participating in these discussions with one voice, the EU can help shape global financial regulations that consider the unique characteristics of its financial markets, ensuring that EU financial institutions are not disproportionately burdened by international regulatory standards that are often US-centric.

5. Fostering sustainable finance

Despite the currently observed change of priorities focussing on sustainable finance within the EU is not only a moral imperative but also a strategic advantage. The EU is already a leader in the global transition towards sustainable finance by establishing standards and frameworks that encourage investment in green technologies and sustainable projects. By positioning EU financial players as pioneers in sustainable finance, the EU can attract global investments and enhance the competitiveness of its financial institutions.

Conclusion

Improving the competitiveness of EU financial players in the face of growing economic divergences requires a multifaceted approach. Prioritising access to capital markets, fostering digital innovation, addressing domestic ring-fencing practices, strengthening international presence, and promoting sustainable finance will create a more resilient and competitive financial ecosystem. By implementing these priorities, the EU can not only secure its position in the global financial landscape but also ensure that its financial institutions thrive in an increasingly interconnected world.



FRANCESCO VANNI D'ARCHIRAFI

Chairman of the Board – Euroclear S.A.

SIU: Seizing the opportunity

Seizing this unique opportunity to unlock the single market's potential

The current geopolitical juncture should be approached with a sense of opportunity for Europe. It can give us the political momentum to deepen the single market and undertake the necessary reforms to strengthen EU competitiveness and strategic autonomy in key economic sectors.

Recent reports and analyses by leading European figures, authorities, think tanks and stakeholders provided a wealth of recommendations. European authorities and Member States must act swiftly on the most impactful measures to enhance competitiveness.

To ensure that companies and investors benefit from cost-effective regulatory frameworks, the scale of the single market, and appropriate public support mechanisms, the development of a competitive and integrated Savings and Investments Union (SIU) should be at the heart of our financial services strategy.

Yet, a true SIU must deliver more than just integration; it must build liquidity depth, credibility, and trust in Europe's long-term financial future.

Attracting issuers and investors

Successful capital markets thrive on the active participation of their end-users. To enhance market depth and liquidity, it is essential to boost engagement from both issuers and investors, both coming from the EU and globally.

On the investor side, one of the most pressing challenges is the limited availability of risk capital and a small retail investment base in parts of Europe. The EU must harness its internal resources to increase the availability of long-term capital from both retail and institutional investors at every stage of a company's growth.

Equally important is the need to attract external investment. The growth of the Eurobond market demonstrates how European issuers benefit from access to a globally connected ecosystem of investors. This market, which began in the 1960s, has evolved into one of the world's most significant financial markets, supported by robust EU infrastructures—a true European success story.

When it comes to issuers, creating favourable conditions for strategic and high-growth companies to operate in Europe is crucial. The rapid pace of technological change requires a more flexible and agile regulatory framework, with a strong emphasis on competitiveness and innovation.

Strengthening European securities markets and the post-trade architecture

The post-trade sector still suffers from unnecessary fragmentation, preventing us from reaping the full benefits of the single market. We must accelerate efforts to enhance the efficiency of the European architecture and ensure it is ready for the next evolution of capital markets.

Fortunately, Europe already boasts strong market infrastructures with global reach, contributing to EU integration, strategic autonomy, and international influence of the EU. We need to leverage the sector consolidation that has already taken place and practical solutions that are effective today.

To immediately enhance market efficiency and competitiveness, we must foster an open and interconnected architecture that enables seamless access across the EU and caters to both the single market and the diverse local ecosystems. It's vital to ensure that the benefits of integration reach every corner of the EU.

Several market drivers and policy enablers are essential to advance this vision. We need to optimize the connectivity of settlement systems across all Member States and ensure the effective application of open access, competition, and interoperability principles. Addressing regulatory impediments to FMI intra-group synergies and consolidation is also crucial.

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Technology can be a powerful enabler. Distributed Ledger Technology (DLT) and digital assets offer numerous possibilities to improve efficiencies and foster a more integrated European ecosystem. We must scale digital assets and currencies in a safe and integrated manner, supported by open, interoperable, and resilient frameworks. It's important that private sector initiatives and public sector efforts work together in that regard.

Despite the challenges, I am confident that we can make significant progress by building on our successes. As the leading provider of CSD services, Euroclear will continue to act as a consolidator and a European champion with global scale. We look forward to collaborating with EU authorities, Member States, clients, and other market infrastructures in the next phase of development and strengthening our financial markets.



ODILE RENAUD-BASSO

President – European Bank for Reconstruction and Development (EBRD)

Stronger local financial ecosystems as key to European competitiveness

The sense of urgency to increase European competitiveness and renewed impetus to translate the goals of the Savings and Investments Union into concrete actions aligns well with several market developments, including the EBRD's initiatives. Efforts to link Western European stock exchanges and post-trade infrastructure providers are slowly taking shape with Euronext now the biggest listing and trading venue in Europe. The Nasdaq Nordic and Baltic markets continue to demonstrate the advantages of regional integration.

Yet national interests have kept EU member states largely developing their capital markets in isolation. Inefficiencies are amplified in the smaller Central and Eastern European (CEE) markets, including through fragmented infrastructure, shallow liquidity, poor access to long-term risk capital for corporates, and savings sitting idly in low interest yielding bank accounts.

A core challenge is indeed the lack of deep, long-term capital pools in CEE markets. Retail savings remain largely in bank deposits instead of investment products that drive economic growth. The absence of well-developed pension funds and asset management vehicles limit the flow of household wealth into capital markets. Expanding these investment channels is essential to build bigger, deeper and more integrated capital markets.

Governments and regulators need to work together to create harmonized rules which will ultimately facilitate a common approach to supervision. A single European supervisory framework appears to be by far the most optimal solution. However, it is not achievable unless the significant differences in core legislation—including taxation, corporate laws, and other regulatory frameworks—are properly addressed. Even without full harmonization, substantial improvements can be made through stronger cooperation among supervisory authorities. The Euronext College of Regulators can provide a model for this, offering a framework for licensing and supervisory practices and procedures to support cross-border trading and investment activity in the CEE region and beyond.

For overarching objectives to be realized, top-down measures need to be supported by corresponding bottom-up initiatives. Focusing on operational-level integration—by connecting and strengthening local ecosystems—provides a practical pathway to enhancing operational efficiency and reducing market liquidity fragmentation, ultimately fostering a more cohesive common capital market. This approach not only secures broad-based support from local stakeholders but also streamlines operations, reduces costs, and promotes cross-border collaboration. The way forward lies in embracing the diversity of European markets by developing a strong network of interconnected local ecosystems that facilitate cross-border

investments, rather than attempting to replicate the perceived ideal of the US capital market infrastructure.

In late 2024, eight CEE stock exchanges signed a Memorandum of Understanding (MoU) with the EBRD and officially confirmed their intention to work on integrating the capital market infrastructure in the CEE region. Their aim is to develop primary markets to facilitate access to capital for companies at the early stages of business development and expansion; achieve operational integration of capital market infrastructure in the region; and activate retail investors by promoting long-term investing, improving market liquidity, and reducing barriers to investment on regional exchanges.

The signatories emphasise that regional cooperation will help improve the capacity to channel retail savings into long-term capital market instruments while also enhancing the region's international competitiveness. By pooling resources and experience, CEE can become an attractive destination for capital investment and innovation financing, akin to the successful Pan-Baltic capital market that integrated Nasdaq Nordic and Baltic markets. If successful, this model could serve as a blueprint for broader EU capital market integration, demonstrating that a unified market can be built without sacrificing the diversity of national financial systems.

The way forward lies in embracing the diversity of European markets by developing a strong network of interconnected local ecosystems that facilitate cross-border investments.

In the capital markets space, the EBRD itself has invested EUR 1.45 billion, with a focus on broadening the financial instruments available, helping first-time issuers tap international markets.

By embracing the diversity of European markets and fostering interconnected local ecosystems, we can all pave the way for integrated capital markets which enhance international competitiveness and drives sustainable economic growth across the region.