SIU: ARE WE ON THE RIGHT TRACK?

VERENA ROSS
Chair – European Securities and Markets Authority (ESMA)

The first pieces of the SIU puzzle – market integration and supervision

The Savings and Investments Union is not just another turn of the CMU wheel; it is a statement of intent for Europe's competitiveness. It is a deliberate strategic commitment to drive Europe's capital markets forward.

The SIU Strategy instils a stronger sense of purpose amongst policy makers, regulators and actors across the financial system – from investors, to banks, to stock markets. For the first time, the SIU brings together the legacy initiatives of Capital Markets Union and the Banking Union into a single, more coherent narrative about how to mobilise private capital across Europe and support the EU's broader economic goals. It's also rooted in serious strategic reflection – most notably in the reports led by Mario Draghi and Enrico Letta.

Underpinning the SIU is a clear hybrid-approach, with EU-level reforms focused on framework legislation, market infrastructure and supervision, and Member States entrusted to act where national action is needed to break down remaining barriers to the single market in finance (e.g. taxation, insolvency, retirement schemes). This is a step forward from past initiatives. It reflects the institutional realities of the EU, acknowledging that success depends on coordinated action from the top down and the bottom up. Both tracks must advance in parallel – and in sync – if the EU is to deliver a capital market that functions for all.

From ESMA's perspective, the momentum at EU level is encouraging. It builds on solid progress made in recent years through legislative reforms. The introduction of the long-awaited consolidated tape, the European Single Access Point and the reforms under the Listing Act mark a significant step toward better and more efficient market functioning. The move to T+1 settlement is similarly important, aligning the EU with international peers and improving efficiency – though it also underscores the need for strong operational coordination across market participants and national authorities.

At the same time, structural and regulatory barriers for market infrastructures remain a brake on integration. These operational frictions limit competition, increase costs, and reduce the ability of market participants to operate seamlessly across borders. ESMA's vision is for an environment where trading, clearing and settlement connections can be established more easily, with fewer procedural and other barriers, and where market participants can choose the most efficient services regardless of national boundaries. In an age of rapid technological advancement, we should also seize the opportunities of innovation and digitalisation (such as DLT).

Yet greater interoperability and efficiency in market infrastructure alone will not be enough. For an integrated market to realise its full potential, it must be matched by a single rulebook that is clear and harmonised, and by consistent supervision across the EU. Divergent supervisory practices risk creating ambiguity and an unlevel playing field, raising costs, slowing time to market, and discouraging cross-border activity. A more coherent supervisory approach offers greater certainty, while embedding a common risk-based perspective and supervisory approach to minimise unnecessary regulatory burden.

This is why supervision must be a central part of the SIU agenda. ESMA's existing work on convergence has delivered real value. But experience shows that supervisory convergence has its limits, and to move past those limitations, bolder moves must be considered. With a legislative proposal anticipated by the end of the year, we therefore support an ambitious approach to strengthen both supervisory convergence and EU-level supervision.

EU-level supervision is particularly important where the scale, cross-border reach, or systemic importance of an activity demands consistent pan-European oversight. This includes critical market infrastructures like CCPs, CSDs and Trading Venues, but also extends to novel areas such as the provision of crypto assets across the EU. The European funds sector, an integral and valued part of our capital markets, could also benefit from a more cohesive form of supervision.

Ultimately, EU-level supervision should focus on those entities and activities that are not exclusively nationally orientated, and where more EU-wide integration is needed. This means that the vast majority of financial market firms should remain under national oversight, preserving the benefits of proximity and local knowledge. Supervisory convergence will continue to provide the necessary alignment between both.

Together with national supervisors, ESMA will continue to strengthen its duties as a direct supervisor and a convener and coordinator – building a more coherent supervisory model that can enable competitive capital markets.

At this pivotal moment, as the first pieces of the SIU puzzle are being put in place, it is crucial that we start as we mean to go on – with creativity, ambition and vision for our common and unique EU capital market.

JOUR-SCHROEDER

Deputy Director-General, DG for Financial Stability, Financial Services and Capital Markets Union – European Commission

The EU's Savings and Investments Union: A collective strategy for growth

The EU's Savings and Investments Union (SIU) Strategy is designed to empower individuals with greater opportunities to build wealth through investing their savings. This project also aims at making our financial system more efficient to help mobilise these savings into productive investment to enhance Europe's competitiveness and unlock its economic potential. While Europe is home to vast pools of private savings and vibrant businesses, financial intermediation remains underdeveloped. This means that investors are unable to access the best investment opportunities to get returns on their savings, while businesses struggle to secure the full extent of funding they need to grow. The SIU aims to bridge this gap.

The SIU strategy adopted earlier this year focuses on four key pillars: (1) Citizens and Savings, (2) Investments and Financing, (3) Integration and Scale, and (4) Efficient Supervision.

The first priority is to empower citizens as investors. Approximately €10 trillion of EU households' money sit in low-yield deposits, despite the availability of higher-return investment options. Through initiatives on financial literacy, savings and investment accounts, and supplementary pensions, we aim to foster a more investment-savvy culture and to broaden citizens' access to further investments options. For example, in the autumn, the Commission will put forward a recommendation on a European blueprint for savings and investment accounts drawing from best practices from Member States and internationally. User-friendly accounts, especially when such accounts are matched with simplified taxation or tax incentives, can offer retail investors an easy access to investment products and investments that support wealth creation while funding EU priorities. The Commission will also put forward a package of reforms to boost participation in supplementary pensions, to support citizens' financial security in retirement and help mobilise long-term capital for investment in the real economy.

The second pillar focuses on increasing capital availability for businesses, including SMEs, scaleups, and firms driving the green and digital transitions and contributing to meeting our security and defence needs. We are taking measures to remove regulatory barriers that hinder institutional investment in equity, including venture capital, and will support exit routes for private investors – so that further capital can be easily reinjected in the economy. To unlock more bank lending, the Commission has recently proposed measures to improve our securitisation framework.

For capital markets to thrive, integration and scale are crucial, and this is the third pillar of SIU. Currently, our trading and post-trading infrastructures remain fragmented, increasing costs and limiting liquidity. We are working to remove barriers that hinder the integration and efficiency of market infrastructures and to the cross-border distribution of investment funds. We also aim to modernize our capital markets, by leveraging digital technologies, such as the distributed ledger technology and tokenisation. We will come forward with a package of legislative proposals by the end of 2025. The aim is to create scale, deepen market liquidity, and reduce frictions for businesses and investors alike.

Finally, consistent and efficient supervision is essential to the functioning of a true single market. Currently, diverging national supervisory practices create obstacles for doing business and invest in the EU —even when rules are harmonised. We aim to strengthen supervisory convergence tools and will examine whether some supervisory tasks—particularly those related to cross-border infrastructures and large market players—are better handled at EU level. This approach will preserve national expertise while delivering more uniform supervisory outcomes across the EU.

The SIU is not a "rebranding" of the Capital Markets Union. It's a more holistic approach – covering both capital markets and banking, as banks are critical providers of finance and play a crucial role of intermediaries in capital markets between savers and companies. That's why the Commission will renew efforts towards completing the Banking Union – which is paramount for financial stability and market integration.

Crucially, the SIU is not a project built in Brussels alone. Delivering on this ambition requires decisive action by Member States. Tax incentives, pension reforms, financial literacy, to name but a few, are largely national competencies. That's why the SIU aims to combine EU-level action with national measures. This approach ensures that all levels contribute to developing EU capital markets while preserving momentum, coherence and integration. A genuine single market for capital can be bigger than the sum of its national parts.

The Commission is fully committed to delivering on its part—concrete proposals, close cooperation with the co-legislators, and continued engagement with stakeholders. But building a genuine Savings and Investments Union requires collective leadership and political will across institutions, Member States, industry, and society.

By transforming our financial system into an engine for investment, we can create better opportunities for citizens, enhance our competitiveness, boost our economic growth and resilience and position Europe as a global leader.

GERASSIMOS THOMAS
Director General, DG Taxation and Customs Union – European Commission

Building a Savings and Investment Union now - Fiscal aspects and incentives are key

European citizens are among the world's most diligent savers, with around EUR 10 trillion currently held in savings accounts. There is broad consensus on the need to better mobilise these substantial EU savings into productive investments. Doing so would not only provide EU citizens with the potential for higher long-term returns, but also unlock vast capital to support innovation, growth and resilience across European economy. Fiscal incentives can play a relevant role by reducing perceived risks and increasing expected returns.

To substantially change the way in which Europeans save their money and increase the supply of long-term capital in the EU, bold measures are necessary. Measures to widen retail investment need to be paired with more structural reforms of pension schemes to achieve scale and to incentivise savers to invest their money. The EU is trying to achieve this through the promotion of retail investment as one of the cornerstones of the Savings and Investments Union (SIU) Communication.

The Commission believes more needs to be done to make investing in capital markets easier and more profitable. Retail savers already play a central role in financing the EU economy, indirectly via their bank deposits, but miss out on higher returns from capital market investments. Aside from a few Member States, EU citizens invest less in capital markets than citizens from the UK, Canada or the US.

In its SIU Communication, the Commission committed to present a European blueprint for savings and investments accounts (SIAs) based on existing best practices, including in the field of taxation. As a result, by Q3 2025, the Commission intends to issue a recommendation that will support the development of SIAs by Member States and outline key features to facilitate their take-up.

The Commission recommendation will call on Member States to introduce SIAs and will be based on best practices in the EU and internationally. The Commission recommendation will encourage the introduction in each Member State of a trustworthy and simple tool for citizens to access investment opportunities in capital markets and foster innovation and competition. At the same time, SIAs should exclude high risk speculative products.

The Commission is also considering the scope of EU-regulated financial service providers that should be able to offer SIAs. Cross-border competition among them is a strong driver of innovation and quality of service for customers. Lessons learned from other financial services (e.g. insurance and mortgage markets) and some SIAs show that low-cost portability can foster competition among SIA providers, which can lead to better services, more innovative products, and improved overall customer experience. Moreover, it would be beneficial if national taxation regimes do not hinder portability. SIA taxation should remain neutral for asset transfers to another SIA when the tax residency of the investor doesn't change.

Tax incentives such as tax deductions, exemptions, or deferred taxes can significantly enhance the appeal of equity investments, making them more attractive compared to consumption or low-risk savings options. Capital gains tax rates affect whether investors are willing to lock money into equity versus fixed-income products. Lower taxes on capital gains incentivise risk-taking and long-term investment.

Targeted tax incentives in addition to simplified tax compliance while not sufficient alone, are essential tools in creating an environment where savings are directed towards equity investments in innovative and high-growth firms. The Commission will monitor closely the uptake by Member States.

The European Commission launched its EU Startup and Scaleup Strategy, 'Choose Europe to Start and Scale', to make Europe a great place to start and grow global technology-driven companies. The Strategy aligns with the broader 'Choose Europe' initiative, launched by President von der Leyen. Startups and scaleups need better access to funding, a deeper and more integrated EU venture capital (VC) market, and greater participation from European institutional investors. The Savings and Investments Union initiative will be instrumental in unlocking additional financing and broadening investment opportunities in the EU.

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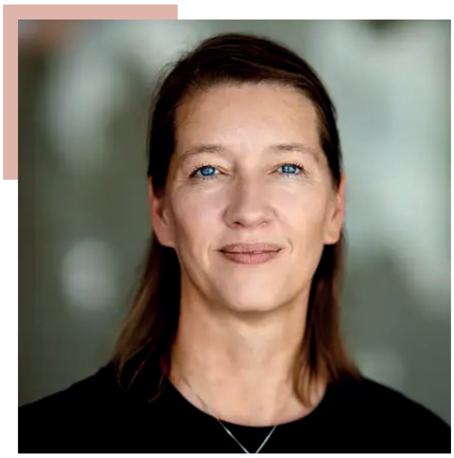
The FASTER (Faster and Safer Tax Excess Refunds) Directive in the EU, which will streamline and shorten the procedure for withholding tax refunds as from 2030, is a major contribution to making cross-border investments more attractive.

Finally, the Commission's proposal for a Directive called DEBRA (Debt Equity Bias Reduction Allowance) from 2022 has to be seen as yet another contribution to the creation of a Savings and Investment Union in the EU. Yet, the support for it is lacking.

The Commission relies on Member States and all relevant stakeholders to reach agreement on bold and forward-looking measures. Without decisive actions now, the creation of a Savings and Investment Union risk being delayed for another decade - or even more.



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Mobilising private savings: Targeted and balanced approach to EU capital markets

Strengthening EU competitiveness and mobilising more private capital are central priorities for the coming years. Efficient and integrated capital markets have the potential to support the green and digital transitions and foster innovation. Europeans hold substantial savings that could be channelled into capital markets and invested across borders in companies, new technologies, thereby contributing to sustainable growth and job creation across the EU.

The European Commission's Savings and Investment Union (SIU) strategy is a welcome step in this direction, aiming to unlock the potential of European savings and strengthen the internal market for financial services. The hybrid approach—combining top-down EU action with bottom-up Member State involvement—offers a promising way forward, building on the strengths of both EU-wide initiatives and well-functioning national systems. New SIU initiatives, including recommendations for European savings and investment accounts and auto-enrolment pensions schemes, are important elements and could help further mobilise private capital for productive investment.

However, it is important to recognise that, in recent years, almost all major EU capital markets legislation has already been revised. This has resulted in a robust regulatory framework, but also in significant complexity and implementation challenges for authorities and market participants. Against this backdrop, there is no general need for another wave of legislative revisions. Instead, the focus should now be on targeted changes and effective implementation of existing rules, while supporting the development of strong national savings systems, including pension systems, which are key to long-term investment.

Experience from the Capital Markets Union (CMU) shows that harmonisation across Member States can be challenging, especially where well-functioning national solutions already exist. It is essential that EU regulation does not undermine robust and well-managed national systems, which have proven effective in mobilising long-term capital and providing economic security for citizens. Preserving the diversity of national approaches is a strength for the EU as a whole.

The SIU strategy's hybrid approach can be particularly effective in areas such as exchanging best practices and developing "blueprints" for successful national setups. These initiatives can promote long-term savings and investment while respecting national competences and supporting the diversity of national models. At the same time, measures that improve the business environment—by advancing the EU's simplification agenda and supporting national reforms to boost productivity—are also crucial to making European companies more attractive to investors and ensuring the EU remains globally competitive.

It is also essential that any new initiatives are accompanied by thorough impact assessments at both EU and national levels. Regulation should be simple, proportionate, and targeted, avoiding unnecessary burdens and supporting innovation and competition. A regulatory slowdown would allow time for the many new rules already adopted to be properly implemented and for their effects to be evaluated in practice, ensuring that the intended benefits are actually realised.

When considering further integration of supervisory structures at the European level, it is important to maintain a clear focus on initiatives that deliver tangible added value for citizens and businesses. Efforts should be directed towards measures that enhance market outcomes and investor protection. The primary objective must remain the creation of efficient, resilient, and accessible capital markets that serve the real economy and support sustainable development.

We should prioritise initiatives with clear added value that does not add complexity.

To further strengthen EU capital markets, the focus should be on supporting Member States in developing robust pension and savings systems. Well-designed pension schemes, as seen in several Member States, have the potential to channel significant private savings into capital markets, supporting growth and the green transition, while still keeping long-term value creation for the customer at the core. At the same time, it is important to respect that pension systems are closely linked to national labour market and welfare models, and that reforms in this area must be tailored to national circumstances.

In conclusion, the SIU strategy should prioritise initiatives with clear added value that does not add complexity. The EU's role should be to facilitate cooperation, remove concrete cross-border barriers, and ensure that existing rules function as intended—while respecting and building on the strengths of well-functioning national solutions.

INGO BLEIER
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Mobilizing private capital – Moving beyond the expected

Europe is facing very large challenges which require substantial financial resources to address effectively. To give one example: according to the Commission's Competitiveness Compass the EU needs annual investments of around 750-800 bn EUR by 2030 to modernize its underperforming economy. Since public finances will not suffice and states should keep a certain fiscal discipline, mobilizing private capital will be essential. In this context the SIU should be the main facilitator.

It is still too early to say with certainty whether the SIU will truly set us on the right path towards mobilizing the required private capital. However, some preliminary observations can be made.

To begin with, the right priorities have been identified. There is now a clear political consensus that making capital markets more attractive to EU citizens and corporates is crucial. There is significant potential in the approximately 11 tn EUR currently held in low-yield bank deposits across the EU. To encourage Europeans to consider capital markets and thereby make some of their cash available for direct investments into corporate investments, 3 elements are vital: targeted incentives, financial education and smart regulatory adjustments. What matters most, however, is that we move forward boldly.

Incentives: Taxation is the most powerful lever for capital market investments. While the EU lacks direct tax authority, the Commission should use its initiative on the savings and investments account to send a clear message: Member States should enhance the tax attractiveness of long-term investments — wherever this is not yet the case.

Financial literacy: Boosting citizens' understanding of the benefits and functioning of capital markets is another key element in mobilizing more private capital. Financially literate citizens recognize that, over the long run, investing, rather than merely saving, is the only viable path to growing wealth. The Commission's upcoming strategy will serve as a valuable complement to existing public and private initiatives.

Smart regulatory adjustments: The framework for PEPP needs to be overhauled substantially and simplified. Burdensome reporting requirements, country fragmentation (again in tax treatments) and a market-unfriendly design have rendered it largely unattractive. With its recent proposal to amend the EU's securitization rules, the Commission has demonstrated its ability to listen to the market. It's now time to follow suit in this and other areas, e.g. a radical MiFID simplification and harmonization.

In addition to these largely expected measures, the Commission should also aim for the unexpected by pushing for bold and forward-looking initiatives, such as introducing a 'welcome package' for newborns in the form of a securities account. The concept would work as follows: a publicly-funded cash donation would be made at birth, which parents shall invest in capital markets instruments for a minimum holding period. The investment would be tax-free and administered free of charge by financial institutions. This initiative could lay the foundation for long-term wealth creation, foster early capital market participation, and promote financial literacy from an early age.

Another bold move would be to effectively address the challenges faced by mobile EU citizens, who are often subject to multiple national pension schemes and disadvantaged by diverging rules and conditions. A potential solution could be the development of a joint, capital-based EU pension scheme specifically designed for mobile citizens. This scheme would streamline entitlements by consolidating individual rights from the first and second pillars into a unified, Union-wide system. In doing so, it would create a common capital pool, enhance portability and foster long-term financial security across borders. When it comes to pensions more broadly, increasing capital-funded pension provisions has the potential to mobilize the largest volumes of capital across Europe's financial markets.

Three elements are vital: targeted incentives, financial education and smart regulatory adjustments.

There is also a clear link to venture capital. It poses a real challenge for Europe when institutional investors rarely allocate funds to European venture capital or prefer established US funds instead. As highlighted in the comprehensive Draghi report, between 2008 and 2021, approximately 30% of EU unicorns relocated their headquarters abroad – undermining Europe's scale-up potential. Pension funds could play a transformative role in this context, as evidenced by the US, where the private equity market has largely developed thanks to significant investments from pension funds.

To sum up, we have made a strong start but a long way is still ahead of us. Let's be bold and do the unexpected.

STÉPHANE BOUJNAH

Chief Executive Officer and Chairman of the Managing Board - Euronext

Savings and Investment Union – Breaking barriers to integrating European capital markets

As European capital markets continue to face structural barriers, the urgency of completing the Savings and Investment Union (SIU) has come sharply into focus. As economic uncertainties loom and market dynamics shift, it is imperative to take decisive steps to strengthen the EU's capital markets and ensure the future competitiveness of the EU.

As the leading European capital market infrastructure, Euronext represents the largest continental liquidity pool, with nearly 1,800 listed issuers, €6.3 trillion in market capitalisation and 25% of European lit equity trading as of June 2025. Operating 7 regulated exchanges, 4 CSDs and 1 clearing house, Euronext fully embraces the European Commission's vision for SIU.

Efficient capital markets are vital for Europe's strategic autonomy, aligned with the priorities that the EU sets for the years ahead. Our recent launch of European Defence Bonds and Indices, along with the European Aerospace and Defence Hub, reflects our commitment to supporting this goal, a necessity in today's world.

A key component of transforming European capital markets is to drive investor demand and to increase retail participation. Initiatives like the EU Investment and Savings Account with appropriate fiscal incentives and pension reform are essential. At Euronext, we have invested significantly in our pre-IPO and Elite programmes which educate companies on their funding options and brings local ecosystems closer to public markets.

It is urgent to unlock much needed capital to drive Europe's growth. Alongside efforts to incentivise investor demand, we believe financial markets infrastructures can operate in a more efficient manner and work better for deeper, more liquid markets. However, three priority areas require fundamental reform.

Access to liquidity

Attracting more liquidity to EU capital markets, whether from new EU investors, in particular retail, or from overseas, requires a robust and efficient market structure.

The current state of the market is worrying: two-thirds of cash equity trading in the EU in 2024 was opaque, hidden from the eyes of many investors. Moreover, more than half of that trading was executed on bilateral pools of liquidity which are inaccessible to a broad audience, and which are not regulated as trading venues. This imbalance threatens financial stability and orderly markets, and it undermines effectiveness of the SIU project as the whole as it increases risks to price formation and market integrity.

Consequently, we need to re-orient competition and innovation incentives towards transparent, widely accessible and non-discretionary markets by revising the applicable regulatory framework.

Addressing post-trade fragmentation

The fragmentation of custody and settlement activities remains a significant challenge within the EU and translates into inefficiencies, complexity and increased costs. To address this, a bold consolidation of CSD activities is essential, through (i) extending Europe's single settlement platform (Target2-Securities) across all EU CSDs and (ii) facilitating multi-currency settlement on that platform.

In addition to public policy measures, the post-trade industry itself has a key role to play in delivering such consolidation. Euronext is taking the lead by rolling out a truly European CSD model. Thanks to this heavy investment, in one year, market participants will be able for the first time to manage multiple EU equity markets in one single competitive post-trade infrastructure.

By reducing post-trade fragmentation, the EU will fundamentally lower friction costs and therefore enhance liquidity which in turn will improve the overall efficiency of our capital markets.

Centralised supervision

Today, fragmented supervision and varied implementation of EU rules are the most important obstacles to real consolidation of the market. I believe that ESMA, with a new governance model and stronger resources, should supervise financial market infrastructures across Europe under a harmonised, risk-based framework.

Centralised supervision would not only bolster investor confidence but also mitigate systemic risks by ensuring uniform compliance with financial regulations. This is essential for creating a level playing field and fostering fair competition.

Finally, regulatory group recognition is key to allowing groups of financial market infrastructures operating across EU markets to deliver even more integrated and scaled-up services, in a more streamlined and efficient manner.