SIU: are we on the right track?

1. Progress on the SIU and way forward

1.1 Progress in the implementation of the SIU Strategy

A policymaker emphasised that steady progress is being made on the Savings and Investments Union (SIU) with many proposals due to be published by the end of 2025, to be followed by negotiations in the Parliament and Council. The Commission's action, as outlined in the March 2025 SIU Strategy communication, is structured around four well-balanced pillars: creating incentives for retail investment to turn savers into investors (including a recommendation on savings and investment accounts), supporting financing and investment in the economy through instruments such as securitisation, integrating markets to address fragmented liquidity following up on the consultation led over the summer of 2025, and enhancing supervision as part of the forthcoming integration and supervision package, which will also include a strong focus on simplification. Technological innovation will also be taken into account, notably in the integration package, with the inclusion of tokenisation and a review of the DLT pilot regime, the use of which needs to be further encouraged.

The chair asked whether 2028, set out in President von der Leyen's State of the Union address as the target year for completing the single market roadmap, should also serve as the deadline for the SIU. The policymaker confirmed that while this date applies to the broader single-market project, 2028 is a realistic overall horizon for the full implementation of SIU measures, including the time needed for negotiations.

Several speakers acknowledged the progress achieved and the renewed momentum around the CMU and SIU initiatives over the past two years. A policymaker underlined the Commission's persistence in advancing SIU and a new political willingness to integrate tax policy into the debate. While unanimity in tax matters complicates decision-making, significant progress is still possible, given the limited cross-border fiscal coordination to date in the area of capital markets. An official noted that, beyond the growing momentum, there is a shared sense of urgency among Member States to advance the SIU objectives, particularly as pension reform and legislative simplification gain prominence within the initiative.

1.2 A hybrid policy approach combining EU level and national action

A regulator welcomed the holistic approach of the SIU, stressing that no single measure can solve Europe's financing gap. Progress requires a combination of top-down coordination at the European level with bottom-up action from Member States. While many policymakers now recognise the need for a more ambitious and convergent approach and show growing willingness to achieve the SIU's objectives, certain areas such as pensions must be addressed nationally. However, national solutions to develop markets or enhance their efficiency should move in tandem with efforts toward the European single market, to avoid undermining collective progress.

An official underlined the need for Member States to act decisively in areas within their competence, such as pensions and tax incentives supporting savings and investment accounts. To achieve meaningful results, once an appropriate EU framework is in place, national authorities should implement the recommended actions in a convergent manner, with the Commission ensuring rigorous follow-up and monitoring of their implementation.

A policymaker also supported a hybrid policy strategy to move the SIU forward. In some areas, top-down harmonisation through EU regulation is necessary, while in others, where European legislation would be too complex or time-consuming to implement, soft-law tools such as recommendations or guidance can deliver faster results, working in cooperation with Member States and industry. Robust monitoring, including regular peer reviews and exchanges on best practices among Member States is also essential. This approach should replace the tendency to legislate without sufficient attention to practical implementation, which has proved ineffective in areas such as taxation.

Another policymaker confirmed that the hybrid approach is the right way forward for the next steps of SIU, stressing that greater responsibility at Member States level must be matched by structured monitoring at EU level. Existing mechanisms, such as the European Semester, could serve this purpose if made more agile. Other useful tools worth considering include the Eurogroup's CMU structured monitoring exercise, which facilitates exchanges among Member States, and the Competitiveness Lab launched by 7 Member States to develop joint initiatives supporting the SIU. Future steps of the SIU should increasingly rely on bottom-up action complemented by consistent EU level follow-up and monitoring.

An industry speaker welcomed the SIU's pragmatic direction but emphasised that speed must become the defining feature of future action in the capital market. While Europe has demonstrated its capacity to act rapidly in areas such as energy, vaccines, and defence, capital-markets reforms still lag behind. To accelerate progress, firm deadlines and measurable targets should be set, making potential delays and their consequences more visible. The industry speaker encouraged the creation of "coalitions of the willing" to advance projects when a majority cannot be reached fast enough among Member States, recalling that many major EU achievements (such as Schengen, the customs union, the euro) were launched by a group of pioneer countries. Faster progress could also be achieved with a greater role played by the industry through market-led consolidation and the bottom-up development of European standards. For example, standards for IPO prospectuses were recently created that way, following earlier work to standardise derivative contracts and commercial trading terms. These initiatives illustrate that industry-driven harmonisation can offer a faster alternative to regulation, without the constraints of the EU's legislative process. The chair agreed, noting that industry-led standards can usefully complement the regulatory process and can later be codified into EU regulation if appropriate.

1.3 Engaging all market participants

An industry speaker stressed that the SIU should better reflect the contribution of all key players to the development of capital markets, notably those that drive liquidity. While the roles of infrastructures, banks, and insurers are well recognized in SIU measures, market makers and liquidity providers, who are essential to achieving sufficient market depth, remain largely overlooked despite the persistent and significant shortage of liquidity in European capital markets. Current rules, particularly the Investment Firms Regulation and Directive, have unintentionally constrained these participants, discouraging liquidity provision and even driving some firms out of Europe. This runs counter to the SIU's goal of building deeper and more liquid markets and ultimately raises costs for investors.

2. Key priorities for advancing the SIU

Several speakers stressed the need to focus the SIU Strategy on a limited number of key priorities.

An industry speaker cautioned against the proliferation of disconnected initiatives under the SIU umbrella. The expected outcomes and success factors of the initiative should first be clearly defined and agreed before identifying the actions needed to achieve them. This would help to prioritise the most impactful measures and keep the initiative focused on delivering its core objectives. Another industry speaker also warned against multiplying technical measures within the SIU, as this would risk diluting its focus and effectiveness.

2.1 Encouraging retail participation in capital markets

Several panellists highlighted that channelling part of Europe's €10 trillion of household savings toward productive investments, notably in equity, is a key objective of the SIU.

A policymaker noted that the Commission's forthcoming recommendations on savings and investment accounts could contribute to this objective. While in Canada and the UK around 20% of assets are held in tax-advantaged investment accounts, the share in the EU remains below 1%, except in France and Hungary. Raising equity investment in these accounts to even 5% of total assets would already mark substantial progress.

An industry speaker underlined the importance of financial education to encourage retail investment, warning that current communication and disclosure requirements often have the opposite effect. Excessive emphasis on risk warnings discourages savers from investing in capital market products. A change in the communication with investors is needed, focusing more on financial education and the long term benefits of investing, rather than on potential losses. Without this rebalancing, households are unlikely to increasingly engage in the capital markets.

A regulator added that building investor trust is equally crucial. Providing simpler and more accessible information, together with intuitive digital tools that make the investor journey easier and more transparent, can help achieve this goal. Investors should receive appropriate support throughout the investment process to ensure they invest in an informed and measured way, with a clear understanding of the risks involved.

An industry speaker agreed on the need for financial education, adding that investors should also be informed about how to respond when investments underperform or markets decline, rather than deterring them by warnings that overemphasise risk.

The chair supported the need for financial education, suggesting that it should be a mandatory part of school curricula.

2.2 Developing supplementary pensions and investment savings accounts

An industry speaker emphasised that pension and fiscal choices, which fall within Member States' competence, are decisive for equity market development. In the US, retirement income depends largely on equity investment, whereas in Europe it relies mostly on pay-as-you-go systems and tax incentivised products investing in sovereign debt. Unless governments redirect tax incentives away from sovereign debt towards equity, following examples such as Sweden, Europe will remain unable to mobilise household savings for productive investment as advocated in the Draghi report. The key political choice is whether to continue subsidising sovereign debt liquidity or to foster equity markets through at least tax neutrality. Part of Europe's substantial household savings, amounting to around 19% of income in France, should be channelled into equity markets to sustain innovation and growth.

An official endorsed the SIU's focus on pensions and investment savings accounts, which have proven to be effective drivers of retail investment in the Nordic region, but cautioned that these are long term reforms requiring sustained commitment. Building investor confidence in these schemes is essential: citizens must trust that their savings are secure and managed in their best interests. In Denmark, this is ensured through a prudent-person principle, which could serve as a source of inspiration at EU level.

An industry speaker stressed that the lack of portability of Pillar 2 and 3 pension products and the inability to invest in these products on a cross-border basis limit savers' long term opportunities, as well as the targeted increase of depth in European capital markets. The patient long term capital needed to fund innovation and growth mainly stems from pension savings, which also help develop a stronger equity culture. The chair agreed that deeper private and supplementary pension schemes are critical to providing the liquidity and long term investment base needed for capital market expansion.

2.3 Addressing tax fragmentation and fiscal incentives

A policymaker highlighted the persistent fragmentation and inconsistency in the tax treatment of financial services across Member States. Digital investments face greater challenges in their tax treatment than some other sectors and PEPPs may be VAT-exempt when insurance based, but not when structured as investment products. The policymaker further explained that taxation plays a key role in promoting innovation and investment in start-ups and scale-ups. To meet the objectives of the Draghi Report, the entire funding ladder, from start-ups to mature firms, must be considered and notably the challenges that innovative firms face when scaling up. This requires addressing issues such as the tax treatment of stock options. Several packages covering these topics will be published between September 2025 and summer 2026, after which the Commission will assess whether to move from monitoring actions to legislation, despite the challenges of unanimity.

The policymaker added that the forthcoming supplementary pensions package of the Commission will also have important tax implications. The portability of tax incentives across the EU is essential for the mobile workforce and also for financial intermediaries assisting retail investors with tax compliance. Cross-border withholding tax claims remain too complex for most households. A public-private partnership on tax compliance is needed to develop practical solutions to simplify such procedures, building on the FASTER directive, which aims to streamline and digitalise withholding tax processes within the EU.

An industry speaker agreed that taxation is an essential component of capital market development. Fragmented tax regimes and divergent withholding tax rules potentially create double taxation risks that discourage cross-border investment and hinder the achievement of a true single capital market.

The chair acknowledged the importance of tax incentives for equity investment, noting that Sweden's success with its investment and savings account model is partly due to favourable tax treatment.

2.4 Improving trading and post-trading market structures

An industry speaker underlined the need to improve market structure. The original objective of MiFID II to channel more trading into transparent "lit" venues has not been achieved. Two-thirds of cash-equity trading now occurs in opaque bilateral platforms that are not subject to the same rules as exchanges, fragmenting liquidity and undermining price formation. Reversing this trend should be a core priority of the SIU. Persisting post-trade inefficiencies must also be addressed by accelerating the convergence of CSD operations on TARGET2-Securities to improve settlement and custody integration.

An official agreed that market-structure issues such as the balance between lit and dark trading must be addressed to ensure fair and transparent markets. An industry speaker cautioned however against regulatory intervention without further quantitative assessments. Definitions of lit and unlit trading remain inconsistent, and statistics often overstate the share of unlit transactions by including trades that should be excluded, leading to a distorted view of market dynamics. Improving data accuracy is therefore essential to guide any future action.

3. Simplifying the EU capital market regulatory and supervisory framework

A regulator considered that reducing the complexity of regulation and supervision, in line with the broader drive for simplification, should be a key objective of the SIU, particularly for cross-border activities. This requires improving legislative and implementation processes. Returning to the Lamfalussy principles could help achieve this goal, with simple and clear Level 1 legislation in the form of Regulations establishing a common framework to be implemented consistently across the EU. Level 1 texts should clearly set out the purpose and objectives of the legislation, without prescribing every detail in order to avoid multiple revisions as markets evolve. Level 2 and 3 guidance should continue to be provided at EU level to translate Level 1 provisions into implementable requirements and reduce the risk of divergent national interpretations. Level 2 must however focus on what is essential for a common implementation.

The regulator added that a degree of centralised supervision would be beneficial for certain large cross-border entities, to ensure greater consistency and effectiveness in risk mitigation, while supervisory convergence should be further strengthened where supervision remains national.

An official echoed the need for clear and concise Level 1 legislation supported by thorough impact assessments, and noted that Level 2 regulatory technical standards, often drafted under tight timelines, remain an area in need of further improvement and simplification.

An industry speaker agreed that simpler, more principles-based Level 1 frameworks would be beneficial. Divergent national interpretations must be eliminated also, as they undermine the benefits of the single market for cross-border firms.

A second industry speaker stressed that rules must be implemented consistently across EU member states, which has not always been the case, for instance with MiFID. Future legislation should take the form of regulations rather than directives to prevent a dilution of the Commission's proposals in the implementation process and avoid gold plating by domestic supervisors. This would help preserve consistency and foster the integrity of the single market.

A third industry speaker argued that establishing effective single supervision is essential for cross-border players and is the true test of Europe's seriousness in building an integrated capital market. Regulators should start by treating pan-European operators as single groups, ensuring that the delegation of activities within an integrated group is treated as such, rather than being considered third-party outsourcing as is currently the case.