

WILL SIU PROPOSALS BOOST THE ATTRACTIVENESS OF EU CAPITAL MARKETS?



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Improved connectivity and efficiency is the core of market integration

Poland's economy has grown steadily over the past 35 years, and this positive trajectory is expected to continue in the coming decade. The key challenge now is to avoid the middle-income trap and remain competitive amid rapid technological change. Achieving this goal requires a more efficient and dynamic capital market. Recognising this, the Ministry of Finance has focused over the past two years on strengthening the investment culture through national initiatives. Proposed changes under the Savings and Investment Union—particularly those aimed at simplification—can reinforce Poland's efforts, as well as those of other Member States, to ensure capital markets better serve the real economy.

European companies should be able to raise capital and scale their operations within Europe rather than seeking financing abroad. To support this objective, priority must be given to reducing the regulatory burden and

operating costs for listed companies. This would help stimulate IPO activity and strengthen stock exchanges as a source of growth capital. While adjustments to European legislation are necessary, behavioural and institutional changes—especially those encouraging a shift from passive to active investing—are likely to be even more important and more challenging to achieve.

The uneven depth of capital markets across the Union reflects differences in scale and maturity, varying levels of retail participation, and the still limited role of long-term institutional savings. Addressing these disparities requires more than harmonisation alone. Structural weaknesses at national level must be tackled at their source. In this context, developing best-practice recommendations on automatic enrolment, pension tracking systems, pension dashboards, and Savings and Investment Accounts is highly relevant. Poland is introducing Personal Investment Accounts (OKI), inspired by the Swedish model, to encourage citizens to take their first steps in long-term investing under tax-preferential conditions.

Further centralisation of stock exchanges is not, in itself, the solution to developing Europe's capital markets. The United States successfully operates with several competing exchanges, demonstrating that competition can enhance market dynamism. In the EU, deeper integration should be based on improving connectivity and efficiency without leading to excessive concentration of trading or post-trade activities in only a few major financial centres.

The recent German-French report on Financing Innovative Ventures in Europe (the FIVE Report) highlights a structural weakness: the share of traditional stock exchanges in European equity trading declined from 38% in 2020 to around 30% today. The five largest European exchange operators account for 85% of traditional exchange trading but only 25.5% of total trading volume, indicating significant consolidation. Meanwhile, approximately 70% of trading takes place on platforms owned by global banks, limiting the liquidity and price-discovery role traditionally performed by stock exchanges.

This suggests that fragmentation in EU capital markets stems less from the number of traditional exchanges

and more from the proliferation of non-exchange trading venues. The challenges facing Europe's capital markets should therefore not be viewed solely through the lens of insufficient cross-border activity.

Well-functioning local markets are essential for resilience, competition, and investor diversity within the EU financial system. Accordingly, integration measures under the Savings and Investment Union should remain proportionate, evidence-based, and respectful of diverse market structures. Policies that might unintentionally marginalise smaller markets or concentrate activity in a limited number of financial centres warrant careful consideration.

Challenges can't be viewed only through the lens of insufficient cross-border activity.

To build on the achievements of the past 35 years, Poland and other Central European economies must evolve their growth models. Mobilising “frozen capital” requires not only encouraging retail participation, but also strengthening institutional investment to ensure that Europe's vibrant start-up ecosystem can scale and remain on the continent. Drawing inspiration from France's Tibi initiative, Poland has developed the Innovate Poland concept to improve access to capital for innovative firms, adapting the French model to domestic conditions. This means, best practices and peer learning can help at least as much as harmonisation.

Finally, a dedicated EU Financial Services Simplification agenda is essential to improve the functioning of capital markets. To deliver it will require coordinated efforts across Directorates-General, particularly those responsible for finance, digital and data policies.



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Unlocking Europe's capital markets: SIU reforms and the road ahead

Europe faces structural challenges including geopolitical vulnerabilities, the need to accelerate the green and digital transitions and to strengthen defence capabilities. At the same time, the global competition to attract capital, talent and innovation is intensifying. To meet these challenges, the Savings and Investment Union (SIU) should become the transformational and historic opportunity the EU needs to mobilise the substantial pool of savings into productive investment.

Is this the case?

The Market Integration Package, an essential part of the SIU, aims to create a more integrated, efficient, and competitive European financial system. Integrated capital markets are fundamental for strengthening Europe's ability to finance its future and face the challenges ahead. This should act as a catalyst for efficient markets and greater global appeal. **Its potential effects may be viewed through three core dimensions:** integration, issuer and investor's access and modernisation.

Integration: the Package seeks to reduce cross-border regulatory barriers, harmonise trading and post trading rules, simplifying prospectuses, **developing pan European market infrastructures**, harmonising product distribution and centralised supervision. These measures address national divergences that raise costs and limits true economies of scale.

Access to capital markets: the Package seeks to broaden investor base available to issuers. By expanding growth markets and improving information availability, the proposals can **encourage more companies to tap public markets** and strengthen Europe's pipeline of scalable firms.

For issuers, this provides several tangible advantages: **1) Reduces complexity and compliance costs** through greater regulatory harmonisation and the use of directly applicable regulations. **2) More consistent and predictable supervision**, thanks to ESMA's strengthened role overseeing cross-border infrastructures and selected services providers. **3) Improved access for SMEs and scale-ups** through optimised SME growth markets, simplified disclosure and clearer pathways to public listings.

Furthermore, the SIU aims to **boost retail participation in capital markets by reinforcing financial literacy** while also directing capital toward strategic sectors and innovative firms.

Modernization: The Package also **modernises the EU financial ecosystem** by strengthening the framework for DLT based infrastructures, updating settlement and collateral rules, and advancing regulatory innovation in digital markets. This creates a flexible framework that enables technological development.

Are all these proposals enough to face the scale of the challenges ahead?

Not entirely. Some elements are not fully addressed, such as, insufficient liquidity in public markets, improvements in the investor journey and clarity on the roles of national competent authorities and ESMA in the implementation of these initiatives. These elements are key to deliver deeper, more resilient and more competitive EU capital markets.

Liquidity in public markets

Previous reforms favoured the introduction of more competition in the markets which was welcome but also contributed to liquidity fragmentation. The objective now should be a framework that encourages competition and more liquidity and transparency in the public markets. Ultimately, only with deeper liquidity pools can the EU improve

price discovery, reduce transaction costs and attract global investors to our public markets.

Improved Investor Journey

Improving investor access must mean making the entire journey simpler, more transparent and intuitive, so the initiatives should be ambitious. This includes clearer information on investment products and investor protection rules that safeguard retail investors without stifling innovation. A smoother journey is essential to increasing household participation in capital markets together with the promotion of financial literacy.

Clarity and simplicity in the implementation

A **streamlined and predictable framework and clearly defined role of national and European authorities is indispensable** for building trust, attracting long-term investment and enabling European capital markets to compete globally.

Complementary Reforms

Finally, other aspects complement the above and need to be tackled like the **persistent divergences in national tax and insolvency frameworks**.

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Achieving a fully integrated capital market will require **sustained commitment and action beyond the SIU's scope**. Member States are expected to complement EU level initiatives through **deeper cooperation like the Competitiveness Lab or the 28th regime for areas like insolvency, corporate and tax laws**. All these coordinated national and European actions should be welcome. They are necessary to achieve that **transformational and historical change** we need, to build capital markets that reinforce our competitiveness at global scale, support long term growth, foster strategic autonomy and strengthen Europe's resilience in the global economy.



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Our vision: unlocking deeper, more efficient EU capital markets through action

Europe stands at a pivotal moment where consensus has emerged at the highest political level on the need for deeper integration and transformation of savings into long-term investments. The Market Integration Package (MIP) aims to deliver on these ambitions in a timely fashion. Euronext has been very supportive of the SIU agenda and welcomes the MIP proposals. However, while the measures to enhance the supervisory framework and digitalisation are very welcome, the proposals on equity market structure miss the mark. Further action is needed to address fragmentation, improve transparency and promote deep, liquid markets.

Euronext's unique cross-European reach has been a key enabler of more integrated, efficient EU markets over the past two decades. Unfortunately, we continue to face certain structural barriers, with fragmentation in trading diluting liquidity and weakening price formation. The dispersion of trading volumes across numerous, often opaque venues further undermines transparent, lit liquidity and prevents

the emergence of pan-European liquidity pools. Uneven rules across different types of execution venues regrettably create an environment that hampers fair competition and restricts the mobilisation of private capital for strategic investment, holding back the EU's ambitions for growth and autonomy. While targeted commercial initiatives, such as Euronext's IPO-ready programme, support high-potential companies Made-in-Europe on their path to listing, their ultimate success depends on the existence of a genuinely liquid secondary market. In order to be attractive for listing, liquidity must be both visible and accessible. The MIP talks should prioritise transparency, fair competition and strong execution standards.

At the same time, the MIP package diverts attention of the policymakers by reopening the consolidated tape framework before the first equity tape has even gone live. The CT remains a flagship project for the EU, essential to bringing transparency and visibility to strengthen capital market integration. The priority should be to deliver the first tape smoothly and ensure it functions as intended before considering any potential adjustments. Premature re-design risks destabilising the MiFIR Review compromise, introducing new debates on order book depth, identification rules or data scope, while key questions like full geographical coverage and revenue models are being ignored.

Looking at post-trade, in the current state of affairs it remains a major bottleneck for Europe's capital markets. Settlement is still fragmented across a patchwork of domestic systems built around one CSD per Member State, limiting competition and investor choice. A truly integrated and competitive CSD landscape is needed. TARGET2-Securities (T2S) as a single, neutral settlement layer operated by the ECB enables CSD interoperability. Making T2S more functional, including for non-euro currencies or through standardised access to non-euro payment systems, would concentrate settlement volumes and support genuine competition. Euronext is already moving in this direction by expanding its own CSD network and challenging incumbents. The MIP provides momentum, but further ambition is needed to ensure that CSDs not only connect to T2S but actively use it.

Progress is also required on CCP interoperability. However, the logic needs to be different: CCPs manage open positions and mutualise risks, and there is no T2S-like layer. Thus, the set-up needs to be well-framed

as it is crucial that we can maintain robust risk management and that CCPs do not import risk from other, less resilient parts of the market. This means single supervision is required for all parties involved in any interoperability arrangement. Euronext supports a well-calibrated framework that strengthens liquidity and market access, while safeguarding financial stability remains central.

The MIP proposals rightly recognise that the EU must create conditions for scalable, market-driven innovation in the DLT/tokenisation space to enable the European financial ecosystem to leverage the latest technological developments. Measures aiming to improve the technological neutrality of the EU regulatory framework as well as the expansion of the DLT Pilot Regime are headed in the right direction.

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In a rapidly changing global environment, the need for strong, integrated EU capital markets has never been clearer. Now is the moment to act and make meaningful impact on market structure and post-trade to deliver, with real ambition, the markets Europe needs and deserves. By safeguarding transparent on-exchange liquidity and completing post-trade integration, we can unlock the full potential of a truly integrated EU capital market, supporting growth, innovation and resilience across Europe for future generations.