

Building an effective SIU: key dynamics

1. Objectives of a successful SIU

1.1 Main objectives of the Savings and Investments Union (SIU) initiative

An industry speaker stated that the SIU should aim to make Europe a global hub of financial liquidity across asset classes, capable of attracting major IPOs and listings. This requires efficient, cost-effective infrastructure, including interoperable post-trading systems, and appropriate incentives for retail investor participation in the capital markets. A diverse base of market participants is also essential, including banks, insurers, and specialised firms like market makers, with specialisation encouraged over generalisation. Finally, the sector must attract more talent from European universities by promoting a more positive image of finance as a vital part of society.

An official suggested that for the SIU to be considered successful, risks must be effectively managed so that citizens and firms can access adequate financing and hedge against risk. However, this is difficult to assess quantitatively. Furthermore, the success of the SIU cannot be measured by capital market indicators alone, as developing markets is not an end in itself. Broader economic outcomes also matter, such as the ability to provide private equity and venture capital funding for start-ups, an area where Europe still lags significantly behind the US. The Commission and Council have developed a set of indicators to track capital market development, which will feature in an annual reporting to the Eurogroup. The key challenge, however, is distinguishing the impact of policy decisions from natural market developments.

An industry speaker considered that the top priority for the SIU is mobilising risk capital from institutional and retail investors. The ultimate measure of the SIU's success should be Europe's ability to grow and scale companies, and to allow start-ups and high-growth companies, especially in the tech sector, to thrive in Europe. An official agreed that the success of the SIU will lie in improving financing for innovation and the broader European economy.

1.2 Comparison with the US market

The chair asked whether comparisons with the US market are helpful for defining objectives and priorities for the SIU.

An industry speaker noted that, while comparisons with the US market can be useful for identifying gaps, they can also be misleading because the EU is different from the US. While there is a single market in some respects, the EU comprises 27 different jurisdictions, each with their own legal, tax and regulatory framework, which has a fundamental impact on day-to-day market realities.

Another industry speaker agreed that direct comparisons between EU and US markets are difficult, as Europe is structurally different, with diverse jurisdictions, cultures, market structures and market access models. The US capital market presents a mixed picture. It is strong in building deep and diverse pools of risk capital through its 401(k) pension system and vibrant venture capital sector, and in enabling corporate access to markets. It also benefits from a strong culture of entrepreneurial, founder-led innovation. However, certain US practices, such as OTC or bilateral retail order trading and payment for order flow, are not desirable for a healthy capital market.

2. Opportunities and challenges of the SIU

Several speakers highlighted the opportunities of Europe in the current geopolitical environment to attract investment. An industry speaker observed that in the current geopolitical environment, Europe has a unique opportunity to attract a larger share of global investments by positioning itself as a reliable, credible, efficient, and investor-friendly jurisdiction. SIU is the right framework for achieving this and must adopt a global perspective to attract international capital.

Some key challenges facing the SIU were also identified.

A regulator emphasised that the main obstacle to a successful SIU is the complexity of Europe's market structure, regulation, and institutional setup, which hampers competitiveness and results in sub-optimal outcomes. The fragmentation of the securities value chain, with 27 CSDs and 14 CCPs, limits market depth, liquidity, and efficiency. This is compounded by divergent legal frameworks, including insolvency laws. Regulation has become overly complex due to political compromises, and streamlining is needed with a clearer focus on original policy goals. Some on-going initiatives, such as the Retail Investment Strategy (RIS), should be reviewed to ensure they meet their objectives, such as enhancing the market for retail investors, with a simpler set of measures. Institutional reform is also necessary to reduce complexity in rulemaking and supervision. The multiplication of supervisory agencies creates inefficiencies through multiple interfaces and overlaps, highlighting the need for a more streamlined supervisory framework.

An industry speaker agreed that simplification is essential for attracting investors, but noted that there must also be attractive returns considering the risks taken. While Europe has striven to reduce risk exposure for investors, this is not necessarily aligned with investor expectations. Many investors are aware of the need to diversify risk and seek attractive returns. They also understand that a risk-free financial environment does not exist.

3. Priorities for an effective SIU

3.1 Enhancing the supervisory approach to European capital markets

The chair asked how important more centralised or unified supervision is for the growth of capital markets.

An official stated that supervision must be part of the agenda for EU capital market integration, as it is essential for both competitiveness and financial stability. A clear path is needed towards more unified supervision of capital markets. Although ESMA plays a key role in promoting supervisory convergence, differences in how EU regulations are implemented at national level persist. While colleges of supervisors are useful, they cannot fully address market fragmentation, and reporting practices also continue to vary. More unified supervision would provide a more comprehensive view of the risks posed by individual financial actors. Implementing such changes is challenging due to the current institutional framework and diverse national supervisory traditions, but progress is necessary. Initial steps could focus on cross-border and systemic institutions, as well as sectors like crypto, where cross-border players dominate. Revising ESMA's governance is also required to support this evolution.

A regulator noted that, while supervision alone does not create markets, fragmented supervision raises compliance costs and facilitates regulatory arbitrage. Greater convergence in supervisory practices is needed, particularly in a digitalised environment with passporting options. This can be achieved either through centralisation or by improving consistency across member states via coordination efforts. The appropriate approach depends on the sector and the type of entity. For large, systemically important cross-border entities such as CCPs, centralised supervision is a viable option, provided issues such as fiscal responsibility in the event of failure and clear allocation of supervisory roles are addressed. However, centralisation must not lead to higher costs or lower efficiency; in some cases, centralised models have proven more expensive than decentralised ones. Therefore, convergence without full centralisation should also be explored. Existing governance frameworks could be strengthened to enforce convergence across supervisory authorities more effectively, complementing existing soft coordination mechanisms.

3.2 Regulatory priorities (securisation, market infrastructures, legal barriers, retail participation)

An industry speaker welcomed the priority given to securitisation in the SIU Strategy, highlighting its potential to support the financing of the EU economy. To develop securitisation in the EU, the investor base must be broadened by attracting non-bank investors such as insurance companies, which would require revisiting the prudential treatment of securitisation under Solvency II. A more principles-based approach to due diligence and transparency requirements, along with templated disclosure for plain-vanilla products, could further support the development of the securitization market. A second priority is to boost retail investor participation to increase market size and liquidity, which calls for national measures such as tax incentives. Legal barriers,

particularly differences in insolvency law across member states, must also be addressed to develop cross-border securities markets. This issue is also relevant for securitisation, as legal fragmentation creates uncertainty, hampering scale. Finally, technologies like DLT can support further integration of EU securities markets, especially in the post-trading area, where greater efficiency is needed given the multiplicity of market infrastructures.

A second industry speaker stated that there needs to be more focus on infrastructure in the next steps of the SIU, in order to ensure seamless front-to-back transaction execution on a large scale. This will benefit both institutional and retail investors by providing greater efficiency and stability. While strong regulation and technical expertise in Europe provide a sound starting point for achieving this, market participants must collaborate across the value chain to streamline processes and enhance the liquidity of European financial markets.

A third industry speaker emphasised that improving interoperability and connectivity between infrastructures is more important than reducing their number. Post-trade fragmentation requires careful analysis. Although many CSDs operate in the EU, two groups account for approximately 90% of settlement activity. A number of market-driven solutions have been developed over the years to enhance integration, and this progress should continue. In the settlement space, common technical platforms already connect multiple markets, and in fixed-income markets there are truly pan-European and international CSDs that act as hubs for a significant part of the market. However, fragmentation persists in equity markets. The fixed-income model could guide equity market integration, with the development of pan-European hubs offering similar connectivity and interoperability. DLT also holds potential for post-trade processes, but action is needed now to avoid reproducing a new fragmentation in the digital space. Policy enablers should also be considered for supporting intra-group integration and the mutualisation of operations and platforms. Finally, consistent supervisory approaches and methodologies are essential to ensure effective compliance with the EU rulebook.

A fourth industry speaker agreed that the number of infrastructures is not the only factor to consider. The main European trading and post-trading infrastructures are highly efficient and competitive.

An official considered that removing legal, fiscal, and accounting barriers is essential to developing cross-border capital markets in Europe. Legal obstacles include divergent corporate laws, particularly for listed companies, as well as differences in insolvency and securities laws. These politically sensitive issues have only been superficially addressed, but without legal harmonisation, further integration or consolidation of post-trading infrastructures will have limited effect. The lack of progress on legal harmonisation also poses risks to investor protection. The Hague Securities Convention, intended to clarify the applicable law for cross-border securities holdings, has not entered into force due to insufficient ratification. This creates persistent legal uncertainties and vulnerabilities in the custody chain. In the event of a custodian failure, unresolved ambiguities

could undermine investor claims, though this risk remains untested. This example underscores the critical need for harmonisation to ensure both the effectiveness and the safety of European capital markets.

3.3 Importance of the Banking Union for the SIU

An industry speaker, responding to a question from the chair on the relevance of the Banking Union (BU) for the SIU, emphasised that the two are not separate initiatives but two integral components of a unified European financial market. As banks continue to play a central role in financing the EU economy and as intermediaries for capital market activities, they must be fully involved in building more integrated financial markets. An integrated BU would moreover reduce market fragmentation and enhance resilience. There is a risk that the momentum behind the SIU could sideline the BU due to the latter's slow progress, but both initiatives must advance in tandem. Moving forward on both fronts simultaneously during the current political cycle would strengthen the appeal of the EU's financial system, support the cross-border integration of financial markets, and bolster the trust of financial services consumers across the EU.

4. Approach for making effective progress on the SIU

4.1 A novel approach with shared responsibility between the EU and Member States

A policy-maker stated that the SIU cannot be built from Brussels alone. Progress on SIU must be driven at both the EU and national levels. It requires a strong partnership and shared responsibility between EU institutions and Member States, and it requires buy-in from all stakeholders. The SIU Communication, published in March 2025, acknowledges the essential role of Member States in advancing reforms both individually but also in a coordinated manner. This is the case especially in areas where EU competence is limited, such as taxation and pensions. Now is the time to take decisive steps and, through close cooperation, turn the SIU into a concrete reality, building on previous CMU efforts.

An official considered that the SIU Strategy sets out a clear agenda, and that the strong momentum behind the SIU must be capitalised on. However, concrete progress requires political will at the level of the member states. Member states must respond with ambitious proposals and a willingness to compromise. Timing is also essential and differences in views between the EU and member states, as well as between the member states themselves, must be reconciled through focused negotiation.

An industry speaker agreed that the right elements are now in place to move SIU forward: a coherent plan, regulatory clarity, and clear political commitment. The emphasis must now be put on implementation.

4.2 Member states' role and EU level coordination

The chair noted that many key elements for the SIU are mostly in the hands of member states, including pensions, tax incentives, and financial literacy and asked how an

adequate combination of EU and national actions, as proposed in the SIU Strategy, could be implemented.

A regulator emphasised that moving towards greater market integration requires abandoning some national specificities. These two aspects must be considered together. For the initiative to be successful, member states must engage in the collective process of building the SIU and simplifying regulation.

An official remarked that member state actions in areas where they retain primary responsibility, such as taxation and pension systems, must be subject to monitoring at EU level. The annual reporting to the Eurogroup, to be prepared by the Commission and the Council, will serve as a key tool to track capital market development across the EU and assess progress towards the goals of the SIU.

An industry speaker stressed that Sweden demonstrates what determined national action can achieve. Over time, it has built a vibrant capital market with the highest listing activity in Europe, a success shaped by years of experimentation. Key factors include the effective mobilisation of risk capital, particularly via pension funds and gradually refined ISK investment accounts, as well as strong financial literacy and widespread investment experience among the population. Sweden shows that coalitions of the willing can drive real progress when supported by a suitable European regulatory framework and effective supervision. It also illustrates that a sophisticated capital market can develop within a national context in Europe. However, cross-border capital flows remain a major challenge in the Nordic and Baltic region. Although regional liquidity aggregation would offer clear benefits, it is still held back by limited market linkages.

5. Wrap up

A policy-maker noted that the panellists had highlighted many of the key elements needed for a successful SIU. Given the complexity of the issues and tight deadlines, decisive action must be taken now. Barriers at the market infrastructure level must be clearly identified and addressed through targeted solutions, and the Commission will soon seek detailed input on how to address them. Supporting the growth of EU scale-ups and improving access to risk capital remain a key priority. The Banking Union must also progress in parallel with the SIU, as an integrated EU banking sector is essential for the development of capital markets across the EU. Supervision must become more consistent and convergent, with EU-level solutions considered where appropriate. It is also vital to ensure incentives for retail investment are in place, though harmonising tax incentives is not necessarily required, as national models can be effective. Persistent legal fragmentation in insolvency, company law, and accounting remains a major challenge. On the technology front, Europe must accelerate efforts to ensure interoperability and avoid fragmented platforms. A coordinated approach across all these areas is essential to deliver a functional SIU.