

SIU next steps

1. A strong momentum and sense of urgency around the SIU initiative

An official emphasised that the goal of the Savings and Investments Union (SIU) is to channel European savings into productive investments to support the long-term development of the EU economy and improve wealth prospects, offering a stable path for future growth. Encouraging EU citizens to invest more within the Union is essential to achieving these goals; otherwise, external actors may benefit from Europe's savings.

A regulator emphasised the urgency of implementing the SIU, in light of the EU's pressing productivity and competitiveness challenges highlighted in the Draghi and Letta reports in particular. The current political momentum around the SIU and the will to progress are a reason for optimism and must be seized to advance this initiative.

An industry speaker agreed that there is now a stronger sense of urgency, and a clearer, shared ambition compared to previous CMU efforts. The key challenge however lies in execution, which requires openness and courage not only from the European Commission but also from the Member States.

Another industry speaker noted that while a key challenge is turning the SIU's findings and recommendations into concrete action, the initiative marks real progress by opening up new growth opportunities through strategic public spending not seen in years. There is strong agreement that capital markets must play a greater role, as banks alone cannot meet all financing needs. To enable large-scale investment in priority areas such as the green and digital transitions and defence, the SIU must help mobilise long-term savings and remove regulatory barriers. Programmes like the ReArm Europe plan, aimed at boosting defence investment, illustrate the type of strategic spending that will require deeper capital markets and greater private investment. This may also lead to more effective incentives, including improved tax and regulatory measures to attract private capital. The renewed sense of unity within the EU around these initiatives offers a shared path to strengthen European capital markets.

2. Key priorities of the SIU Strategy

2.1 Key areas of focus for the development of EU capital markets

The panellists highlighted key areas on which they recommended the SIU focus in the next stage of the initiative.

An industry speaker emphasised that a competitive and resilient European economy requires strong, liquid capital markets, but fragmentation remains a major barrier. Multiple post-trading infrastructures create inefficiencies and raise costs and inconsistent national legislations, especially tax incentives, insolvency regimes and securities laws add further complexity. Supervisory approaches also vary, often involving overlapping layers. Tackling this fragmentation is essential. There is also the need to shift from a protective approach to savers toward actively encouraging their engagement in capital markets. While developing deep capital markets is a long-term challenge, some targeted measures could yield near-term benefits. These include extending TARGET2 Securities operating hours to reduce dependence on US dollar payments and improve settlement and margin call processes, as well as streamlining reporting obligations, which are currently more burdensome in the EU than in the US, despite lower market activity.

An official acknowledged that eliminating barriers to cross-border investment and achieving greater harmonisation of the EU rulebook are important long-term objectives for the EU. However, they are insufficient to encourage retail investor participation. Other measures are needed to enhance financial literacy and promote an equity culture, so that investors are encouraged to take measured risks. EU capital markets should also be made more attractive by improving the competitiveness of EU firms and by simplifying and clarifying regulation to reduce the regulatory burden. High returns can be achieved without investing outside the EU, given the strong diversity of geographies and sectors present in the Union. However, local market ecosystems must be allowed to develop and the access to a variety of national markets must be maintained, without excessive centralisation. The SIU can contribute to achieving these goals by offering guidance, incentives and opportunities to exchange best practice in areas such as taxation, equity investment, insolvency regimes and pension systems. The official also welcomed the SIU's proposals to develop long-term investment and securitisation measures to help banks transfer risks and recycle capital into new lending.

An industry speaker emphasised the importance of developing capital-backed Pillar 3 pension schemes, which could appeal to consumers and deserve more support from the regulatory framework. Currently, only a small proportion of Europeans have pensions with significant exposure to capital markets. Although stimulating European economic growth is a commendable objective, the industry speaker cautioned against restricting pension investments to Europe, as this would contradict the principles of capital markets. Investors must be free to seek opportunities globally. Given Europe's own strong

investment potential, protectionist policies are unnecessary.

Another industry speaker agreed that pension products need to be enhanced, for example by including a degree of capitalisation in all three pillars of the pension system. More broadly, the availability of adequate long-term investment products is a key driver for encouraging savings to be invested in the European economy. Proposals initiated during the previous European political cycle to adjust fiscal processes in order to attract more retail and institutional investment into the EU should also be implemented. These include the DEBRA (Debt-Equity Bias Reduction Allowance) and FASTER (Faster and Safer Tax Relief of Excess Withholding Taxes) Directives.

An official also highlighted the importance of developing supplementary pensions. Efforts are underway at domestic level notably in Germany, where the coalition agreement includes the mission to enhance the tax-aided third-pillar pension system.

A regulator identified three key priorities: securitisation, investor participation and supervision. Securitisation offers significant potential for the European economy. In a financial system that relies heavily on bank lending, securitisation can free up capital, thereby increasing lending capacity. This is particularly important in the context of tightening prudential requirements. Securitisation also reinforces the link between banks and capital markets by enabling the transfer of credit risk to investors and the creation of tradable instruments. The second priority, investor participation, is strongly dependent on national drivers such as tax policy and pension systems, which must be adapted at member state level. Although supervision alone cannot build capital markets, a more integrated supervisory approach is essential for their development and should be part of the broader policy discussion.

An industry speaker noted that, in terms of investor protection, frameworks must tolerate some degree of risk while ensuring that appropriate safety nets are in place, given that risk is an inherent part of investment. The role of banks as intermediaries in capital markets must also be adequately taken into account in banking regulatory and supervisory frameworks.

A regulator stated that in the case of Cyprus, where SMEs form the core of the economy and bank lending has declined since the country's banking crisis, improving SME access to finance is a key priority. Beyond the measures outlined in the SIU Strategy, such as securitisation, mobilising private capital and combining public and private money, technology should also be leveraged. DLT platforms could enable SMEs to issue tokenised bonds accessible to institutional investors. One such platform, backed by the European Commission and developed collaboratively across several member states, could play a significant role in unlocking capital for SMEs.

2.2 Focus on a more limited set of key priorities

Some panellists argued that the SIU should focus on a more limited set of key priorities likely to have a real impact on EU citizens and the EU economy.

A regulator suggested that the wide-ranging set of measures proposed in the March 2025 SIU Strategy need to be further assessed and prioritised based on impact and feasibility, given the number of actions involved and the ambitious timeline. In the area of supervision, for instance, centralising the supervision of systemic and cross-border infrastructures could be beneficial, but such a change requires time and a significant involvement of member states. Similarly, the reforms proposed in pensions, taxation, and regulatory simplification make sense, but must be sequenced appropriately.

As a positive example of what coordinated reform can achieve, the regulator pointed to the Recovery and Resilience Facility, where clear goals, deadlines and conditionality have led many Member States to deliver tangible progress, demonstrating that, with strong coordination and commitment, ambitious initiatives like the SIU can succeed.

3. SIU approach

3.1 A combination of bottom-up and top-down approaches

The chair highlighted that the SIU Strategy places a new emphasis on encouraging an active engagement of Member States in the initiative. The strategy presents the SIU as a joint EU-national endeavour, with EU institutions and Member States sharing responsibility for its development. Member States are expected to implement national measures that complement EU-level actions, as identified by the Eurogroup, with Commission support where it adds value. The strategy also encourages concerted initiatives by groups of Member States willing to move further and faster, provided they remain inclusive and aligned with EU priorities. To monitor progress, SIU implementation will be linked to the European Semester and reflected in country specific recommendations. Finally, the approach is guided by common principles of simplification, burden reduction and digitalisation.

An official advocated a hybrid model, combining common EU policy frameworks with national-level flexibility. The pragmatic, bottom-up approach proposed in the SIU Strategy offers a better prospect of success than the traditional implementation of uniform plans for the entire Union, as it allows for solutions that are more closely aligned with specific market needs. In addition, with technology expected to play an increasing role in shaping the future of capital markets, a more flexible and responsive approach will be essential to keep pace with innovation. In this context, SIU efforts should focus on improving coordination of national initiatives and removing key barriers, rather than pursuing full regulatory harmonisation. Coordination is both more feasible and faster to achieve.

An industry speaker emphasized that all stakeholders, including industry, must be meaningfully involved in shaping regulation, with genuine opportunities to contribute expertise to help the Commission design

more targeted and effective measures. This is the rationale behind combining top-down and bottom-up approaches. The Spanish government's Competitiveness Labs, a sandbox model used to test new integration measures, is an example of approach that can be used in this context. Such mechanisms can provide the Commission with better insights and practical tools to identify friction points and craft more effective regulation.

A second industry speaker agreed that active engagement from all actors and effective cooperation are needed to move SIU forward. The mindset also needs changing, with a focus on delivering collectively results that may be beneficial for the whole market, rather than striving for individual benefits that may undermine shared objectives.

A third industry speaker added that all stakeholders, including the financial industry, should take part in identifying and promoting the key priorities for the SIU, helping to ensure it is a collective effort that enhances both its effectiveness and legitimacy.

A regulator reflected on the tension between bottom-up approaches that build on local specificities and more unified top-down approaches to supervision. While a unified approach appears necessary to address level playing field concerns, national specificities still justify maintaining a degree of domestic-level supervision. This is particularly relevant in areas shaped by cultural and fiscal differences and where domestic rules are significant, such as customer protection. However, in other domains, a more centralised approach, underpinned by a streamlined rulebook, may prove more effective. The current complexity of the rulebook mainly stems from efforts to close potential regulatory loopholes that could give rise to unfair competition between jurisdictions. In attempting to ensure a level playing field, these efforts sometimes artificially eliminate national specificities through uniform requirements. Greater centralisation in the exercise of supervision and decision-making could allow for a simplified rulebook, as it would be enforced in a consistent way, and, at the same time, more flexibility to accommodate legitimate local specificities in a coordinated manner.

Another regulator supported a combination of top-down and bottom-up approaches, with flexibility to reflect the diversity of national capital markets. Regarding supervision, George Theocharides argued that while centralisation, for instance through ESMA, makes sense for systemic and cross-border market infrastructures such as CCPs, CSDs, and large trading venues, local expertise remains essential for many other market segments. In addition, assigning all supervisory responsibilities to a single entity could create overly complex and time-consuming processes.

The chair stated that regardless of whether a bottom-up or top-down approach is taken, the ultimate goal should be to reduce market fragmentation. National specificities are a reality, but should be addressed when they hinder efficiency. Citing the Draghi report, John Berrigan noted that divergent supervisory practices create barriers to integration and may be

most effectively tackled through single supervision, although this is not the only possible solution. Striking the right balance remains essential. Moreover, effective coordination is difficult to achieve without regulation. In its absence, coordination relies on non-binding recommendations with no formal follow-up mechanism, raising questions about the effectiveness of a bottom-up approach driven solely by Member State initiative, with no underlying regulation.

3.2 The benefit of exchanging best practices

An official emphasized the importance of sharing successful national practices for developing capital markets across the EU. Past discussions on insolvency regimes have shown the value of this approach. There are many successful examples in the Union to build on. Notable examples include initiatives in Germany and France combining private and institutional capital to support venture capital and private equity investment, as well as pension systems in Sweden and the Netherlands that have successfully integrated capital market investments. In Sweden, this has led to 50% of household assets being held in shares and investment funds and a capital market 1.7 times larger than the EU average relative to GDP. The Commission can play a key role in identifying and promoting effective national models and ensuring their coordinated expansion across the Union, while Member States must integrate them into their systems and provide suitable incentives. A regulator concurred that there is much value in learning from best practices, which the Commission could help coordinate and promote across member states.

The chair agreed that exchanging best practices is essential but noted that while identifying interesting practices is often straightforward, determining which practice is truly the best and ensuring its broad adoption is more challenging.

3.3 Simplifying regulation and improving the policy-making process

An official welcomed simplification efforts at the EU level such as the Omnibus package proposals. Similar reforms are underway at the domestic level in certain Member States. For example, Germany is endeavouring to eliminate national-level barriers wherever possible, cutting red tape and streamlining reporting obligations.

Another official agreed that simplifying regulation as proposed in the three Omnibus packages is essential. The burden of transposing European legislation must also be reduced.

An industry speaker emphasised that the Commission must allow sufficient time to assess SIU proposals thoroughly, especially considering current geopolitical pressures. Rushing measures risks undermining their long-term economic impact. Rather than continually adding new regulation, the focus should be on developing smarter, more effective rules. Previous CMU efforts were often marked by quick fixes and implementation delays. Current initiatives, such as the Omnibus simplification, should prompt a more

thoughtful and collaborative approach, giving industry the space to highlight practical frictions and help shape better outcomes under the SIU.

Another industry speaker added that supervisory and prudential barriers should be reviewed and streamlined to focus on safety and soundness, without adding unnecessary complexity. In addition, regulation should not stifle innovation; instead, it should evolve to foster growth, for example through sandbox-style approaches. Regulation must also be tailored to specific products. Different approaches are required for bonds, equities, venture offerings, and for fintech-type products, such as digital assets. A one-size-fits-all regulatory model would indeed fail to capture the range of opportunities offered by these different instruments.

4. SIU branding and narrative

Several panellists welcomed the rebranding of the CMU as the SIU. An industry speaker considered, however, that "Savings and Investment Union" may be confusing as it puts undue emphasis on savings rather than focusing on investment and engagement with capital markets.

An industry speaker added that beyond the name of the initiative, clear and accessible communication is essential to ensure citizens understand its purpose and to build trust. The messaging must make clear that the SIU is designed to benefit individuals, such as by helping them prepare for retirement, not to serve the interests of financial institutions. Communication should aim to change retail investors' current perception of capital markets, which are often seen as complex, risky, or inaccessible. To counter this perception, the role of capital markets in building long-term wealth must be more strongly emphasised. While markets involve risk and volatility, they remain the only sustainable path to

long-term financial security, provided that sufficient investor protection is in place. One challenge however is that at present, it is unclear whether this vision is fully supported and accepted by all policymakers and political decision-makers.

Two panellists noted that a key improvement with the SIU is that it is framed as a means to achieve broader policy objectives, such as a more effective capital allocation to the real economy, rather than as an end in itself, as the CMU was often perceived. This change in the political mindset around the initiative gives the SIU a greater chance of success.

The chair agreed that the SIU should be viewed as a driver of market reform, but noted that the CMU was never intended by the Commission to be an end in itself. If it was perceived as such, this reflects a shortcoming in the way its objectives were communicated. The goal was not to create a "Union" per se, but to provide the tools to further develop and integrate capital markets across Europe.

5. Wrap up

The chair summarised that the SIU appears to have stronger prospects than the CMU, due both to current momentum behind the initiative and its balanced combination of bottom-up and top-down approaches. This hybrid method is a novel feature that will require careful coordination. While the SIU Strategy outlines the main areas of focus, measures will need to be adapted to market realities. Finally, the initiative's title and narrative are important in helping to communicate the core economic rationale of linking savings to productive investment for the benefit of both individuals and the wider EU economy.