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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**.

The SIU should become the transformational and historic opportunity the EU needs.

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.