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Ms. Maria Luís Albuquerque
EU Commissioner for Financial Services, and the Savings and Investments Union
European Commission
Rue de la Loi 200
B-1049 Brussels, Belgium
Submitted electronically

Re: IIF letter on the Call for Evidence on the European Communication on the European Savings and Investments Union (SIU)

Dear Commissioner Albuquerque,

The Institute of International Finance (IIF)[1] would hereby like to provide feedback to the European Commission's Call for Evidence on creating a European Savings and Investments Union (SIU).[2]

The creation of SIU, including banking and capital markets, builds on the previous achievements of Capital Markets Union (CMU) and the Banking Union. If done successfully, the SIU could help leverage the wealth of European savers, release much needed capital for innovation and digital transformation, ensure the competitiveness of the European financial sector, harness sustainable finance, and help reduce barriers and fragmentation across and within the Single Market.

These are all important and much needed policy objectives that the IIF strongly supports. The IIF has long advocated to policymakers and standard setters the importance of reducing and minimizing the fragilities, inefficiencies and instabilities that are inherent when financial markets are fragmented. Fragmentation can trap capital, liquidity, and risk in local markets, making these resources unavailable where potentially most needed; create significant financial and operational inefficiencies, resulting in additional unnecessary costs to end-users; and reduce the capacity of banks and other financial institutions to serve both domestic and international customers.

The IIF has often encouraged enhanced global regulatory cooperation, for example, in our IIF Reports "Addressing Market Fragmentation: The Need for Enhanced Global Regulatory Cooperation" (2019) and "How Fragmentation is continuing to Challenge the Provision of Cross-Border Financial Services: Issues and Recommendations"(2023). While these reports are aimed at overcoming the problems of excessive cross-border regulatory divergences between

[1] The Institute of International Finance (IIF) is the global association of the financial industry, with about 400 members from more than 60 countries. The IIF provides its members with innovative research, unparalleled global advocacy, and access to leading industry events that leverage its influential network. Its mission is to support the financial industry in the prudent management of risks; to develop sound industry practices; and to advocate for regulatory, financial and economic policies that are in the broad interests of its members and foster global financial stability and sustainable economic growth. IIF members include commercial and investment banks, asset managers, insurance companies, professional services firms, exchanges, sovereign wealth funds, hedge funds, central banks and development banks.
[2] European Commission 2025. "Call for Evidence on Savings and Investments Union" 3 February, 2025

jurisdictions and drawing attention to the costs of such divergences weighing negatively on economic enterprise, impacting capital flows, trade and inclusive access to financial intermediation, many of the issues identified and subsequent recommendations would be relevant and useful to addressing fragmentation within the Single Market.

The new impetus towards the SIU requires solid foundations to overcome the European market fragmentation. It is important to recognize the role of the banking sector in Europe and the need for well-calibrated prudential regulation to complement and support the development of capital markets, which continue to be underdeveloped and strongly fragmented across national lines. We therefore propose a thorough review of existing regulations to eliminate redundancies and inconsistencies that hinder market efficiency, as already positively started via the Omnibus initiative. This includes aligning regulations with the objectives of the EU Green Deal and Sustainable Finance initiatives. A more cohesive regulatory framework would facilitate smoother operations for financial institutions and enhance overall market liquidity.

A successful SIU can also help enable the Commission's Competitiveness Compass initiative aimed at setting a path for Europe to become the place where future technologies, services, and clean products are invented, manufactured, and brought to market, while being the first continent to become climate neutral.

As banks continue to provide the traditionally principal source of financing, it is urgent to address regulatory inefficiencies that have become obstacles to adequate financing of the economy. In particular, facilitating the efficiency of liquidity and capital within banking groups at consolidated level by restricting pre-positioning inside the EU/eurozone will enable adequate circulation of capital and liquidity. The present prudential framework provides for capital and liquidity waivers across EU jurisdictional boundaries, but Member States opt not to apply them – notwithstanding the Single Supervisory Mechanism (SSM). There is also a need for greater harmonization and cooperation between the SSM and the national competent authorities. Without the necessary changes, the attractiveness of cross-border banking and consolidation in Europe will remain constrained, undermining broader objectives of financial integration and economic growth in the EU.

Effective Policies for Promoting a Savings and Investment Union

The EU needs to make its capital markets more attractive for investors, by decisive action at EU and national levels including ambitious and coherent tax and incentives policies. Above all, policymakers should adopt a common long-term strategic vision to boost Europe's competitiveness and move away from domestic preferences and conservatism. From our perspective, focus on key areas would significantly contribute to progress with a SIU including revising securitization; attracting long-term investment; and encouraging an open and liquid investment market.

Reviving Securitization and equity markets for the capital markets union

As a first step, IIF urges European policymakers to continue working towards creating an environment that supports a high quality and dynamic European securitization market. Securitization is one of the key tools to increase the capacity of banks to fund the economy by enabling banks to find fresh lending capacity within the existing leverage constraints of the existing prudential / capital framework and at the same time allows for a risk transfer throughout the wider financial markets.

The announced review of the banking prudential securitization rules should lead to a more risk-based approach. This should reduce the specific capital surcharge and risk weight floors for both simple, transparent, and standardized (STS) and non-STS securitizations. A review of historical loss rates for EU originated securitizations, which have always been extremely low even in the wake of the Great Financial Crisis, shows that this would not be at the expense of financial stability.

The existing due diligence rules for investors and the transparency regime for originators need reform to make them less burdensome and onerous. Furthermore, the review should revise the disclosure templates to better match all stakeholders' information needs.

For insurers and other long-term institutional investors, securitization provides a broader pool of assets, some of which can be genuinely low risk from a credit perspective and an alternative to government bonds that helps to diversify portfolios. It would be beneficial to conduct further analysis on the impact of regulations on the propensity of certain investors to invest in securitizations, such as the impact of Solvency II on insurance companies in the EU. If many investors have left the market, it would be beneficial to understand more clearly why they have done so. Work to reinvigorate important securitization markets needs to be a collaborative effort. Therefore, we and our members remain ready to engage with the European Commission, Co-legislators, and national competent authorities in analyzing and evaluating in depth this important segment of the financial markets.

More broadly, capital markets integration is crucial for facilitating the investments needed for the green, digital and defense transitions, as well as for bolstering the EU's productivity and competitiveness in the face of challenging geopolitical dynamics. The EU should develop a clear strategy to build a more vibrant, dynamic, competitive, and environmentally sustainable economic environment.

Concerning the development of the equity markets, the challenge is not only one of facilitating the listing of European businesses but also one of broadening the investor base. In this respect, the different initiatives adopted to promote the development of European capital markets, specifically that of growth markets for SMEs, as well as private markets, must be supported and developed further.

We believe that a public/private collaboration model to help support the growth of companies would be extremely useful also in the context of the SUI. A good example of such approach is "InvestEU," that supports innovative projects which otherwise would have difficulty accessed finance due to their risk profile.

Equity by private and public market is the best funding instrument for start-ups, scale-ups as well as established companies, but it is still an under-exploited resource which could bolster EU competitiveness. For this reason, we believe that European financial resources should be enhanced to favor investing finance in the capital of start-up / early stage, using the European Investment Fund (EIF), already investing in closed-end funds, which in turn invest in newly established companies.

How growth-stage venture capital supports the path towards the stock market needs also to be improved. Having more funding available before companies go public (the pre-IPO stage) would significantly enhance Europe's strategic independence and would ensure that these companies are well-prepared for successful initial public offerings (IPOs).

Among the actions that could be envisaged, we would recommend including: strengthening the Invest EU "IPO Initiative," which was launched by the European Commission under the CMU action plan, which aimed at supporting the private equity funds industry, co-investing in EU companies, included starting and scaling up companies that are considering public listing on a Regulated Market or on a Multilateral Trading Facility (MTF).

Attracting more long-term investment

The EU needs long-term investors who can invest in both assets listed on financial markets and those which are not listed which include illiquid assets such as infrastructure, private equity, and private debt. Without insurers, there would be fewer long-term investors and fewer investors who can act as stabilizers during market turmoil.

The Solvency II Review needs to address the current excessive capital and volatility, resulting in unnecessary barriers for long-term, guaranteed, and profit-sharing products. It is key that the Level 2 technical details of the Solvency II review are finalized considering the impact of the review on the fulfilment of the CMU objectives.

A better participation of retail investors in capital markets requires a wide product spectrum with a balance of performance objectives and complexity adapted to their needs, with costs consistent with the value delivered by the products. But there is no need for launching a new pan-European savings product. Looking at other existing European products with a similar function (i.e., ELTIFs and PEPPs) that have not so far proven to be effective in attracting the savings of European citizens, it is evident that finding and designing investment products, according to the real needs and requirements of investors, should be market driven. The introduction of products based on regulatory schemes cannot autonomously boost business sectors and, indeed, in some cases risks 'cannibalizing' existing market investment products or generating confusion for end-investors.

Retail investors' low participation, besides an aversion to risk and poor financial literacy also results from i) a comparatively favorable framework for short term savings and ii) the burden of investors' journey, further aggravated should the Retail Investment Strategy (RIS) end up in additional tests and documents.

In order to help retail investors access financial markets more easily it is necessary to:

- Simplify the pre-contractual disclosures (PRIIPS KID and SFDR disclosures), that currently have a content that is too technical and difficult to be understood for most mass-market retail investors, as consumer tests carried out on behalf of the European Commission have demonstrated (see the Kantar Report, published in August 2022.)
- Effectively review the current MIFID client categorization criteria which are too rigid and often difficult to meet, with the goal of enlarging the portion of retail clients that can be considered 'professional clients on request' due to their significant financial resources, experience and propensity to invest in the long term and consequently allow them to access investment products reserved for professional clients and better diversify their investments. The revision of the criteria for professional clients on request provided for in the Retail Investment Strategy package is insufficient and should be reviewed (or complemented with more effective changes.)

Tax incentives are essential to stimulate retail investors to invest in products that channel resources to the real economy. Examples in various member countries (such as the PIR in Italy or the ISK in Sweden) have shown how tax leverage is fundamental. We suggest the adoption of a time related investment income tax rate to extend holding periods, e.g., a favorable tax rate for long-term profits. Because of this difference in taxation, investors could minimize their profits tax by holding assets for more than minimum lock-up period, supporting governments in attracting stable and better-quality investment. Alongside this mechanism, further tools could be proposed such as "Individual Savings Plans," that under certain conditions guarantee tax exemption.

Moreover, the SIU must encourage action by willing Member States in favor of long-term investments predominantly invested in Europe. By leveraging on existing best practices, they could adapt their frameworks to host other national or EU-wide investment products. These initiatives should respect a few common principles identifying them as favorable to the financing of the EU economy (label concept); in particular, they should benefit from the best tax regime specific to each country.

There is a recognition of the role pension funds play to fund future retirements as well as to finance the economy. The European Commission can stimulate Member States to consider introducing comparable frameworks at national level which emphasize the need for greater pension coverage, closing existing gaps, and ensuring adequate outcomes, with funded pensions as an important part of the solution. To raise the attractiveness of additional pension plans incentives, such as favorable tax treatment, for longer term savings will be a critical component to consider.

The Pan-European Personal Pension Product (PEPP), which aims to provide an attractive third pillar pension product to Europeans has so far not lived up to its ambitions. Key factors contributing to this could be the absence of attractive tax incentives, the 1% fee cap, the complexity in its administration, and the restrictive provisions regarding risk mitigation. The aging demographics, economic volatility and evolving work patterns require an updated approach to pensions and EU countries that have implemented funded occupational or individual pension planning options also have the more vibrant and liquid capital markets. We suggest a targeted adjustment of the PEPP framework, including:

- Removing the 1% fee cap, which poses challenges for providers
- Simplifying administrative processes
- Easing capital preservation requirements
- Focusing on lifecycle strategies to better align with investor needs while maintaining necessary safeguards

Finally, cutting red tape to mobilize investments would be important too. The Commission's RIS was originally intended to bring more retail investors to the capital market. However, many stakeholders have been noticing that complex and excessive draft concepts, such as the inducement test/ ban, value for money benchmarks and best interest/ appropriateness/ suitability test, would lead to the opposite. In order to achieve the ambitious aims of SIU, the European legislator should either reduce the amount of regulatory burden discussed under RIS or even consider dropping the file and deciding on new measures on MiFID and PRIIPs in the course of SIU.

Encouraging an open and liquid single investment market

Beyond leveraging the sizeable savings and assets already invested in Europe, it is important for the EU to be an attractive and welcome destination for foreign investors. That includes ensuring a well-functioning third country equivalence framework and enhancing the attractiveness of euro area financial markets for foreign investors. For the purpose of attractiveness, it is also critical to ensure international alignment in the securities settlement cycle by achieving an orderly transition to T+1 settlement in the EU, leveraging automation and standardization of post-trade processes.

Several influential studies and reports, including the recent Letta and Draghi reports, and historical reports like the Giovannini Barriers report, which all offer policy solutions to strengthen the competitiveness of the EU, and highlight regulatory barriers that need to be removed in order to achieve deep, integrated capital markets in the EU to support the growth initiatives politicians want to deliver. Those recommendations include improving and further converging EU legal frameworks, such as insolvency, and supervisory practices. Moreover, the reports stress the need to examine the advantages of centralized supervision at the EU level for large cross-border actors, such as financial market infrastructures (FMIs) including Central Counterparties and Central Securities Depositories. On the backdrop of the EU agenda to reduce the regulatory burden, measures should also be considered to simplify the regulatory reporting framework, particularly in the area of transaction reporting, by identifying areas where reporting should be streamlined and/or better harmonized.

A strong economic environment and a clear and predictable regulatory framework is also essential. This does not mean weakening standards, but there should be an aim to review existing regulations and revise those that are not appropriately risk-focused, to reduce fragmentation and, above all, to provide for a greater ability to move funds seamlessly across Europe to provide support where and when it is most needed. The IIF and its members stand ready to support European policy makers in transforming the European banking and capital markets towards an ever more integrated Savings and Investments Union.

We thank the European Commission for its consideration of our comments and welcome any additional stakeholder engagement around this topic. If you have any questions, please do not hesitate to contact Martin Boer at mboer@iif.com or Robert Priester at rpriester-advisor@iif.com.

Sincerely,

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