Ref. Ares(2025)1759418 - 05/03/2025

SIX GROUP RESPONSE TO THE CALL FOR EVIDENCE OF THE EUROPEAN COMMISION ON SAVINGS AND INVESTMENTS UNION (SIU)

SIX Group welcomes the proposal of the European Commission to work towards a Savings and Investments Union (SIU) in line with the objectives of creating a more competitive and resilient EU.

Although continuous efforts have been made in the European Union (EU) to create a harmonized framework for the financial industry that would increase investments in the Union, the truth is that the EU is still lagging behind other international markets including the US or Asia. For instance, as underlined by the European Securities and Markets Authority (ESMA), at the end of 2023, the EU27 share of global equity market capitalization stood at just 11% compared to 45% for the US[1]. This is not only undermining the competitiveness of the EU as a whole but it is also impacting on the trust of investors in European capital markets.

Financial Market Infrastructures (FMIs) are essential catalyzers for the success of the SIU in Europe. However, we strongly encourage targeted approaches and well-calibrated measures from policymakers to ensure gaps are bridged without harming the stability and well-functioning of the financial ecosystem.

1. **Addressing fragmentation in the EU**: while fragmentation is a fundamental element in the various analysis of the challenges of the EU, it is important to differentiate the roots of fragmentation to tackle them effectively:
    a. Addressing elements around **transparency, scope and perimeter of execution venues, and price formation mechanisms** in order to create a truly competitive trading space is the first necessary step to tackle infrastructural fragmentation.
    b. **Establishing a truly harmonized application of regulation across Member States.** Measures should be considered to reduce comparative disadvantages for certain Member States derived from uneven application of EU regulation based on domestic jurisdictions. These measures should be explored rather than creating a 28th regime, or separated trading spaces for SMEs or for certain industrial sectors (i.e, PanEU Tech Market)
    c. **Leveraging on NCAs to streamline supervision** while also seizing their expertise and understanding of the local ecosystems rather than allocating all supervisory powers to European Authorities (as ESMA). NCAs play a fundamental role in their local ecosystems, especially related to SMEs and Startups and the added value of welfare creation they can give at a local level (i.e., development of industry hubs, employment opportunities, talent retention…). Solutions to increase liquidity and dynamism of these sectors

[1] https://www.esma.europa.eu/sites/default/files/2024-05/ESMA24-450544452-2130_Position_paper_Building_more_effective_and_attractive_capital_markets_in_the_EU.pdf

of the economy should not just focus on decoupling them from the reality of their financial markets but rather on optimizing their value for ESMA.

d. **Promoting clear guidelines to approach taxation (including tax incentives for pension related contributions), company law or insolvency provisions, with a long-term view of streamlining regimes in the EU.** This factor will also play a key role in attracting investors (domestic and international), as it would ease burdens that currently act as deterring factors and increase the competitiveness of the EU when attracting foreign capital. In particular, **optimising DEBRA as a tool to increase attractiveness of equity markets** could be leveraged to enhance investment for retailers.

e. **Avoiding the regulatory–driven consolidation of post-trade infrastructures** as it could lead to significant disruptions in market operations without guaranteeing increased efficiency or competitiveness. Instead, the current setup of infrastructures would benefit from a **more optimal implementation of solutions derived from T2S**. This would de facto give cohesion in the provision of services, while **leaving the finding of synergies and business rationales for consolidation to the businesses themselves**.

2. **Develop vehicles that effectively mobilize capital from retail investors:**

    a. Introducing savings products for investors that are tax-efficient and user-friendly in the long-term. **The Swedish model of ISK accounts**, as well as the promotion of **PanEuropean Pension Products** should be assessed as a starting point. These vehicles encourage individuals to allocate more savings into capital markets, thereby increasing market depth and liquidity. In addition, their **straightforward taxation** reduces administrative burdens and uncertainty, making investment more attractive. **This should be embedded in the rationale of Retail Investment Strategy (RIS)** with a long-term vision that increases the willingness of investors to participate in financial markets.

3. **Alleviating regulatory burdens and pressure:**

    a. For issuers:

        i. Executing a **flexible and proportionate regime for SMEs to list** in the EU markets (and stop the increasing outflow of companies to the US markets). While the Listing Act was a step in the right direction, SMEs across the Union still experience excessive regulatory and administrative burdens that stop them from seeking financing in the capital markets. In the pre-listing environment, there is a need to **reduce the heaviness of requirements to file for an IPO**. Moreover, the costs of complying with regulation are still too high for SMEs.

ii. Once listed, it is paramount to **reduce the regulatory barriers** that companies face for obtaining enough funding and for executing cross-border operations. This would amplify research coverage and the range of investors that can access them.

b. For investors:

i. It is paramount to **allow retail investors to access more sophisticated products** of capital markets (while ensuring adequate levels of investor protection) as they are the main channelers of private savings that can be invested in the EU. Broadening and ensuring proportionate access to financial products **— aligned with each investor's knowledge and risk tolerance —** is essential for channelling savings into capital markets in a way that strengthens pension funds and **fosters a truly sustainable investment culture.**

ii. Establishing **adequate incentives for institutional investors** to avoid their flow out the European borders, as they are the main driver for capital growth. Promoting tax incentives for larger investors (such as venture capital) would play a critical role in mobilizing capital in the Union. In this regard, initiatives such as the European Tech Champions Initiative (ETCI) have set an initial path, but it is important to **progressively cover SMEs and startups active in all sectors of the economy.** This would encourage investors and issuers to actively enter the market and create traction for funding companies in the EU with the potential to become regional champions.

4. **Promote financial literacy as key element to attract and empower retail investors to be active in capital markets:**

a. Generating a **compromise from Member States to include this element in national educational plans** and see additional benefits in involving the industry as education providers for tailored solutions across the EU. More specifically, **many FMIs – such as SIX/BME - have their own educational programs that could be leveraged by the EU in order to provide financial capacitation to diverse types of investors** (based on their previous knowledge, their objectives and the particularities of their ecosystems).