

Empowering Europe: Fast-Tracking the Savings and Investment Union

How to Promote More Retail Investment, Boost Listings and Finance European Companies

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Introduction and Summary

Even before the Draghi Report, it was evident that the EU needs more innovation to keep pace with China and the US and ensure future economic success and strengthen its strategic autonomy in an evolving geopolitical landscape.

Liquid and efficient capital markets are crucial for the innovation and competitiveness of European companies. Without robust capital markets, financing of the digital and sustainable transformation will not succeed. Public investment and bank loans are important, but taken alone are insufficient. This has been well-analysed in several recent high-level reports.

The EU also has a vital interest in ensuring that European companies can attract sufficient financing in their home markets so that companies are not forced to move abroad. Relying on foreign financing, in particular the US, can lead to the relocation of other parts of the business, resulting in the loss of innovation, jobs, and growth within the EU.

Moreover, developed capital markets provide European citizens with the opportunity to invest in a broader range of shares and financial instruments, enabling them to participate in companies' economic success. This is essential for securing financial independence in retirement and for long-term wealth building.

Despite being the world's largest integrated economic area, the EU has yet to fully leverage the potential of capital market financing. Two key figures may illustrate the situation. First, the number of European companies among the TOP 100 listed companies has declined from 46 to 19 since 2007, while the number of US companies has increased from 42 to 63. Second, in 2002, European asset managers held 50 percent of the assets managed by the world's biggest assets managers; today, that figure is 20 percent.

The reasons for this situation lie on both the supply and the demand sides of the capital market:

- On the supply side, insufficient savings are allocated to equities and other capital market instruments, especially in the pension system. This results in a smaller and less diversified investor base, lower market liquidity and fewer financing opportunities for companies.
- On the demand side, regulatory burdens create competitive disadvantages for listed companies. EU public equity markets have become less attractive compared to other financing sources, making Europe a less attractive location for company listings.

The EU is facing a vicious circle in which an insufficient capital supply and too much bureaucracy lead to inadequate demand for capital market financing. This results in fewer listed companies, limiting investment opportunities and hindering the development of a robust 'capital market ecosystem.' Such an ecosystem, comprising of banks, analysts and advisors is essential for bridging the gap between the demand and supply side of capital market, supporting companies at various stages of growth.

Developing the Savings and Investment Union (SIU) should therefore be a central focus of the EU's future economic policy, as it benefits both European citizens and companies. The new EU Commission, the EU Parliament and the EU Member States are called upon to take decisive steps to ensure the SIU's success.

This position paper summarises the key elements for a coherent policy framework

Supply side of the market: Promote More Retail Investment

In the area of capital supply, the key task is to channel more household savings into capital market investments. In this regard, we particularly suggest:

- Establish a common target for Member States to allocate 2% of gross wages annually to build complementary capital stocks in public pension systems.
- Develop the Pan-European Pension Product (PEPP) into a framework for a European retirement account, offering an easy-to-use basis for accumulating additional private pension assets.
- Create a framework for EU long-term investment savings accounts, in which Member States can opt to promote household wealth building in capital market instruments.
- Increase the maximum weight a single company can have in actively managed mutual funds under the UCITS regime to 20%, optimizing existing capital pools for successful companies.
- Review MIFID requirements to reduce bureaucratic hurdles for advising on diversified and simple assets like mutual funds or ETFs, empowering banks' and financial service providers as multipliers for households investment decisions.

Demand side of the market: Boost listings and finance European companies

In the area of capital demand, the key task is to reduce compliance costs and risks for companies intending to list or already listed, continuing the work started with the EU Listing Act. More specifically:

- Reduce the intensity and complexity of sustainability and financial reporting requirements and make them more consistent. For example, reporting requirements should be simplified by removing the electronic tagging requirement (iXBRL tagging) included in the ESEF-Regulation. Another example is reducing the data points in sustainability reporting from 1,100 to around 500 data points either by replacing the ESRS Set 1 with the standard for listed small- and medium-sized enterprises or a similarly sized framework.
- Ensure that additional elements of capital market law are designed and enforced practically, for example, by consistently applying the political intentions of the Listing Act on Level 2, the implementation level, and continuing to simplify the prospectus regime, and promoting cross-border offerings to private investors.
- Address the unique needs of small and medium sized companies by expanding access to EU Growth Markets, maintaining regulatory differences between EU Growth Markets and Regulated Markets, and creating phasing-in requirements for newly listed companies.
- Evaluate the possibility of a 28th regime for company law starting with a regime for capital increases, employee shareownership plans for companies active in numerous EU markets, and an insolvency regime for pan-European debt markets.

SIU Framework between Fragmentation and Uniform Approaches

Whether the demand and supply side interact efficiently is embedded in the broader debate how markets operate in practice, how they are supervised, and whether all market segments will be developed. The following guiding objectives appear to be key against this background:

- Ensure uniform liquidity pools for individual shares and create optimal conditions for reliable, cost-effective and state-of-the-art trading and post-trading services.
- Enhance the competitiveness of EU capital markets within a framework of uniform and practical supervisory approaches.
- Revive the EU securitisation market to better connect EU credit markets and capital markets.

1 Promote More Retail Investment

1.1 Increase the Supply of Capital as the Basis of the SIU

1.1.1 Key Role of Equity-Oriented Pension Systems

To enhance the role of capital markets in the EU, the domestic population needs to invest more savings in capital market instruments. Experiences in several countries (for example: Sweden, USA) show that the design of pension systems plays a crucial role in this regard. However, as national pension systems have developed over time and are based on different cultural traditions and other institutional settings, it is difficult to define uniform European solutions. Furthermore, the EU has limited powers in this area and primarily acts as an agenda setter and driver of discussions.

Therefore, a strong commitment from Member States is essential to make pensions systems more capital-market oriented and balanced. We recommend the following steps:

- **2% Target for Public Pension Systems:** Similar to the Paris climate target or the NATO GDP target, Member States should agree to invest 2% of gross wages annually in a capital stock complementing the existing public pension system. Member States would have flexibility in achieving this target. For example, they could finance it through employee contributions, similar Sweden's Premium Pension, or through the public budget allocations. Countries that already meet the target would not have to make additional efforts, but their experiences could offer valuable insights for other countries.
- **Develop the Pan-European Pension Product (PEPP):** The PEPP already provides an initial common framework for private pensions. However, currently PEPP is rarely used, partly due to excessive red tape for providers. We recommend developing PEPP into a European retirement account that Member States can opt into if they lack a comparable offer. This would allow Member States the flexibility to use the European offer or adapt it to national circumstances. Retirement savings accounts have proven their value as tax-privileged instruments of private retirement provisions in many countries. They are easy to understand and offer easy access to equities, equity funds, and other capital market investments. The absence of guarantees is important for the future design of PEPP, as mandatory minimum interest rates or guarantees that at least the contributions will be paid out limit equity investments. A significant allocation to equity, even during the payout phase, is only possible if the European retirement account allows for withdrawal plans instead of

guaranteeing a fixed monthly pension amount. The freedom to choose a withdrawal plan without restrictions is therefore of great importance. To avoid overburdening investors when assembling their investment portfolio, privately offered, easy-to-understand standard products should be eligible for the account. It is essential to keep market entry as simple as possible to foster competition among providers, leading to good and cost-effective products. However, fee caps should be avoided. Finally, attractive tax incentives are crucial for the widespread adoption of the account.¹

- **Incentivise Occupational Retirement Provisions:** For occupational pension schemes, the goal should be to incentivise more employees to participate and encourage more companies to offer them. Occupational pension funds can be significant contributors to mobilising investment towards equities in general and European equities in particular. Unfortunately, pensions funds and comparable vehicles do not play a significant role except in some Member States. As with other forms of old age provisions it is important that specific requirements do not hinder investment in equities (such as mandatory guarantees).

1.1.2 Creating Investment Savings Accounts for Promoting Long-Term Savings

In addition to rebalancing pension systems, incentivizing wealth formation through equities and other capital market instruments is crucial. We welcome the debate on a European framework for a “Long-term savings product”. Legislators should focus on tax-incentivised Investment Savings Accounts (ISAs) that promote investments in equity funds, ETFs, individual company shares and other securities.

ISAs can drive a shift in investment culture towards a medium to long-term investment perspective. European initiatives can integrate with existing ISAs in Member States, such as in France (Plan d'Epargne en Actions), Italy (Piani Individuali di Risparmi) or Sweden (Investeringsparkonto).

The key factor in the design of ISAs is to ensure a high allocation in equities and to minimize undue bureaucracy for financial service providers offering these accounts. A harmonised EU framework should include:

- **Flexible Holding Periods:** Avoid overly restrictive minimum holding periods to maintain investor flexibility.
- **Tax Incentives:** Allow Member States to design tax incentives based on national circumstances and drawing from international examples. Options could include a low flat-rate tax on the invested amounts above certain

¹ See Deutsches Aktieninstitut, Savings and Retirements Accounts as Part of the Capital Markets Union, 7 November 2024 ([link](#)).

tax allowances (as in Sweden) or high allowances for returns on total savings (as in Italy or France).

- **Equity Focus:** Prioritize asset classes that provide companies with equity capital in both private and public markets. Introducing a minimum quota for equity investments would signal political support for equity saving.

1.1.3 Bridging the Finance Gap for Companies Scaling Up Fast

A well-documented issue in the European capital market is the funding gap between early-stage financing and the IPO market. While access to venture capital for European companies has improved, European-based higher volume financing for companies wishing to scale up their business is lacking. Consequently, such companies rely on non-European, in particular US investors. Therefore, potentially attractive companies are incentivised to leave the European market both for later-stage financing and for IPOs as an exit channel. Ultimately, this affects European competitiveness and job creation.

To address this gap, innovative public-private partnerships or incentivised investment products could channel European funds to European companies scaling up their businesses, either pre-IPO or at IPO-stage.

1.1.4 Mitigating the Debt-Equity Bias

Reducing the debt-equity bias in taxation is already on the European Commission's agenda.² Currently, the tax bias between equity and debt capital arises as corporate profits are taxed twice: at the corporate level and at the investor level.

To address this problem, the European Commission previously proposed a debt-equity bias reduction allowance. Similar to debt capital, where interest on debt capital reduces taxable corporate profits as an expense, equity financing costs in the form of a hypothetical equity "interest" could be deducted from taxable profits. However, there was no agreement on this proposal because it was linked to a limit on the deductibility of interest on debt capital.

We advocate that the European Commission initiates a new attempt to promote a debate among Member States to solve the problem of the debt-equity bias. However, unlike the previous debate, it should be addressed at investor level rather than corporate level. For example, tax reliefs in the form of tax exemptions for capital gains from shares after a certain holding period could be one viable option.

² See the proposal for a [Debt-Equity Bias Reduction Allowance](#) of the European Commission from 2022.

1.2 Better Utilisation of the Existing Capital Supply

1.2.1 Targeted Reform of the UCITS Diversification Rules

Mutual funds are crucial in the SIU, enabling investors to diversify their investments across companies and sectors and participate in the capital market. When focused on the EU, these investments also support the European economy.

However, the current EU regulation of retail funds (UCITS) hinders successful companies from attracting investors. UCITS limits actively managed funds to investing 10% of their assets in a single companies' shares. If a company exceeds this limit due to an over-average performance, fund managers are forced to sell the shares, potentially depressing the share price and preventing investors from benefitting from the company's success. Affected companies face increasing difficulties to finance new business opportunities. This can drive companies to leave domestic markets and re-list in the US, where deep capital markets and more flexible investment limits reduce the risks described above.

We advocate for increasing the investment limits for actively managed equity funds from 10% to 20%. This will create a level playing field with UCITS-regulated index funds, which are allowed to invest up to 20% of their assets in a single issuer. In addition, by increasing the limits, the regulation will be more aligned with US regulation, where up to 25% is possible.³

1.2.2 Evaluate Hurdles for Cross-Border Retail Investments

Smaller issuers in Europe often struggle to attract investors from other European countries. Conversely, it seems to be difficult, at least in some member states, to acquire shares and financial instruments from other European countries at reasonable costs. However, the reasons for this are not clearly identifiable for the listed companies.

We therefore suggest investigating barriers to develop targeted measures for improving access to securities across the EU.

1.3 Promoting Investments in Capital Market Instruments

1.3.1 Review of MIFID: Facilitating Bank Advice

Many investors rely on financial advisors for investment decisions, but strict regulations have made providing advice expensive and time-consuming. This trend has

³ Deutsches Aktieninstitut: Regulation should not penalise share performance of successful companies, 31 January ([link](#))

continued in proposals like the Retail Investment Strategy, suggesting the introduction of a highly bureaucratic “value for money test”. Consequently, providing advice on shares and other securities has become increasingly expensive and time-consuming in recent years, which is why financial service providers have significantly reduced their advisory services. In addition, extensive documentation and information requirements wrongly give potential clients the impression that investments in all capital market instruments are too risky and complex and do not differentiate sufficiently. This unsettles clients and acts as a deterrent.

To counteract this, we recommend reviewing MiFID’s rules on investment advice to support banks and intermediaries in promoting equity and securities investment.

Key actions could include:

- Simplifying requirements by reducing information, documentation and distribution requirements for well-diversified, simple and transparent products. For example, in the discussion on EU Retail Investment Strategy some alleviations had been proposed, but only for fee-based advice. Since MiFID is rightly neutral with regard to the various distribution models, these simplifications should also apply to commission-based advice. The private offer of such products is also important when transforming PEPP into a European framework for a retirement account and to develop EU Long-term savings accounts (see for both chapter 1.1.1.) as it cannot be assumed that all private investors wish to compose a suitable portfolio on their own.
- Exploring how the documentation requirements regarding the advice to private investors with significant experiences can be reduced or exemptions can be created for this customer group, e.g., by making it easier to classify them as professional investors.
- In the long run, establish a whitelist for simple products to exempt simple, well-diversified and transparent investment products from extensive documentation requirements. A whitelist accompanied by significant simplified advice requirements could be established. Such a whitelist could include, for example, diversified mutual funds regulated by UCITS. Establishing a whitelist would also signal to bank customers that investing in mutual funds and other diversified products is generally suitable for capital accumulation or retirement provisions because potential risks are reduced by diversification.

In addition to bank advice the MiFID/MiFIR should also be reviewed with regard to how markets operate in order to ensure that liquidity in a single share is not split across too many different execution venues (see chapter 3.1.)

1.3.2 Financial Education to Improve Retail Investor Participation

Deutsches Aktieninstitut supports every initiative for financial education because a high level of financial education would help in making informed investment decisions.

As various countries already have financial education initiatives, we see the role of the EU here as that of an agenda-setter and coordinator, evaluating, summarising and promoting existing best practices. In that respect, experiences from existing educational initiatives show that a central responsibility within each member state is helpful for a meaningful overall strategy. In Sweden, for example, which has a long history of financial education, this role is played by the supervisory authority.

2 Boosting listings and financing European Companies

2.1 Reducing Red Tape to Make Listings More Attractive

Only successful companies are attractive to investors. It is therefore important to strengthen not only the supply of capital but also the demand for it. This requires ensuring that innovative business models can develop, facilitating public listings with minimal hurdles, encouraging companies to remain listed, and enable cross-border investments throughout Europe.

Simple, practical rules that ensure legal certainty are essential. The current complexity in capital market rules and reporting obligations requires significant expertise and constant legal advice. This often overburdens companies and deters them from public markets. An ambitious change to the trend of increasingly burdensome and detailed regulatory requirements for listed companies is as important for the SIU's success as strengthening the investor base.

We support the EU Listing Act shift towards considering the regulatory environment from the perspective of affected companies. We also support the European Commission's goal of reducing reporting requirements by 25% for all companies and by 35% for small and medium-sized enterprises. This reduction would free up resources for the development of innovative business models or projects to achieve the goals of the twin transition.

Specifically, we suggest the following:

Sustainability reporting

While we support the EU Green Deal, we welcome the Omnibus package aimed at simplifying sustainability reporting. Due to its voluminous, complex, and granular rules, the EU sustainability reporting framework is currently not functioning effectively in practice. Especially preparers of reports are facing disproportionate reporting obligations and various legal uncertainties, causing significant implementation problems. This diverts scarce resources that would be better allocated towards emission reduction efforts rather than reporting. Of the numerous points highlighted in our position papers on Omnibus⁴, the following should be emphasised:

⁴ Deutsches Aktieninstitut, Boosting Europe's Competitiveness by Cutting Red tape, 23 January 2025 ([link](#)), and Deutsches Aktieninstitut, Making OMNIBUS a Success, 23 January 2025 ([link](#)).

- Remove the iXBRL tagging obligation under the European Single Electronic Format (ESEF-Regulation) for both financial and non-financial reporting. The tagging exercise is complex, time-consuming, significantly burdensome and outdated, as modern AI tools can now extract and evaluate relevant information from companies' reports delivered in PDF format.
- Make all significant corporate sustainability frameworks subject to Omnibus to achieve a balanced regulatory ecosystem. The CSRD should serve as the primary source for corporate reporting from which all information is derived for any other reporting frameworks such as the SFDR or data required by banking regulators.
- Reduce the 1,100 ESRS data points to around 500 data points for all reporting companies either by replacing the ESRS Set 1 with the standard for listed small- and medium-sized enterprises or a similarly sized framework. This would result in a simplified and operable framework enabling companies to produce clearer and more targeted reports, focussing on the relevant information that investors need.

EU Market Abuse Regulation

Although the EU Listing Act has provided some relief for companies, further simplification is required.

For example, some of the simplifications originally introduced in the EU Market Abuse Regulation (for example, regarding insider lists or managers' transactions) have been watered down during the legislative process. Therefore, bureaucratic burden remains unnecessarily high.

Furthermore, the Level 2 Acts to be adopted under the EU Listing Act are still under consideration. It is of utmost importance that Level 2 will be drafted in a consistent manner with the overarching goal of reducing regulatory burden, compliance costs and legal risks. We are particularly concerned about the Delegated Act on the Market Abuse Regulation. ESMA's proposals currently under consultation regarding the disclosure of insider information in so-called protracted processes (for example, for mergers and acquisitions, capital measures, share buybacks, etc.) do not sufficiently reduce the compliance burden as well as the legal and procedural risks for issuers.⁵

⁵ Response of Deutsches Aktieninstitut to ESMA's consultation paper on draft Technical Advice concerning MAR and MiFID II SME GM, 13 February 2025 ([link](#)).

EU Prospectus Law und PRIIPs-Regulation

Continued efforts to simplify EU prospectus law are essential. This includes better integration of prospectus information with other reporting requirements and simplifying the base prospectuses. Base prospectuses are used primarily by frequent issuers in the bond market and thus form the documentation basis for a large proportion of the ongoing financing of capital market-oriented companies.

Furthermore, the guiding principle from the most recent reforms of the EU Listing Act should be continued. Follow-on issuances of securities by companies that are already listed and thus transparent to investors should proceed without redundant information. Information that is already available should not need to be repeated, especially not in a slightly modified form. Instead, it should suffice to provide only additional information necessary for the specific issuance, allowing issuances to take place based on existing information. For the admission of equity capital, this has been achieved through the extended exemptions for secondary issuances under the prospectus law; a corresponding discussion should be held for the issuance of bonds.

Another aspect relevant to corporate bond markets is the PRIIPs Regulation. It has caused uncertainties as to whether standard “make-whole clauses” oblige issuers to prepare a Key Information Document (KID) for standard bonds, even though those bonds are not a complex financial instrument by nature. The current uncertainties effectively exclude retail investors from direct investments in the corporate bond market. We therefore welcome the proposal tabled in the Retail Investment Strategy to exempt corporate bonds, including make-whole clauses, from the scope of the PRIIPs Regulation and encourage the co-legislators to proceed in this direction.⁶

Making Passporting Work Better in Retail Markets

The passporting regime under the Prospectus Regulation was introduced to facilitate cross-border public offers and listings of securities on the regulated market, thereby improving cross-border access for investors to financial market instruments and, conversely, for issuers to a broader investor base.

The passporting regime establishes an approval-once-principle for prospectuses. If a single NCA approves a securities prospectus under the Prospectus Regulation, such a prospectus can, following notification by the NCA of the home Member State, be used to publicly offer securities across Europe. The passporting regime has a proven track record and works well, particularly for bond markets.

⁶ Deutsches Aktieninstitut, Corporate Bonds with customary clauses should not fall in the scope of PRIIPs, 24 January 2024 ([link](#))

However, for issuances to retail investors, the passporting regime is overshadowed by other requirements that make cross-border placements complicated, time consuming and costly, and thus less attractive. These include, among other things, differences in the application of MiFID II requirements for investment advice by national authorities. For example, the target market concept is applied differently. Additionally, there are certain national peculiarities regarding general consumer protection requirements that may induce product bans, create additional liability risks for issuers, or require additional documentation or national language versions of existing documentation. As a result, the distribution of securities cannot be carried out according to standardised processes, even though the approved securities prospectus permits a public offer to private investors across Europe.

Overall, we consider it necessary to simplify the conditions for the placement of securities across borders to fully unlock the potential of the passporting regime laid down in the Prospectus Regulation. Elements that should be targeted include:

- **Harmonising liability regimes for securities prospectuses and beyond:** European legislation should enable offers and the distribution of securities based on a standardised liability regime. Currently, market participants may face 27 different liability regimes, making it impossible to evaluate potential obligations and risks in case of a cross-border offer. As a result, private placements are often chosen in cross-border situations. However, a common liability regime should be balanced to meet investors' interests without creating additional liability risks for companies that act with due care. Key points to ensure this include:⁷ no personal liability for the management of the issuer, appropriate rights of action and periods of limitation, appropriate liability and error standards, and possibilities for remedying errors in prospectuses, such as via ad hoc announcements. If European prospectus liability is harmonised, it should apply exclusively, meaning no other national civil law liability provisions should apply in addition to European prospectus liability.
- **Offering securities on the basis of standardised documentation:** While this principle is already established for the securities prospectus, it does not yet apply in practice to the product distribution processes of financial service providers, as described above.
- **Removing translation requirements.** The current complexity for cross-border issuances is partly due to special requirements regarding the language of documentation and information related to the distribution of securities. For example, under the Prospectus Regulation, Member States

⁷ Position on the Call for evidence on potential further steps towards harmonising rules on civil liability pertaining to securities prospectuses under the Prospectus Regulation, 18 December 2024 ([link](#)).

may still require a translation of the summary into the national language. Further translation requirements may also arise in relation to the terms and conditions of the securities based on national consumer protection requirements. Therefore, it should be possible to prepare the entire set of documentation in one language.

2.2 Improving the Situation of Small and Medium-Sized Companies

Given their limited resources and smaller financing needs, capital market compliance is particularly burdensome for small and medium sized companies.

Fortunately, since 2018, the EU-regulated SME Growth Market provides a uniform EU-wide framework for stock exchange segments, primarily trading shares of companies with a market capitalisation of up to EUR 200 million. Compared to the Regulated Market, where larger companies are listed, SME Growth Markets offer a lighter regulatory environment tailored to SMEs' capacities and needs. The SME Growth Market facilitates stock market entry and often leads to a transition to the Regulated Market after companies become familiar with being listed. Successful experiences, such as in Sweden, demonstrate the effectiveness of this approach.

However, additional steps should be considered to preserve the success of this concept and further ease access of small and medium sized companies to the capital markets:

- **Reflect on which regulation needs to be linked to a listing:** Generally, many rules for companies apply only to listed companies even when there is no reason linked to the listing. This creates additional costs for listed companies compared to their non-listed peers. Though this holds true for companies of all sizes it might be particularly burdensome for small and medium sized companies. We therefore call for a measured approach when determining applicability of rules.
- **Maintain the light touch approach to regulation in EU Growth markets:** In contrast to the core concept, we have observed a tendency to dilute the differences in regulatory intensity between SME Growth Markets and the Regulated Market in other respects. For example, the scope of the EU Market Abuse Regulation has been extended to MTFs and thus also to EU Growth Markets, leading to a far-reaching convergence of regulatory requirements for the Regulated Market and other market segments. The extension of the scope should be evaluated. Furthermore, the alleviations introduced to the EU Growth Markets by latest MAR amendments have been rather minor, as co-legislators could not agree on dropping the obligation to prepare insider lists. At the very least, any further lifting of

the regulatory intensity in EU Growth markets should be avoided to preserve some regulatory differences.

- **Increase the SME threshold:** Recently, the threshold for a small- and midcap company was set at up to EUR 200 million. Alleviations, such as those related to preparing an EU Growth Prospectus, apply to companies of that size. To extend these benefits to a larger number of companies, the threshold should be increased to EUR 1 billion.
- **Phase-in requirements:** In addition to maintaining a permanent difference in regulatory intensity between segments of the stock market designed for SMEs and other segments, the EU should consider a phase with simplified regulatory requirements for newly listed companies. Such a period was introduced for so-called ‘emerging growth companies’ in the USA in 2012 with the JOBS Act.

2.3 28th Regime to Strengthen Legal Framework for Capital Market-Related Issues

Company law has traditionally been the domain of the Member States. However, the introduction of multi-voting share structures for companies listed on SME Growth Markets marks a step towards harmonising company law at the European level. However, the discussion about the introduction of multi-voting share structures has also shown how difficult it is to reach a compromise between the member states, particularly in company law, given the various legal traditions and interdependencies to other parts of the member states’ legal system.

An alternative option could be the establishment of a “28th regime” at European level. This optional legal framework would allow companies to opt in without replacing national law. A 28th regime could be developed based on the existing Societas Europaea (SE) statute and could include the following aspects, some of which are already present in some Member States’ company laws:

- Ensure flexible provisions for raising capital, leaving shareholders freedom to define the volume of authorised capital. This enables management to decide on capital measures needed to finance further growth steps in a flexible manner based on a pre-defined limit.
- Permit shares with a nominal value of less than one euro to enhance liquidity particularly for small and mid-cap companies
- Develop uniform requirements for implementing employee share ownership across the EU, benefitting start-ups where such schemes are a crucial remuneration instrument.

- The 28th regime should take a 'digital first' approach exploring from the beginning the potential of digitisation, in particular with respect to all aspects of incorporation in order to provide a future-proof new statute.
- A 28th insolvency regime for pan-European debt markets could also be added, as this potentially lowers transaction costs for debt investors.

3 SIU Framework between Fragmentation and Uniform Approaches

Whether the demand and supply side interact efficiently is embedded in the broader debate how markets operate in practice, how they are supervised, and whether all market segments will be developed. The following guiding objectives appear to be key against this background:

3.1 Trading and Post-Trading: Liquidity Pools and Reliable Services

One of the key discussions of SIU is about fragmentation of securities markets and post-trading infrastructures in the EU. In that debate it is important to note what appears to be particularly relevant from the perspective of listed companies.

Listed companies assess each trading and post-trading structure whether it (i) provides the most uniform and deep liquidity pools possible in the respective issuer's own share, (ii) offers easy and broad cross-border access to investors as well as (iii) ensures reliable and cost-effective corporate action processing and information flows regarding general meetings and shareholder identification.

Against this background, the following should be part of the discussion on fragmentation:

Liquidity of Markets: Review MIFID Rules Governing Market Structure

Generally, issuers are concerned about the comparably low levels of liquidity in European markets which ultimately may influence the decision to list or to raise capital in the EU. Though mainly linked to the missing investor base (see chapter 1) the problem of lacking liquidity appears to be aggravated by the European market structure where the liquidity in a single share tends to be spread across a number of trading or execution venues, many of them off-exchange venues with a lower level of transparency. This unique market structure itself is linked to MiFID provisions which on the one hand have increased competition with regard to explicit trading costs, but on the other hand has favoured the coexistence of stock exchanges and alternative trading venues in one and the same share potentially leading to higher volatility and bid-ask-spreads.

We therefore believe that the MiFID provision governing the market structure should be reviewed whereas the current exemption from the obligation to trade equities on transparent platforms should be narrowly defined and mainly be reserved for very large orders with a huge impact on market prices.

Regulatory Harmonization: Reducing Transaction Costs and Enabling Consolidation

Many observers raise the point that trading and post trading structures are fragmented in the EU. However, in the area of post trading, the ECB's T2S platform already provides a unified pan-European infrastructure for cross-border settlement, which has been set up to better integrate existing cross-border settlement. We believe it would therefore be worthwhile to evaluate first whether T2S is a viable solution to the current fragmentation and what could be done to strengthen its role.

Additionally, in our view, the existing fragmentation is largely due to significant differences in the legal and tax conditions that form the framework for the current processes, although the EU and market participants have been working intensively for many years to overcome barriers. Initiatives such as the implementation of the FASTER Regulation aiming at better aligning withholding tax relief procedures, potential adjustments to insolvency law where relevant for financial markets, and the work on market standards should therefore be continued and driven forward to create efficiency gains.

We also believe that a better harmonized framework alone would automatically lead to increased competition between providers of trading and post trading services and thus to natural, market-led consolidation, if its benefits outweigh its costs. In this sense, consolidation should be the result of market processes and not of regulatory mandated decisions. However, a prerequisite for consolidation to happen in a market-driven process could also include ensuring that EU competition law and its application in practice do not stand in the way of consolidation.

The above points should be carefully considered so that any efficiency potential identified by the market participants can be realized to ensure cost-effective processes and fees.

Exploring New Technical Solutions

Digitalisation has a huge potential to improve current processes around the issuance, the trading as well as post-trading of securities. For example, the Distributed Ledger Technology (DLT) and the development of digital currencies may bring about major changes for securities markets. However, it remains uncertain which technology and business model will be the most promising in the future. But as technological innovation continues to persist: The use of DLT in general enables faster, simpler and more efficient processes while reducing cost and frictions in the medium-long term.

The EU should therefore actively support the exploration and use of new technological innovations in the securities markets and organise the legal framework that no obstacles arise. We also advocate for the recent Eurosystem initiative to settle

DLT-based transactions in central bank money and would welcome positive changes to the DLT-Pilot Regime:

- Support by a wholesale digital currency is crucial for innovative, growing and competitive European capital markets to foster competitiveness worldwide. The ECB trials (which enabled new technologies like DLT to support the issuance and settlement of transactions in digital Euro) have demonstrated the readiness and capability of the Eurosystem, market participants and DLT platforms to establish a wholesale digital Euro. Building up on this momentum as announced by the ECB recently is key for establishing a successful digital infrastructure for the EU in due time and in joint efforts.
- The DLT Pilot Regime is the first sandbox to enable the regulated use of DLT in securities trading and settlement. However, with only two licences issued (as of February 2025), the uptake is very low. The regime design is not sufficiently attractive for market players. The low volume limit and the restricted timeframe are a significant problem. For example, there is a max. volume limit of EUR 6 billion across all asset classes. This threshold is easily exceeded by bigger market participants and should therefore be increased by the European Commission. Furthermore, the eligible asset classes should be expanded to i.e. structured products, where efficiency gains are expectable.

3.2 A Framework for a Uniform Supervisory Approach

Currently, National Competent Authorities (NCAs) vary significantly in their interaction with the market, the guidance they provide, and how they apply EU rules. A uniform and practical implementation of EU legislation is essential for the Savings and Investment Union.

Uniform and Practice-Proof Supervision

We generally support improved coordination between authorities (and the coordination role of ESMA), particularly in cases of cross-border relevance and overlapping supervisory competences, as a prerequisite to reducing market fragmentation.

However, this does not necessarily call for a fully centralised single EU supervisory authority, as there are also strong arguments for utilizing local supervisory expertise. This is particularly true for listed companies, which rarely have to deal with more than one supervisory authority due to the small number of dual listings on more than one European stock exchange. Furthermore, the passporting regime for the issuance of new securities has established an approval-once principle. This allows public offers of securities throughout Europe with the approval of a

prospectus by one authority and has worked well, though it is partially overshadowed by other requirements (see chapter 2.1.). Finally, in some cases, requirements for issuers are not fully harmonised (for example, the EU Transparency Directive), necessitating enforcement according to certain local specifics.

Including Competitiveness Considerations in the Mandate of Supervisors

We believe the debate on supervision should focus more on how supervisory action are applied in practice. Supervisory authorities should avoid choosing the strictest interpretations of the EU regulatory framework when drafting Regulatory Technical Standards, Implementing Technical Standards or supervisory guidelines.

To address this, we support proposals to complement the mandate of the European Supervisory Authorities (ESAs), starting with ESMA, by introducing considerations regarding competitiveness. This would ensure that competent authorities balance different objectives when defining or applying regulatory requirements. In the UK, the Financial Services and Markets Act was amended to entrust the Financial Conduct Authority with competitiveness as a secondary objective. This could serve as a model for the EU.

No Action Letters Needed

The volume of EU legislation in financial markets has led to a situation where new requirements are nearly impossible for market participants to implement due to inconsistencies, short transition periods, or significant legal uncertainties. Despite these challenges, these requirements must still be enforced and NCAs have no or only limited means to find flexible and practical solutions in these cases. To facilitate pragmatic implementation of complex regulation and avoid overburdening supervised entities, we support granting competent authorities ‘no action letter’ powers. This would allow them, in exceptional and well-defined circumstances, to temporarily suspend the application of regulatory provisions, particularly those in Delegated Acts.

3.3 Strengthening Securitisation Markets

Strengthening securitisation markets is crucial for linking credit and capital markets. This is an important element of a functioning ecosystem and, therefore, a vital factor for the success of the Savings and Investment Union.

An active securitisation market allows banks to pass on loan receivables to the capital market, thereby freeing up lending capacities in the banking sector, which is particularly relevant for small and medium sized companies. For institutional investors, securitisations as an asset class provide further investment and diversification opportunities. On a macroeconomic level, a well-developed market allows for a

better distribution of risks and connects sources and users of capital more efficiently. Compared to the USA, however, securitisation markets in Europe are small, meaning the EU is missing out on potential for an efficient financing landscape. This is especially relevant in light of the implementation of the Final Basel III reform in the EU, which increases capital requirements for banks.

We therefore welcome that the European Commission has been consulting on barriers to the development of the securitisation market since autumn 2024.

The review should aim to reduce the barriers to market entry for institutions that are not yet market participants (particularly regional banks, for which the significant upfront and ongoing regulatory requirements outweigh the benefits of entering the market). It should also aim to grow the market by attracting more investors and reducing the overall compliance burden for those already active in the market.

Efforts to create a consistent system should focus on:

- Reducing disclosure requirements to relevant information in order to reduce overall bureaucratic burden linked to securitisation. We should align disclosure requirements to market and investor needs, without cumbersome templates.
- Simplifying the criteria for simple transparent and standard securitisations (STS) and easing the participation of insurers in the synthetic STS market
- Lowering capital requirements for banks, especially for senior tranches of non-STS securitisations, which constitute the majority of suitable assets for securitisation in the banking sector
- Reviewing the capital requirements for insurance companies as potential investors in securitisation for STS and non-STS as well as the funding obligation for synthetic STS for insurance companies as potential risk underwriters in securitisation

Contact

Dr. Gerrit Fey
 Chief Economist
 Phone +49 69 92915-41
 fey@dai.de

Dr. Norbert Kuhn
 Head of Think Tank
 Phone +49 69 92915-20
 kuhn@dai.de

Zelda Bank
 Policy Advisor EU Liaison Office
 Phone +32 2 7894102
 bank@dai.de

Frankfurt Office:
 Deutsches Aktieninstitut e.V.
 Senckenberganlage 28
 60325 Frankfurt am Main

EU Liaison Office:
 Deutsches Aktieninstitut e.V.
 Rue Marie de Bourgogne 58
 1000 Brussels

Berlin Office:
 Deutsches Aktieninstitut e.V.
 Behrenstraße 73
 10117 Berlin

Lobbying Register German Bundestag: R000613
 Transparency Register: 38064081304-25
 www.dai.de

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