



Unlocking Europe's Capital Potential

Nordic Perspectives on Advancing the
Savings and Investment Union

In collaboration with Nasdaq, SEB, Investor, Nordea, EQT, Avanza, Nordnet, Swedbank, Danske Bank, ImpactEurope, Swedish Securities Market Association, and Stockholm Chamber of Commerce



As the EU confronts an increasingly challenging global landscape, with intensifying technological rivalry and heightened geopolitical tensions, building a deeper and more efficient single market for capital is not just desirable, it is essential. A strong European Savings and Investment Union (SIU) is critical to mobilize Europe's vast savings. The capital could be channeled to the much needed investments in the green and digital transitions, to strengthen European security and competitiveness, and to secure the EU's resilience. Initiatives within the SIU would also need to be aligned with the Commission's single market strategy to be mutually supportive.

From a Nordic perspective, a region where capital markets are relatively well-developed, the SIU represents a vital opportunity. The SIU would strengthen financial integration by ensuring that European businesses have access to diverse and resilient sources of financing. In turn, this would increase the likelihood of them staying in Europe instead of seeking their fortune elsewhere. However, this requires decisive action to dismantle structural and regulatory barriers that limit scalability across the EU, raise costs, and restrict both competition and innovation. There is also a need for cultural and structural changes in Member States, transitioning from a savings culture to a savings and investments culture. The forthcoming SIU initiatives therefore need to deliver a more integrated and modernized EU capital allocation. To achieve this, citizens need to be empowered and encouraged to build long-term financial security, while the EU's financial ecosystem globally becomes more innovative.

In this paper, key Nordic industry stakeholders, representing different parts of the financial sector, have come together to outline pragmatic and forward-looking recommendations – recognizing both the urgency and the potential going forward. Policymakers at both the EU and national level are urged to seize this opportunity to shape a SIU that truly works for citizens, businesses, and investors alike, inspired by the strengths and experiences of the Nordic open, innovation-driven markets.

Unlocking pools of long-term risk capital

Currently, European capital markets remain underdeveloped, compared with other leading global capital markets. While there may be historical reasons for this, contributing factors include low risk-taking among investors and a high degree of fragmentation in parts of the investment process. To boost EU capital market investments, it is essential to allow and encourage pension funds and other institutional investors to allocate more risk to and invest more in the capital market, further enhance and deepen venture capital and incentivize retail investors to move from low yield savings into higher return opportunities within the capital market. The EU should also implement reforms that attract offshore investors by making it affordable and straightforward to hold EU securities. Policies should prioritize stimulating market growth in Member States, especially in Member States where capital markets remain shallow and illiquid, enabling more efficient capital allocation whilst supporting sustainable economic development across the Union.

In parallel, while the EU is in the process of reforming the European capital market regulatory landscape and reducing barriers for investment finance to reach the real economy, each Member State needs to enhance its local capital markets action plans, focusing on specific gaps and challenges in each market. Here it is also important that the Commission, in its recommendations to Member States, identify structural reforms that are suitable to resolve issues of such character. In this respect, the Nordic markets and particularly the Swedish model, can serve as an inspiration as they underpin alignment between all actors within the financial ecosystem.

Simplify the regulatory framework

A more accessible and coherent regulatory environment is key to the SIU objectives. While strong regulation is essential for financial stability and investor protection, excessive regulation in combination with fragmentation and legal uncertainty continues to hold back capital market development in the EU. Simplifying and streamlining financial regulation is about making rules clearer, more effective and reducing unnecessary costs and administrative burdens for financial markets and the broader economy, without risking, but rather increasing, consumer protection and financial stability. Priorities should, based on robust impact assessments and consultations, include:



Reviewing key sectoral regulations and directives to ensure harmonized implementation across member states and avoid national gold-plating in areas that restrict cross-border investments opportunities.



Fostering consistent interpretation and application through common standards to reduce complexity caused by differing regulatory treatment of market participants and investor groups.



Harmonizing and minimizing unjustified differences in practices and approval processes between national competent authorities (NCAs) to avoid unjustified differences in processing time and costs for market participants.



Further standardization of key definitions across legislative frameworks to reduce legal ambiguity.



Streamlining rules by reducing duplicative obligations and addressing overlaps between existing regulations, standards, and guidelines, which contribute to fragmentation.



Review regulatory reporting requirements across regulations with the ambition to decrease the scope of reported key performance indicators (KPIs). That would eliminate overlapping reporting requirements and allocate reporting obligations to the source, keeping the required data, with the ambition to prioritize quality of information over quantity.



Reviewing, simplifying and consider completely taking out unnecessarily cumbersome onboarding and other rules adopted in the name of investor protection, but that do in practice disincentivize households to access financial instruments for their investment needs.



Addressing tax challenges and differences between Member States, including rules that disincentivise investments in capital markets, for example withholding tax treatment of dividends and capital gains. The EU should modernize the VAT framework for financial services to ensure neutrality, legal certainty, and a level playing field across sectors and Member States.



Moving toward harmonized insolvency rules, since varying national insolvency laws complicate investment decisions and increase costs for investors who must navigate different regimes across the EU.

Retail participation and access to investments

Empowering and encouraging European citizens to invest in Europe's future is critical. Retail investor participation directly - through equity and fixed income investments - and indirectly - via pension and investment funds - is vital to capital market liquidity and listings of small and medium sized (SME) companies. However, retail investors often face barriers to equities and fixed income trading and to participation in initial public offerings (IPOs) outside their home country. This is the result of localization of prospectuses, fragmentation, and home bias among local financial advisors. It is important to strike a balance between investor protection and information overload in terms of investment products disclosure practices. We consider that streamlining efforts should focus on the most critical information for decision-making. Priorities should, against this background, include:

- Improving retail access to cross-border IPOs, notably for SMEs, to enhance equity financing across the EU.
- Streamlining simplifying and digitalizing Key Information Documents (KIDs) to focus on practical, comparable information rather than legalistic disclosures.
- Review the scope of the key information documents for packaged retail and insurance-based investment products (PRIIPs) regulation for financial instruments like corporate bonds and exchange traded derivatives, that are currently withheld from retail's investment universe due to unbalanced requirements.



Increased financial literacy

For individuals to be active participants in the financial market, Member States need to ensure a higher level of financial knowledge as well as incentives among citizens. An increase in literacy would encourage individuals to save and invest wisely and helps them avoiding common pitfalls. The execution of the strategy for financial literacy presented by the European Commission will be a key driver in this regard, especially in the following areas:

- Supporting the financial competence framework put forward by the Commission in the CMU Action Plan II (action 7) by combining the framework with a mechanism to follow up and evaluate actions undertaken by Member States to enhance financial literacy at national level.
- Measures to further develop the role of the European supervisors (ESAs) in the field of financial education e.g. through drafting of fact sheets, production of information films etc.
- Developing an "EU Financial Literacy Plattform", where Member States, NCAs and ESAs can share information and experiences on measures taken to increase financial literacy. Such platform could serve as inspiration for public as well as private actors, while also being a valuable source of information for others, including financial advisors and teachers looking for good quality material.

EU Framework for Savings and Investment Accounts (SIAs)

The Commission's recommendation on Savings and Investment Accounts, inspired by successful examples in Europe, is very welcome. In the Nordics, SIAs, like the Swedish Investment Savings Accounts (ISK), have proven effective in unlocking passive capital from bank savings accounts, channeling it into investments that drive growth. They offer individuals opportunities for inclusive growth, adding value to pension planning and meeting capital needs throughout life.

SIAs not only benefit individuals, but also provide Member States with a stable and predictable tax base. In countries, where SIA models have been successful, they have generated substantial tax revenues. In general, the EU SIA recommendation can be useful for Member States that want to introduce or enhance existing SIA structures. The general features of the EU SIA to allow a wide range of providers to offer SIAs, the possibility to hold multiple accounts, and the aim that SIAs shall be a simple, reliable and easily accessible user experience for retail investors is therefore supported. Against this background, we believe that:

- A simplified taxation process is important as administrative burdens and complex paperwork are major reasons why individuals hesitate to become retail investors. Models which allow investors to be active and make unlimited transactions without being burdened by administration or record-keeping of gains and losses should be promoted. For example, a flat tax on the value of the holdings in a SIA, rather than on capital gains or transactions, provides predictability to investors.
- We encourage Member States to introduce tax incentives to ensure the uptake of these products. SIAs with tax incentives are likely to increase engagement by retail investors.
- Too far-reaching restrictions on eligible investments should be avoided. SIAs should provide access to a broad range of financial instruments, and we welcome that Member States may decide to extend the scope of eligible assets classes, provided that they are adequate for retail investors and provide them with the possibility to diversify their portfolios depending on risk profile.
- We agree that there shall be low fees (or none) and no red tape when transferring investments between SIAs or switching from one SIA provider to another. However, we believe the recommendation on the ability to transfer SIAs between different Member States need to be evaluated further, as it is difficult to foresee the consequences from differences in terms and conditions as well as tax structures between Member States.
- Restrictions in terms of minimum investment requirement, thresholds on amount to be held in SIAs, geographical restrictions on investments and minimum holding periods, should be avoided – as pointed out in the analysis relating to the Commission's recommendation. Such restrictions may have a deterring effect on retail investors.

Barriers to trading, cross-border IPOs and capital formation

To simplify and reduce costs for cross-border investments in the fragmented EU capital markets, it is essential to increase transparency and lower barriers for cross-border transactions. For the EU capital market to grow into a natural harbor for international capital and increase the number of IPOs and listings, it is essential to increase transparency, promote equal access and decrease market complexity and fragmentation.

It is also critical to secure secondary market liquidity that increases the demand, enhances pricing efficiency and boosts investor confidence. However, EU secondary trading has become increasingly fragmented, with less participation in transparent, open markets and more activity taking place bilaterally off-exchange. This trend risks undermining the price discovery mechanisms that are vital for liquidity and company valuations. Key measures in this field would against this background include:

- Reducing regulatory fragmentation by enabling trading venues and post-trade infrastructures to operate across borders with a single authorization or by improving passporting for infrastructures wanting to establish operations in several Member States.
- Ensuring a level playing field for offering new services and products, utilizing new technology and innovation between market participants, operating trading systems for off- and on- venue trading.
- Strengthening the competitive position of EU financial market participants by relaxing restrictions on intra-group outsourcing and simplifying organizational requirements.
- Keeping cross-border trading market and demand driven, not mandated. Trading interconnectivity alone will not increase this liquidity. Outside SMEs, there are today no regulatory barriers preventing trading venues from offering trading in shares listed on other trading venues across the EU and there are numerous providers of other trading mechanisms in the EU that offer access to all shares listed on the EU primary markets. If intermediaries are required to offer certain trading possibilities, this should be based on best execution obligations and only cover relevant markets, contributing meaningfully to price formation and liquidity.
- The focus on improving best execution outcomes should be on using post-trade analytics, not hardcoded execution mandates. Transparency and high-quality data are key, and safeguard against consolidated transparency initiatives that introduce latency risk and raise costs with no or limited benefits to market participants.



Other areas, that impact the client interest in cross-border trade, could be addressed on Member State level as well as in the private sector, especially for retail investors but also institutional investors, relate to:

- Investment home bias.
- Ability to participate in foreign IPOs.
- Analysis and media coverage of foreign companies being quite limited for retail clients and smaller institutions.
- Foreign exchange (FX) related costs and administrative obstacles.
- Taxes on the purchase of equities, e.g. financial transaction taxes and stamp duties, as these taxes increase transaction costs and reduce asset values.

Post-trade

The priority for market infrastructure should be post-trade harmonization, as the key to market integration lies more in settlement than trading per se. Today, the EU post trade landscape suffers from inefficient cross-border access and legal, operational and technological differences between the Member States. This impacts companies' ability to raise capital through equity and debt financing. Efforts to reduce fragmentation by enabling further competition and consolidation of settlement functions through regulatory amendments and supervisory alignment should be prioritized. We consider that the following actions are key measures to be taken:

- Enhance post-trade interoperability by requiring central securities depositories (CSDs) to effectively interconnect and cooperate by extended usage of CSD links. Bring down barriers by harmonizing fragmented regulations and system incompatibilities, that creates operational inefficiencies and increases the cost burden for issuers and investors alike.
- Technical and operational barriers remain high. Historical market infrastructures were primarily built for domestic operations, presenting hurdles for efficient cross-border transactions. Different technical platforms, settlement systems, and messaging standards among CSDs complicates interconnection and integration efforts.
- Variations in withholding tax practices add another layer of complexity and increase costs in post-trade processing. Implementing the Faster and Safer Tax Relief of Excess Withholding Taxes (FASTER) Directive promptly is a first step for harmonizing securities tax matters within the EU, but further measures need to be taken at local levels.
- CSDs need to maintain local Securities Settlement Systems (SSS) in each country where issuers are registered, and securities are issued and serviced. This requirement adds legal and regulatory complexity, since each SSS is governed by national laws, supervised by a NCA. Despite CSDR allowing for consolidation, such jurisdictional CSD operations hinder development in that direction.



Technology and Innovation

New technologies offer significant potential to increase efficiency, resilience and scalability to the financial system. Technologies like cloud computing and storage are becoming increasingly important for different actors in the financial market, while artificial intelligence (AI) and Distributed Ledger Technology (DLT) have the potential to transform operations and the very backbone of the financial industry. While being mindful about the risks, the EU needs to embrace the possibilities of these new technologies as they can lower entry barriers, reduce costs, and enable new business models. It is important that the EU avoid over-specifying processes or infrastructure and does not become so prescriptive that it impedes financial entities' ability to explore new technologies based on the specific risks and needs of business models. Key actions include:

- Encouraging the use of technologies like cloud computing, AI and DLT to boost efficiency, resilience and scalability in the financial system.
- Ensuring legislation and supervisory practices do not over-specify technical solutions or processes, so that firms have room to adapt innovations to their business models.
- Balancing innovation with risk management by developing frameworks that allow experimentation, while addressing clear supervisory concerns.
- The Commission should consider an initiative to streamline and simplify the overall digital regulations and legislative framework.

Supervision

The EU needs to establish a supervisory system that provides market participants with regulatory certainty, while ensuring that accountability mechanisms align with the distribution of supervisory powers, establishing clear delineation between EU and NCAs. Actions need to be taken to mitigate an unlevel playing field caused by differences in supervisory culture and approach, skills, resources and technical capabilities between different NCAs.

Enhanced cooperation and information sharing between EU regulators and NCAs is essential for supervisory convergence. A more streamlined supervisory approach in the EU and harmonized application of EU legislation could simplify and reduce burdens on firms, creating a consistent understanding of rules and regulatory obstacles. This would ease regulatory compliance by minimizing variations in supervisory practices among Member States. However, the benefits from a uniform approach to supervision may be most present in areas with a large part of cross-border elements or for larger entities operating in several jurisdictions and where national legislation is less dominant. Local supervisory areas require local expertise and understanding of unique practices that is better placed with NCAs. Key actions include:

- Strengthening cooperation and information exchange between the ESAs and NCAs to foster consistent application of rules.
- Promoting supervisory convergence through common standards and practices to minimize differences that create compliance complexity.
- Clearly defining which areas require EU-level oversight versus where local supervision is most effective, considering the fiscal responsibility in times of crisis and ensuring local practices remain aligned with EU objectives.
- Ensuring that NCAs have the resources, expertise and technical capabilities needed to uphold a level playing field across the single market.
- Industry-led best practices can complement supervisory action – providing market-based solutions without adding excessive regulatory layers.