Scaling Europe's Financial System

# The SIU in 2050: reverse engineering a Capital Markets Union

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## ABSTRACT

This retrospective from 2050 examines how the European Union (EU) can succeed in creating a genuine Savings and Investment Union (SIU). Using a potential future scenario as an analytical framework, the article explores the economic, regulatory, and political developments that can transform Europe's fragmented financial landscape into a more competitive, and resilient financial ecosystem. The article reflects on the challenges that confront policymakers in the mid-2020s and assesses the role of key initiatives such as the Market Integration and Supervision Package (MISP), enhanced European supervision, and the necessary political leadership required in overcoming these obstacles. Ultimately, it argues that the success of the SIU depends not only on technical reforms, but on a fundamental political choice to treat capital market integration as a strategic European project essential to long-term prosperity, innovation, and economic sovereignty.

# 1. Introduction

If you ask Europeans in 2050 when the continent regained control over its economic destiny, they might point to the moment when Europe finally did what it had promised itself for decades: build a genuine capital market. By then, the Savings and Investment Union should no longer be a policy acronym in Brussels, but part of daily economic life: a Dutch pension saver who can invest seamlessly in a Spanish scale-up; a Polish defense innovator that can raise long-term capital from investors across the Union; an Italian family business that can expand without first outgrowing its national financial market; and European banks, investors, and market infrastructures that can operate within one deep, liquid, and trusted financial ecosystem.

It is a Europe that looks markedly different from the one that entered the 2020s. Companies scale faster, citizens participate more directly in long-term value creation, and savings are no longer structurally exported to finance growth elsewhere. Europe neither followed the U.S.'s laissez-faire model, nor copied China's state-led approach. It found its own route: open, rules-based, competitive, and resilient.

The completion of the Capital Markets Union did not solve every challenge the continent faced, but it did provide the financial foundation for Europe to fund its transitions, strengthen its strategic autonomy, and turn its knowledge, savings. and industrial capacity into broad prosperity.

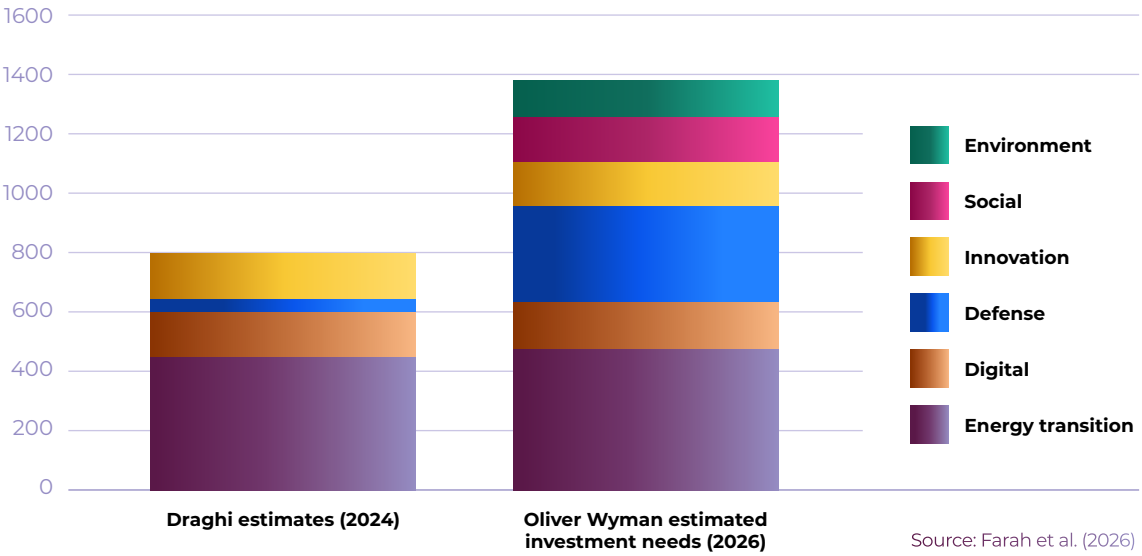
# 2. Setting the scene

By mid 2020s, it had become clear that Europe needed to change course. Its capital markets remained highly fragmented along national lines, resulting in insufficient scale, higher costs of capital, and weaker investment opportunities for European companies. This fragmentation was causing EU capital markets to fall further behind those of the U.S. Between 2016 and 2022, Europe's equity capital market capitalization, as a share of GDP, rose from 48% to 66%, while in the U.S. it increased from 104% to 157%. Over the same period, equity market liquidity, measured by turnover velocity, fell from 68% to 52% in Europe, while remaining at 145% in the U.S. [Oliver Wyman et al. (2024)].

The EU's financial sector faced 27 distinct regulatory and supervisory regimes, resulting in fragmented markets, and undermining cross border offering of services. The EU financial sector supervision was divided between 52 supervisors across member states, organized in different ways and with different mandates and supervisory scopes [Carmassi at el. (2026)]. These structural shortcomings resulted in a financial sector that struggled to compete globally and were a clear constraint on Europe's growth, innovation, and strategic autonomy.

Innovative companies in fields such as AI and digitalization were often forced to look to the U.S. for investors or risked being overtaken by foreign com-

**Figure 1: EU's annual additional financing needs (€ bln)**




Source: Farah et al. (2026)

petitors. In 2024, the European Investment Bank noted that "European scale-ups raised 50% less capital than their San Francisco peers." They concluded that the scarcity of EU investors that can provide financing at the scale-up phase pushes many EU companies to seek funding abroad and, at exit, look for a foreign buyer or get listed on a foreign stock exchange [EIB (2024)].

The Draghi report, published in 2024, stated these weaknesses in clear terms. Europe's lack of investments made households collectively poorer, while companies had less access to funding and investments. The report also noted that EU investment needs were "massive and unprecedented from a historical perspective," estimating annual needs of €750-800 billion, equivalent to 4.4%-4.7% of EU GDP at 2023 levels [Draghi (2024a)]. To meet these investment needs, the Draghi report presented EU capital markets as a crucial horizontal enabler for the EU economy and provided various concrete proposals to strengthen these. This report was preceded by a study by Enrico Letta on behalf of the European Commission to set out specific recommendations on how to improve the EU's internal market. In his report, Letta placed the creation of a capital market union as a key requirement for strengthening the EU's economy [Letta (2024)].

Building on these reports, the European Commission introduced the Savings and Investment Union as an action plan to solve the fragmentation of capital markets and channel more investments into the EU economy. Geopolitical pressure then gave the SIU a broader strategic meaning: it was no longer framed merely as a financial integration project, but as an economic and geopolitical instrument to mobilize savings, scale investments, and strengthen Europe's global financial position.

Despite this momentum, tangible progress towards a true Capital Markets Union remained slow, even as Europe's financing needs continued to rise. In 2026, Oliver Wyman updated the estimated financing needs of the EU economy, concluding that annual additional needs had increased to €1.4 trillion. This increase was driven particularly by the need for greater sectoral investment in Europe's defense industry, against a backdrop of rising geopolitical tensions (Figure 1) [Farah et al. (2026)].

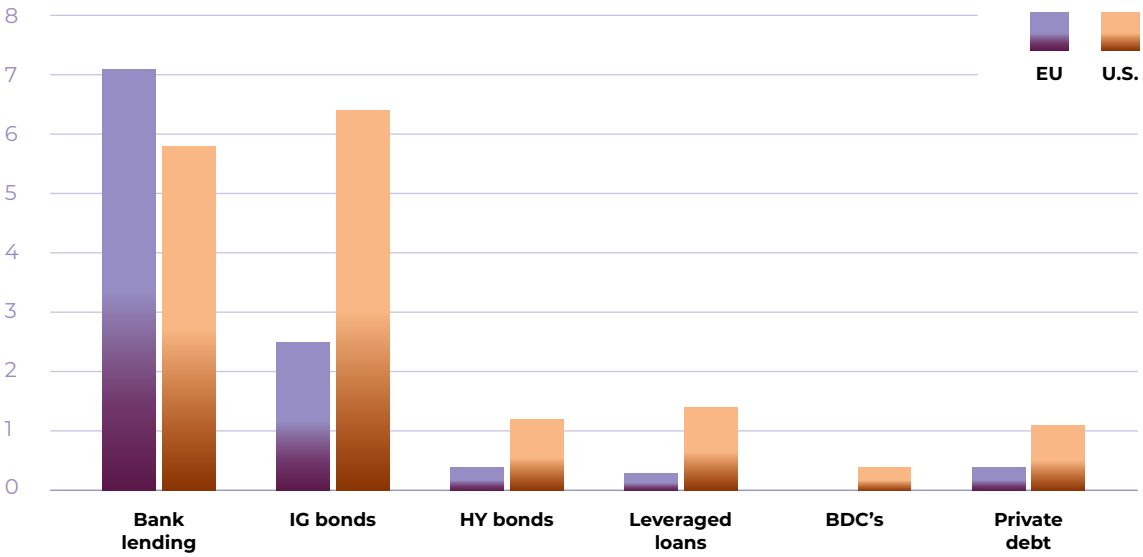
## 3. MISP: first step but no silver bullet

Looking back from 2050, the Market Integration and Supervision Package (MISP) was the first push towards integrated financial markets. Introduced in late 2025, the MISP contained several important measures to improve market integration and functioning. It introduced enhanced passporting regimes for trading venues, central securities depositories and investment funds, and proposed a pan European market operator license allowing firms to run multiple venues under a single authorization. The package also supported innovation through adjustments to the DLT Pilot Regime and technology neutral updates to existing legislation [EC (2025)].

One of the most crucial changes brought about by the MISP was increased competition in market infrastructure. The Implement Consulting Group had concluded that EU capital market infrastructure remained highly fragmented, with 27 exchanges, 14 Central Clearing Counterparties, 27 Central Securities Depositories, and more than 250 trading venues. This fragmentation increased costs and reduced liquidity. As a result, EU capital markets remained underused, with the average market capitalization-to- GDP ratio being 61% in the EU compared to +214% in the U.S. [Implementing Consulting Groupe (2025)].

The MISP addressed this problem by creating conditions for more transparent, competitive, and interoperable market infrastructure. The European Banking Federation concluded that, since most central securities depositories were commercial entities, there was an inherent tension between their role as central market utilities and their profit-maximizing incentives. Measures to enhance transparency and standardize CSD fee structures were, therefore, essential. The MISP also strengthened CCP interoperability by reinforcing open-access provisions, making interoperability between significant CCPs the default principle within EU capital markets. Following the MISP, refusals to grant CCP access were limited to cases where clearly substantiated systemic risks could be demonstrated. The open access supported deeper market integration by enabling clearing members to consolidate activity, benefit from economies of scale, and optimize multilateral netting efficiencies. Together, greater transparency and more choice for market participants increased competition and

**Figure 2: EU's annual additional financing needs (€ bln)**




Source: EBF (2026)

created the conditions for market-led consolidation across market infrastructures [EBF (2026)].

This improved the efficiency of EU capital markets, lowering the cost for market participants. These efforts also produced real economic benefits. In 2025, the Implement Consulting Group estimated that improved liquidity alone could reduce trading costs by 16 basis points in EU financial markets. That improvement alone was estimated to translate into structurally higher capital investments in the EU economy of 0.09%. While such gains appeared modest at first, they were expected to generate around €52 bln in additionally accumulated growth over the following decade

Yet the MISP also left important gaps. It deliberately avoided several politically sensitive issues widely regarded as critical to full capital market integration, including insolvency law harmonization, withholding tax procedures, and the broader integration of retail investment frameworks.

## 3.1 A single European Market Supervisor helped harmonize markets

A second pillar of the MISP was the push towards more centralized supervision of capital markets through the European Securities and Markets Authority (ESMA). Before the reform, financial market participants active in different Member States had to deal with several supervisory authorities, which resulted in many different national rules and supervisory practices. The ECB noted in 2026 that this increased operational complexity and compliance costs, possibly creating a barrier for smaller firms or new entrants seeking to expand across the EU [ECB (2026)].

The expansion of ESMA's role was regarded as highly beneficial but not without risks. The package granted ESMA new direct supervisory powers over certain large, cross border market participants and infrastructures. The key challenge was to shift supervisory powers to the EU level in a way that produced tangible efficiency gains, while making supervision more proportionate and cost-efficient for market participants. The financial sector, mindful of the earlier creation of direct EU supervision for large banks, was wary that a new supervisory framework might simply increase costs and contributions.

Clear operational boundaries between ESMA and national competent authorities were, therefore, essential. This was particularly important where centralized supervision addressed cross-border risks linked to pan-European infrastructures. The expansion of EU-level supervision also required clear legal recourse for entities subject to direct European supervision.

For these reasons, the move towards a single supervisor did not happen overnight. A careful phased-in

approach allowed ESMA's operational capacity to grow while ensuring that efficiency gains were realized. Taking on board concerns from the financial sector, centralized supervision for cross-border and significant financial market infrastructure providers became a positive and necessary development. A single supervisor reduced cross-border frictions by ensuring the single capital market rulebook was applied more consistently.

While direct ESMA supervision of certain market infrastructure providers was introduced gradually, the strengthening of ESMA's supervisory convergence tools had immediate benefits. It helped ensure that financial market participants across the Union were subject to higher-quality and more consistent supervision. Extending the use of non-action letters to situations where level playing field concerns arose was seen as a major improvement.

At the request of the financial sector such as the European Banking Federation, it was deemed necessary that the non-action letter proposals were made more effective and predictable by empowering the European Commission to temporarily suspend specific EU requirement, including regulatory technical standards (RTS) and implementing technical standards (ITS), where relevant. This approach significantly strengthened the effectiveness of non-action tools in addressing urgent regulatory issues, while ensuring greater legal certainty and predictability for market participants [EBF (2026).

In this context, banks considered it essential that ESMA's mandate be expanded with a secondary objective related to the competitiveness of European capital markets. Such a mandate required clear monitoring metrics and an accountability process towards the co-legislators. The reform of ESMA's mandate served as a forerunner for a similar revision of the European Banking Authority's mandate. The purpose was not to override the European Supervisory Authorities' core objectives of market integrity and financial stability, but to complement them by ensuring that international competitiveness and growth prospects were taken into account. One concrete way to incorporate this objective was for ESMA to systematically include competitiveness and growth considerations, including international implications, in its impact assessments and cost-benefit analyses. These analyses were periodically reviewed by an independent body, which assessed the approach taken and provided an opinion.

## 3.2 Remaining challenges to retail initiatives and banking competitiveness

Although the MISP was a crucial building block for stronger EU financial markets, it was never sufficient on its own. The Draghi report and subsequent analyses underlined that banks continued to play a central role in financing the EU economy. In 2024, bank lending was approximately 70% of EU GDP, while in the U.S. bank lending played a much more modest role because capital markets were much deeper [Draghi (2024a)]. Consequently, Europe needed a stronger market-based finance as well as a competitive banking sector with sufficient lending capacity. In 2026, the European Commission launched a broader consultation on the competitiveness of the EU banking. This consultation laid the groundwork for proposals to improve the regulatory framework for European banks. Importantly, it also triggered a wider policy debate on why Europe needed globally competitive banks to support its economic and strategic objectives.

In parallel, the European Banking Federation (EBF) commissioned a study by Oliver Wyman, which provided a comprehensive assessment of the challenges facing European banks and outlined recommendations to strengthen their ability to support the EU economy. The study highlighted the significant and growing investment gap. Since the Draghi report, estimated annual additional investment needs had increased from €800 bln to €1.4 tln annually until 2030. Under the existing regulatory framework, banks expected to finance only around €300 bln of this amount [Farah et al. (2026)]. However, the study also showed that targeted adjustments to EU banking regulation could substantially increase banks' contribution. With the right policy changes, annual bank lending capacity for these needs was estimated to rise from around €300 bln to approximately €700 bln, increasing banks' share from 20% to 50% of additional financing needs.

The study underscored the importance of a balanced approach: advancing capital markets integration through the SIU, while simultaneously ensuring that banks remain competitive, well-capitalized, and capable of fulfilling their financing role.

## 3.3 The political bottleneck

The main obstacle to the Savings and Investment Union was never a lack of diagnosis. By the mid-2020s, the problem was well understood.

Europe had too many fragmented markets, too many supervisory approaches, and too little scale. The real bottleneck was political. Member States broadly supported the idea of deeper capital markets in principle, but consensus became much harder once integration touched national supervisory powers, tax practices, insolvency regimes, or the competitive position of domestic financial centers.

This tension had been present from the beginning. The Capital Markets Union, the precursor of the Savings and Investment Union (SIU), was launched as an idea by EU Commission President Jean-Claude Juncker in 2014 and not coincidentally presented early 2015 by the British EU Commissioner for financial services, Jonathan Hill. The objective of the CMU was to develop deeper, more liquid, and more efficient European capital markets. At the time, there was still an expectation that the U.K.'s financial expertise and the strength of the City of London would help make the project a success.

Brexit changed that equation. The EU lost London as its dominant financial center, while the U.K. lost frictionless access to the European markets. Instead of one integrated European successor emerging, financial activity spread across several hubs. Paris and Frankfurt attracted foreign bank branches, Amsterdam briefly overtook London in equity trading [BBC (2021)]. This demonstrated that Europe had financial capacity but also exposed the underlying problem: EU capital markets increasingly functioned as a collection of competing hubs rather than as one integrated market.

Ten years after the initial CMU action plan, the ECB concluded that despite three CMU action plans, the core objectives had still not been achieved: "While many measures that have been taken since 2015

improved regulation, transparency and market access, full integration and efficiency remain elusive. Notably, many proposals on structurally challenging actions, such as taxation, insolvency, pensions and supervision, were either stalled in the legislative process or saw progress only in the form of non-binding actions" [Arampatzi et al. (2025)]. Moreover, for many EC proposals the preference for directives over regulations gave the Member States flexibility in transposition, which in turn led to more fragmentation. National gold-plating, exemptions, and lengthy transitional periods delayed regulatory convergence, adding further layers of complexity rather than fostering integration.

The lesson from the first decade of CMU was clear: a single rulebook does not create a single market if supervision and implementation remain politically fragmented. The MISP, therefore, became more than a technical package. It was the first concrete test of whether Member States were willing to treat capital markets as a European strategic asset. And if they were not all willing, and ready, to move at the same pace, would a carefully designed multi-speed approach help break the deadlock without weakening the single market?

## 4. Renewed political momentum

In the run up to the new European Commission mandate in 2024, there was the realization that something needed to change. Commission President Ursula von der Leyen turned to Mario Draghi. His report on "The future of European competitiveness" formed the basis for the Commission's competitiveness agenda. As he told the European Parliament: "The results show that to finance this volume of investment, we must make progress on Capital Markets Union, so that private savings can be channeled into investment across the whole EU" [Draghi (2024b)]. Draghi's report turned capital markets integration from a technical financial-services agenda into a central pillar of Europe's competitiveness strategy. By 2026, geopolitical pressure gave that argument additional force. If Europe wanted to finance defense, technology, energy, and industrial resilience, it could no longer afford another decade of incrementalism.

In 2026, geopolitical pressures on the EU had increased with renewed uncertainty about international defense cooperation and increased European defense spending needs. However, while the European Commission moved forward with its agenda to boost capital markets, there were already signs that traditional divisions between Member States would again prevent tangible progress. Replaying the same issues as the previous 10 years was not going to lead to a fundamentally different outcome and major national elections in France, Italy, and Spain in 2027 could lead to further political paralysis. To use the available political window, the finance ministers of Germany, France, Italy, Spain, Poland, and the Netherlands formed an informal coalition to accelerate decision making on capital market integration, as well as defense spending, and industrial policy.

The countries named themselves the E6, and made the SIU a priority, arguing that "To enhance Europe's sovereignty and competitiveness, creating a genuine Savings and Investments Union has become an urgent strategic necessity. We, the finance ministers of France, Germany, Italy, the Netherlands, Poland and Spain, are committed to driving this important project forward by taking action at European as well as at national level" [Lecure et al. (2026)]. They emphasized the importance of progress in market integration and supervision, and that the Market Integration and Supervision Package (MISP) was an essential piece of legislation for increasing the attractiveness and competitiveness of the EU capital markets. Together with the European Commission, they became a driving force for moving the MISP and broader SIU forward in the political process.

## 5. Conclusion: the uncomfortable truth in 2026

Returning to today, it remains uncertain how European capital markets will actually evolve in the coming years. Political and ideological entrenchment remains. And while the MISP is technically ambitious and would represent a major step in the right direction, other critical issues, particularly in the areas of insolvency and tax regulation, will still need to be addressed.

What is certain, however, is that both Europe as a whole and individual Member States stand to benefit from more integrated capital markets. Policymakers should recognize that this is a long-term

project worth pursuing, even in the face of setbacks and political resistance. Although there is no single silver bullet that can instantly create a European capital market, incremental steps towards better coordinated financial markets will already deliver meaningful benefits for European companies and households.

The uncomfortable truth in 2026 is that Europe can no longer afford to wait for perfect consensus. If a genuine Savings and Investment Union is to emerge, progress might first have to come from those Member States willing to move faster. A Europe running at two speeds is not without risk: if poorly designed, it could entrench fragmentation rather than overcome it. But if kept open, transparent, and anchored in the objective of a single market, it could become the bridge between political ambition and practical delivery.

Europe does not lack savings, companies, or ideas. However, it may lack the political resolve to connect them at scale. The SIU succeeds only when Member States choose to treat capital market integration not as a technical Brussels file, but as the financial architecture of Europe's future.

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