

Savings and investments union (SIU) journey: From strategy to delivery

The call of Luxembourg in the future European capital market



Contents

Why do we need a savings and investments union?	04
Pillar 1: Citizens and savings	06
Pillar 2: Investments and financing	10
Pillar 3: Integration and scale	14
Pillar 4: Efficient supervision in the single market	18
Let's make it happen: From theory and law to practice	20

Foreword

On 14 June 1985, in the village of Schengen, an agreement was signed that would give rise to the largest area of free movement in the world. Today, the Schengen area stands as one of the European project's most tangible achievements, enabling more than 450 million people to travel freely across member countries without internal border controls.

Yet while European Union (EU) citizens can move seamlessly across borders, capital still cannot. The EU remains home to one of the most fragmented capital markets among developed economies, hindering the efficient flow of funds within the euro area and limiting the effective allocation of savings between retail deposits and investments. In today's global economic environment, Europe can no longer afford delay. It must take decisive steps to transform its capital markets into a truly integrated system.

The Savings and Investments Union (SIU) strategy seeks to meet this challenge. At its core is the first regulatory package—the Market Integration and Supervision Package—proposed by the European Commission, which sets out the future legislative framework required to achieve the SIU's objectives. Innovation through new technologies, simplification of the regulatory regime, and the removal of barriers form the guiding principles of this framework.

Europe's ambition is both legitimate and complex. Transforming our capital markets will require building stronger bridges between entrepreneurs and retail investors, accelerating access to capital, and maintaining robust investor protection, while at the same time enhancing financial literacy and fostering a greater appetite for investment among European citizens.

This transformation must be pragmatic and deliver tangible results in the short term. Any delay risks placing European capital markets at a structural disadvantage relative to leading global financial centres, reducing their attractiveness for investors and companies seeking efficient access to capital.

It must therefore build on, and scale, solutions that have already proven their value: cross border, simple, and attractive financial instruments for retail investors that have supported Europe's development over past decades.

Europe's strength will also rest on the experience and expertise of its different countries, drawing on their diverse business domains and supervisory competencies.

This paper seeks to address the main pillars of the SIU, raise awareness of its strategic objectives, and illustrate how the Luxembourg financial center can concretely contribute to the implementation of the SIU's ambition across Europe.

We would like to express our sincere gratitude to the CEOs of ABBL, ALFI, Spuerkeess, the Luxembourg Stock Exchange, the European Investment Fund (EIF), and Clearstream for their valuable insights and contributions to this publication.

Europe possesses the assets and the know how to design and deliver a true "Schengen for capital markets." The time has now come to move from strategy to delivery, and to place European capital markets back at central stage, for the benefit of its citizens, investors, entrepreneurs, and future prosperity.



Why do we need a savings and investments union?

Europe faces a persistent imbalance between capital supply and investment demand. While EU households hold around €10 trillion in savings, businesses struggle to access growth capital, with approximately 70% of corporate financing remaining bank reliant.¹ In contrast, the US channels about 77% of corporate funding through capital markets. This disparity restricts Europe's ability to direct private savings into productive investments.

Bridging this gap is vital. According to Mario Draghi's 2024 assessment, Europe requires at least €750–800 billion in additional annual investment to sustain growth, restore productivity, and enhance competitiveness through 2030.²

The underlying causes are longstanding. Post-2008, savers favored bank deposits while regulatory frameworks discouraged institutional equity investment. Debt-biased taxation, fragmented markets, and pay-as-you-go pension systems have reinforced a bank-centric financial structure, limiting access to risk capital especially for small and medium-sized enterprises (SMEs) and high-growth firms, when transformative investment is most needed.



The EU's savings and investments union (SIU) strategy directly addresses these challenges.³ Building on the recommendations of Enrico Letta and Mario Draghi, the SIU targets three critical gaps:

1. An incomplete clearing and settlement infrastructure;
2. Divergent tax and insolvency regimes; and
3. Lack of regulatory convergence.

Launched by the European Commission in March 2025, the SIU aims to unlock private investment at scale through 2029, combining legislative reforms and coordinated Member State action. This initiative represents Europe's most comprehensive effort to build capital markets that reflect their economic scale.

The SIU framework is built on four interdependent pillars, each addressing a key market challenge:

1. Pillar 1: Citizens and savings

addresses the demand side by empowering EU households to direct idle savings into productive capital markets.

Key mechanisms include EU-wide investment savings accounts with tax incentives, improved financial literacy, portable pension systems, and diversified retail investment options, including funds and Exchange Traded Funds (ETFs). Converting low-yield deposits into productive assets strengthens long-term financial security, fosters investment confidence, and supports Europe's economic growth and strategic transitions.

2. Pillar 2: Investments and financing

targets the supply side to mobilize institutional capital and diversify corporate funding beyond bank lending.

Key measures include favorable prudential treatment for long-term equity holdings and upgraded venture capital frameworks. In addition, the pillar simplifies listing and prospectus requirements for SMEs, revitalizes securitization markets, and harmonizes insolvency procedures. Together, these reforms aim to deepen risk capital pools, lower funding costs, and support private investment across all stages of European businesses' growth.

3. Pillar 3: Integration and scale

tackles the fragmentation constraining European capital markets from reaching their full potential. It aims to better integrate 27 separate markets into a unified, globally competitive system, through harmonized rules, integrated trading and post-trading infrastructures, streamlined fund distribution, and removed cross-border operational barriers.

The result is lower costs, greater liquidity, and improved efficiency through continent-wide operations, enabling broader investor participation and better access to finance for European businesses. Significant emphasis is placed on leveraging innovation and emerging technologies, including distributed ledger technology (DLT), artificial intelligence (AI), digitalization, and increased automation, to further enhance market performance.

4. Pillar 4: Efficient supervision

ensures the consistent application of rules across all Member States. Such oversight fulfills policy objectives for clear, efficient rules that foster investor protection and confidence. This pillar aims to strengthen the European Securities and Markets Authority's (ESMA) convergence tools, enhance cross-border coordination, and thus improve the oversight of inherently cross-border activities.

Together, these pillars aim to establish a virtuous ecosystem:

- Retail investors gain easier access to investment options, driving capital toward businesses;
- Companies secure diverse funding sources more rapidly, fueling growth and innovation;
- Integrated markets operate efficiently at scale to attract global capital, and
- Consistent supervision builds the trust necessary to reinforce the entire system.

1. European Banking Federation and Oliver Wyman, *The EU banking regulatory framework and its impact on the economy*, January 2023; and European Fund and Asset Management Association, *Household Participation in Capital Markets*, January 2024.

2. Mario Draghi, *The future of European competitiveness – A competitiveness strategy for Europe*, European Commission, 9 September 2024.

3. European Commission, *"Savings and investments union,"* accessed 23 January 2026.

Pillar 1

Citizens and savings



Empower EU citizens to invest confidently in simple, transparent and productive capital market opportunities

Europe's future prosperity depends on harnessing the wealth of its citizens. The SIU's citizens and savings pillar transforms household savings into productive investments, reconnecting individuals with

the real economy. This transformation fosters a cultural shift from a passive savings mindset to an active investment approach, where money catalyzes progress rather than staying idle.

Making investing accessible and familiar

To achieve this ambitious shift, the European Commission is introducing new mechanisms to make investing as straightforward and familiar as traditional savings:

- **EU savings and investment accounts (SIAs):** These accounts combine the simplicity of traditional savings accounts with access to regulated and diversified investment products, including funds and ETFs.
- **Pan-European personal pension products (PEPPs):** Designed to support long-term savings, PEPPs are transparent, portable, and consistent across all Member States. Following a European Commission proposal published in November 2025 to increase uptake, the framework is set to introduce a "Basic PEPP" for simplified, non-advised sales alongside "tailored" versions for advised clients. The reform also targets enhanced features such as harmonized tax incentives, employer contributions, and auto-enrollment.⁴

Established investment instruments:

Widely recognized and simple products—such as undertakings for collective investment in transferable securities (UCITS), exchange-traded funds (ETFs), Eurobonds (one of the largest global debt markets operated by the ICSDs), and insurance-based investments—will serve a broader retail base, providing clarity, trust and consistency across the Union.

Citizens will be able to invest small, recurring amounts, monitor portfolios through user-friendly digital platforms, and benefit from transparent pricing and harmonized protection standards. Modern digital investment platforms already facilitate regular contributions and automated portfolios, allowing individuals to invest gradually while enjoying full transparency and control.

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Serge Weyland,

CEO of the Association of the Luxembourg Fund Industry (ALFI), emphasizes Luxembourg's longstanding expertise in developing tailored investment products for diverse objectives. He highlights the potential of introducing SIAs as wallets investing in tokenized funds, which would enable investors to set up personalized and cost-effective savings plans, including fractional shares. Furthermore, he stresses that education remains crucial, advocating for applied learning approaches as has been demonstrated in Sweden. According to a recent ALFI study, well-designed occupational pension systems combined with auto-enrolment in France and Germany could generate up to €10 trillion in productive investments over the next two decades, illustrating the potential role of pension reforms in mobilising long-term capital.⁵

4. European Commission, "[Commission proposes to boost supplementary pensions to help ensure adequate retirement income](#)," press release, 20 November 2025.

5. ALFI and McGill University, "[Europe's Productive Capital Gap](#)," October 2025.

Supporting measures: Building confidence and capability through financial literacy

The SIU recognizes that financial literacy is essential for informed investment decision-making. Several complementary measures support this objective:

- **Financial literacy programs:** These initiatives will help citizens manage risks and understand financial market operations, which is increasingly important given Europe's evolving demographics and pressures on traditional welfare models.

- **Education integration:** Under the European Commission's retail and investment strategy and the InvestInYou initiative, financial education will become a core part of Europe's social fabric. Knowledge is being integrated into schools, universities and adult learning programs, supported by accessible communication tools for all generations.

A new equilibrium: Private wealth driving collective progress

Mobilizing Europe's household savings is more than a financial reform; it is the foundation for a balanced relationship between private wealth and collective advancement. By converting idle deposits into productive investments, citizens can strengthen their long-term financial security while providing the necessary capital to fund sustainability, technology and resilience projects that shape Europe's future.

The citizens and savings pillar is the starting point of the SIU. It is rooted in the conviction that empowering individuals to invest confidently is an effective way to finance Europe's ambitions and build a more resilient economy for future generations.

Leveraging proven frameworks for future innovation

Building an innovative future often relies on leveraging successful historical approaches. Luxembourg's track record in designing and deploying Eurobonds, as well as instruments for collective investments, demonstrates how effective frameworks can support SIU initiatives. To reconnect savings with its growth agenda, Europe needs a trusted gateway based on straightforward financial products with proven retail success.

- **UCITS:** These regulated instruments are designed for retail investors and can be sold across all EU Member States based on a single authorization. Over recent

decades, the UCITS label has become the globally recognized standard for investor protection and transparency.

- **Eurobonds:** This market has proven its capacity to mobilize global investment for corporate and national development. As one of the world's largest international debt markets, it holds a value exceeding €14 trillion, representing issuers from more than 130 countries.⁶

Both Eurobonds and UCITS products fully align with the SIU strategy to meet issuer needs and aggregate retail investment.

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Françoise Thoma,

CEO of Banque et Caisse d'Épargne de l'État (BCEE),

reinforces the importance of financial education, particularly for young clients considering investments as part of their pension planning. She points out that fiscal disparities between Member States must be addressed to fully unlock the potential of cross-border investments, as inconsistent tax regimes can hinder investor participation.

6. Clearstream and Euroclear, "[Euroclear and Clearstream to digitize Eurobond market](#)," press release, 25 September 2025.



Luxembourg: A hub for scale and innovation

For over 60 years, Luxembourg has supported the development of financial products from their early stages, serving as the birthplace of UCITS and the listing venue of the first Eurobonds. Today, the Luxembourg financial marketplace is the leading global hub for UCITS and the dominant domicile for cross-border fund distribution, holding approximately 26% of European UCITS net assets.

- **A seasoned, integrated ecosystem**

The country's financial landscape comprises a sophisticated network of investment management, banking, insurance and market infrastructures. This integrated ecosystem enables Luxembourg to design and operationalize complex financial instruments efficiently.

- **Cultural and operational strengths**

Beyond its robust infrastructure, Luxembourg's value lies in its established professional networks. A deep pool

of asset managers, transfer agents and distributors enables the rapid deployment of pan-European investment solutions on a significant scale.

- **An evolving center for innovation**

Luxembourg is more than a facilitator of capital markets; it is a pioneer of new financial structures. The country offers a dedicated legal framework for DLT and supports new citizen investment products, such as reserved alternative investment funds (RAIFs), European long-term investment funds (ELTIFs), and active ETFs.

- **Driving the continent's evolution**

By setting high regulatory standards and consistently driving progress, Luxembourg remains central to Europe's financial evolution, ensuring the Union's capital markets remain competitive on a global stage.

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Jerry Grbic,

CEO of the Luxembourg Bankers' Association (ABBL), highlights Luxembourg's role as a hub for both innovation and robust investor protection. He notes that the country's highly interconnected financial ecosystem creates an ideal environment for fostering innovation while safeguarding investors, further strengthening Luxembourg's position in the European market.

Pillar 2

Investments and financing



Mobilize institutional and private capital to diversify corporate funding and close Europe's billion-euro investment gap

Europe's financial system is at a pivotal juncture. For decades, corporate growth has depended overwhelmingly on bank lending, with traditional credit channels accounting for roughly 70% of business financing.⁷

While this model has delivered stability, it now restricts Europe's ability to innovate and scale. When banks tighten lending, entire industries lose momentum, and entrepreneurs with promising ideas but limited collateral are often excluded. This overreliance on banks provides a safety net but frequently stifles the dynamism needed for global competitiveness.

To unlock sustainable growth, Europe must diversify its corporate financing sources. The SIU directly addresses this structural dependency by building deeper, more diverse capital markets that complement the banking system. The objective is to create a financial ecosystem that is resilient, adaptable, and capable of mobilizing long-term investment.

The challenge is urgent. Europe faces an annual investment gap of approximately €750–800 billion, the capital needed each year to achieve its green transition goals, foster innovation, and secure strategic autonomy.⁸ Bridging this gap demands new channels that align investors' long-term interests with Europe's strategic priorities.

Several EU initiatives are already driving this transformation:

- **Solvency II reforms:** Releasing insurers and pension funds from overly conservative capital constraints enables greater investment in equities and alternative assets.⁹

- **Expansion of the European Venture Capital Funds (EuVECA) framework:** Strengthening cross-border venture capital markets supports early-stage innovation and entrepreneurial growth.¹⁰
- **SME Listing Act:** Simplifying requirements for SMEs seeking public listings eases their access to capital markets.¹¹
- **Revival of securitization:** Redistributing credit risk and freeing up bank balance sheets helps channel more resources into productive investments.¹²
- **Tax and insolvency modernization:** Updating these frameworks removes long-standing barriers to private investment.¹³

Together, these reforms define the supply side of the SIU—the architecture through which capital can flow more efficiently from institutional investors, asset managers and households to the companies driving Europe's growth. The ambition is to build a financial system capable of transforming Europe's accumulated wealth into productive investment, supporting innovation and reinforcing economic sovereignty.

Ultimately, this second pillar of the SIU is about achieving balance: between banks and markets, credit and equity, stability and growth. By creating the conditions for a truly European capital market, Europe can finance its future with its own savings—empowering businesses and securing prosperity for generations to come.

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Françoise Thoma,

CEO of Banque et Caisse d'Épargne de l'Etat (BCEE), emphasizes that banks must evaluate how they can best support the objectives of the SIU. She suggests that financial institutions should review their product offers and assess new strategies to generate interest in investment opportunities, ensuring that banking services are actively aligned with the broader goals of the Union.

7. European Banking Federation and Oliver Wyman, *The EU banking regulatory framework and its impact on the economy*, January 2023; and European Fund and Asset Management Association, *Household Participation in Capital Markets*, January 2024.

8. Draghi, *The future of European competitiveness*.

9. European Commission, *Implementing and delegated acts - Solvency II*, accessed 23 January 2026.

10. European Commission, *Commission seeks input for venture and growth capital funds reform*, 15 January 2026.

11. European Commission, *SME listing on public markets*, accessed 23 January 2026.

12. Council of the EU, *Savings and investment union: Council agrees position on revitalising the EU's securitisation market*, press release, 19 December 2025.

13. Draghi, *The future of European competitiveness*.

Luxembourg: Driving Europe's investment and financing ambitions

Luxembourg stands at the forefront of the European investment landscape, uniquely positioned to advance the SIU's investments and financing pillar. As the largest fund center in the EU and one of the world's most sophisticated financial ecosystems, Luxembourg is home to over 3,600 investment funds.¹⁴

Moreover, Luxembourg is the seat of the European Investment Bank (EIB) Group, the EU's financing institution, pan-European by design and itself a capital markets instrument with an unparalleled network of partners, clients and investors across the EU. The EIB Group provides around EUR 100 billion in financing annually across a range of the EU policy priorities, with a strong focus on climate action, innovation and cohesion.

Within the Group, the European Investment Fund (EIF) is Europe's largest public limited partner (LP) in venture capital and private equity funds, with more than 11,000 venture capital (VC) and private equity (PE) funds in the portfolio. This further underscores Luxembourg's central role in the continent's private markets ecosystem. The Group acts also as a leader and catalyser for other SIU instruments, for example by being a cornerstone investor in the European securitisation markets and a global pioneer in green bonds markets.

Today, the objective is to scale up EU platforms and attract additional commitments from Member States and institutional investors. Even a limited allocation would significantly move the needle for VC as an asset class. A shift in mindset toward venture capital investments—particularly in areas such as climate action technologies—combined with incentives through legislative programs, including potential adjustments to capital requirements regulations (for example, considering lower risk weightings for co-investments in funds that have undergone EIF due diligence), could help pave the way for a broader reform

of Europe's investment and financing ambitions.

To further strengthen its contribution to the EU's objectives, Luxembourg can capitalize on several strategic levers:

- **Expand leadership in private equity and private debt, venture capital real estate and infrastructure**

By building on its reputation as the preferred jurisdiction for alternative investments, Luxembourg can accelerate growth in sectors that support long-term competitiveness and sustainability.

- **Promote innovative alternative fund structures**

Using flexible vehicles such as the RAIF, the specialized investment fund (SIF) and the special limited partnership (SCSp), Luxembourg attracts institutional and international investors, deepening market liquidity. The country has led the way in developing bespoke structures and was among the first jurisdictions to transpose the ELTIF 2.0 rules, broadening access for retail investors.¹⁵

- **Strengthen partnerships with European institutions**

Collaborating with the EIB and the EIF enables the leveraging of public resources through both debt and equity instruments. These tools are crucial for mobilizing investment in priority areas such as the green transition, innovation and infrastructure. More broadly, cooperation between Luxembourg and the EIB Group helps advance EU level investment priorities, strengthen the deployment of SIU aligned instruments, and support deeper capital markets integration across the Union. In addition, the EIF can serve as a key market catalyst, using its scale and signalling power as Europe's largest LP in private markets to mobilize private capital, deepen local ecosystems, and address funding gaps across the company growth cycle, with a particular focus on closing the scale-up gap.

- **Showcase a competitive edge**

Luxembourg's pragmatic legal frameworks, concentration of international fund managers, and high standards of governance and regulatory transparency distinguish it as a hub for complex, cross-border financial operations.

Luxembourg combines global reach, regulatory credibility, and operational excellence.¹⁶ These strengths underpin its ability to support EU initiatives, such as the revitalization of securitization markets and the modernization of insolvency frameworks, where efficiency, trust and transparency are paramount.



14. Luxembourg for Finance, [Investment Funds](#).

15. Arnaud Bon and Prasanta Mandal, [Can ELTIF 2.0 deliver on its promise to transform Europe's investment landscape?](#) Deloitte, 25 March 2025.

16. Luxembourg for Finance, [Luxembourg retains third position among EU financial centres](#), 21 March 2024.

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Merete Clausen,

Deputy Chief Executive of the EIF, underlines the need to create pan-European investment vehicles that would give European funds and companies access to deeper pools of capitals and enable them to scale. In this context, the EIB Group is building on the success of its European Tech Champions Initiative (ETCI).

ETCI is a fund-of-funds program of EUR 3.9 billion, focused on investing in mega-funds that support companies at their growth stage, when they require larger ticket sizes. The initiative aims to support around 15 mega-funds and approximately 200 companies.¹⁷

As part of its SIU contribution, the EIB Group is now working on launching ETCI 2.0, with the ambition of attracting additional commitments from Member States as well as private sector investors, thereby creating greater opportunities for them to participate in the European VC asset class. ETCI 2.0 is intended to mobilize more than EUR 80 billion in investment in mega and mid-sized funds across Europe over its lifetime, contributing to the emergence and growth of European champions.

With its mature financial architecture, diverse investor base, and proven leadership in fund management, Luxembourg is uniquely poised to deepen European capital markets, mobilize institutional finance, and drive the transition toward a more dynamic and resilient European economy. By embracing innovation and collaboration, Luxembourg will continue to shape the future of European finance.



17. By the end of February 2026, EIF invested in 13 mega-funds around Europe supporting 38 companies including 11 EU-based unicorns, companies valued at above EUR 1 billion.

Pillar 3

Integration and scale



Enhance European market integration by leveraging new technology

A truly effective SIU demands an integrated, scalable capital market that reflects Europe's full economic potential. Currently, the EU operates across 27 distinct financial markets, each with its own trading venues, central securities depositories (CSDs), and regulatory interpretations. This fragmentation inflates costs, reduces liquidity, and complicates cross-border compliance, ultimately restricting capital movement and the ability to scale investment funds EU-wide.

The SIU aims to build a unified, globally competitive capital market that delivers liquidity, transparency and cost efficiency on par with the world's leading financial centers. By connecting market infrastructures and harmonizing supervisory and operational standards, Europe can unlock economies of scale, improve financing access for SMEs, and broaden investor participation.

Achieving this requires a robust regulatory framework that fosters synergies within financial groups and enables interoperability between trading and post-trading infrastructures. The SIU is committed to leveraging cutting-edge innovations, including DLT, asset tokenization and AI, to modernize and streamline market operations.

Asset management is a cornerstone of the SIU strategy. Despite the success of the European investment fund industry, certain barriers remain. The SIU addresses these by streamlining passport notifications, harmonizing fund authorizations, and minimizing "gold plating" by individual Member States—even within established frameworks like UCITS and the Alternative Investment Fund Managers Directive (AIFMD). In December 2025, the European Commission introduced the Market Integration and Supervision Package to remove obstacles and unlock the full potential of the EU single market for financial services.¹⁸

The MIP is central to the SIU strategy, linking EU citizens' investments directly to corporate funding opportunities through a more efficient financial system.

Key actions proposed to enhance European market integration include:

- **Eliminating regulatory duplications:** Streamlining compliance to ensure financial groups do not replicate efforts across different Member States.
- **Improving passporting:** Addressing inconsistent rules to enable true cross-border offerings. This will be supported by a new pan-European market operator license and enhanced passporting for UCITS funds and AIFMs.
- **Facilitating interconnection:** Harmonizing authorization and marketing rules across trading venues, CSDs and asset managers.
- **Supporting DLT innovation:** Amending existing regulations, such as the Central Securities Depositories Regulation (CSDR) and the DLT Pilot Regime, to integrate blockchain throughout the securities lifecycle—from issuance to settlement via e-money tokens.¹⁹

By implementing these measures, the SIU will pave the way for a truly integrated European capital market. This transformation will reduce costs, increase liquidity and foster innovation, making it easier for SMEs to access funding, investors to participate across borders, and asset managers to operate efficiently at scale.

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Julie Becker,

CEO of the Luxembourg Stock Exchange, emphasizes that regulatory simplification, predictability, and consistency will be key to unlocking Europe's capital markets. In parallel, efforts must be stepped up to foster an effective investment culture among European savers by strengthening financial literacy, scaling up appropriate investment products, and making it easier to access investment opportunities.

Luxembourg is well positioned to support the economic and strategic objectives of the SIU, while building on its unique expertise as an international financial centre with a truly global footprint and its track record as a pioneer in sustainable finance and digital innovation.

Transparency and trust are also essential dimensions of a successful SIU. The emergence of new technologies can increase transparency, improve efficiency, reduce risks, strengthen investor trust in capital markets, paving the way for digital finance that supports progress towards the SIU.

18. European Commission, [Market integration package](#), accessed 23 January 2026.

19. European Commission, [Commission launches major package to fully integrate EU financial markets](#), press release, 4 December 2025.

Luxembourg: Gateway to the future European and global capital market

Luxembourg anchors the EU's single capital market by blending cross-border product design (like UCITS and international debt) with advanced technological and regulatory expertise. The country's capital markets ecosystem is distinguished by its commitment to pioneering new solutions that shape the future of European finance.

- **A truly cross-border fund center**

With decades of experience, Luxembourg is the leading hub for structuring UCITS for global distribution. The ecosystem integrates asset management, securities servicers, and a deep network of legal and consulting professionals. Seasoned industry supervision ensures high investor protection while fostering continuous product innovation.

- **Digital transformation and technological leadership**

Luxembourg is transforming cross-border capital flow through AI, tokenization, and DLT-ready settlement systems. These innovations enable secure, efficient, and transparent transactions, supporting the EU's transition to a digital-driven capital market. Luxembourg's readiness for tokenized instruments and the digital euro demonstrates its proactive approach to next-generation finance.

- **Sustainable finance and smart platforms**

The Luxembourg Stock Exchange (LuxSE) and its pioneering Luxembourg Green Exchange (LGX) exemplify how innovation drives sustainable finance. By leveraging digital platforms and smart listing technologies, Luxembourg fosters transparency and provides issuers and investors with seamless cross-border access to capital.

- **Regulatory innovation and policy leadership**

Luxembourg's expertise extends to regulatory leadership, for example by offering practical insights into digital regulation via its four "Blockchain Laws."²⁰ Its forward-looking legal frameworks ensure that new financial instruments are both compliant and scalable across the Union.

- **A strategic hub for the future**

By combining infrastructure expertise with digital readiness, Luxembourg is uniquely positioned to drive European efficiency and integration. Its leadership in adopting and shaping new technologies connects participants, platforms, and jurisdictions EU-wide. Major actors like Clearstream are central to this, building the digital market infrastructure necessary for a unified landscape.

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Sam Riley,

CEO of Clearstream Securities

Services, affirms that Clearstream is ready to support SIU through its pan-European CSD offering and global network, which covers 86% of global GDP and 38 domestic markets in Europe. He emphasizes that establishing market links should be driven by business needs and TARGET2-Securities (T2S) connectivity, noting that simply increasing the number of links does not automatically enhance liquidity. Instead, fostering broader participations in T2S and creating stronger incentives to connect would help increase cross-border flows.

Regarding key success factors, Riley notes that the post-trade market is already highly consolidated, with three CSDs handling 95% of total settlement volume. He highlights that T2S can support market-led consolidation and help reduce cross-border friction. Ultimately, he advocates relying on trusted and established market infrastructures to foster innovation and industry cooperation, thereby achieving the scale effects that can lead to overall cost reductions. The implementation of pragmatic tools by the EIF to improve transparency regarding the performance of the EU VC funds was represented one of the key technological enhancements.

20. Kangkan Halder, [Luxembourg adopts Blockchain Law IV to enhance DLT in financial services](#), Paperjam, 19 December 2024.



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This is highlighted by ***Merete Clausen***, Deputy CEO of the EIF.

One example is “TrackVC,” a new European data and transparency platform for VC and PE markets developed by the EIF in collaboration with BlackRock.

The platform provides free access to historical performance data (e.g., Net IRR, TVPI, DPI) for more than 1,000 European VC and PE funds, covering up to 20 years of activity. Its objective is to address a major information gap in Europe’s private markets by making performance benchmarks widely available. This enables investors, fund managers, and policymakers to better understand fund returns, compare strategies, and ultimately strengthen confidence and investment in Europe’s innovation ecosystem. Data from the platform also indicates that the best-performing European VC funds perform on par with the top-performing funds in the United States.

Pillar 4

Efficient supervision in the single market

Deliver the right balance between European oversight and national expertise

A well-integrated capital market relies on high-quality, consistent supervision across the Union. Ensuring that investors and institutions operate under identical standards in all Member States is essential to build trust, stability, and market integrity.

The SIU aims to achieve this through the harmonization of both supervision and rules. This strategy involves transitioning from directives—such as the Markets in Financial Instruments Directive (MiFID), which are often transposed differently at the national level—toward regulations that ensure a consistent application of rules throughout the single market.

Market participants with a significant cross-border presence, including major trading and post-trading infrastructures and large asset management groups, have been identified as candidates for direct EU-level supervision.

As part of the MIP, several measures were proposed to strengthen the ESMA's authority. These include transferring direct supervisory responsibilities to the ESMA for significant cross-border market infrastructures, crypto-asset service providers under the Markets in Crypto-Assets (MiCA) Regulation, and large asset management groups and investment funds.²¹

21. European Commission, [Commission launches major package to fully integrate EU financial markets](#), 4 December 2025.

Let's make it happen: From theory and law to practice

The European capital markets community welcomes the SIU strategy as a pivotal opportunity to strengthen the depth and competitiveness of the EU financial ecosystem.

In late 2025, the European Commission published legislative proposals on PEPPs and market integration.²² These initiatives introduce measures designed to advance the SIU agenda. As these proposals progress through the European legislative process, further amendments and compromises are expected before final adoption.

Time to market is now critical

Europe stands at a defining moment in the transformation of its capital markets. The question is no longer whether change is necessary, but how quickly it can be implemented across the Union. Global macroeconomic shifts underscore the urgency.

Europe can no longer rely solely on legislative intent. It must accelerate the practical deployment of an integrated capital market capable of meeting the continent's investment needs and competing globally.

22. European Commission, *Commission proposes to boost supplementary pensions to help ensure adequate retirement income*, 20 November 2025; European Commission, *Commission launches major package to fully integrate EU financial markets*, 4 December 2025.

To ensure effective delivery, the SIU's implementation should be guided by several key principles:

1 Leveraging proven approaches to address the challenges of innovation

Many of the world's most iconic infrastructures were built using simple, pragmatic techniques proven efficient over decades. Europe should apply this philosophy by deploying SIU measures in a manner grounded in its extensive regulatory and technical expertise. Future cross border investment products should anchor themselves in established and trusted frameworks—such as UCITS, AIFs, ELTIFs, Eurobonds, and ETFs—integrated into SIAs. This combines the credibility of proven products with the flexibility to meet diverse investor needs.

2 Driving integration through innovation

EU market integration and cost efficiency will increasingly depend on technological and regulatory alignment. Europe should harness regulated innovation by adopting frameworks for digital assets, DLT, tokenized financial instruments, e money tokens, and AI and cloud based solutions. These technologies enable compliant, scalable and interoperable market infrastructures that enhance connectivity and operational efficiency across borders.

3 Unlocking capital through collaboration

Mobilizing retail capital for strategic priorities requires a coordinated effort across the entire financial ecosystem. Simplicity and the ability to leverage the unique strengths of each Member State are essential. A rigid, one size fits all approach risks inefficiency and limited impact. Instead, collaborative and differentiated models will be critical to unlocking the full potential of Europe's capital markets.

4 Removing barriers in the existing legal framework

EU legislators have significantly accelerated work on SIU related reforms. Updates to the SME Listing Act, the revised Securitization Regulation, the Retail Investment Strategy, and the MIP signal a fundamental shift. These initiatives mark the beginning of an ambitious regulatory wave expected to evolve throughout 2026 and 2027, with concrete impacts realized between 2027 and 2030. Furthermore, the creation of a "28th regime" for dematerialized securities in Europe could further advance the SIU. This new framework aims to streamline the issuance and settlement of securities, initially focusing on debt securities (including the Eurobonds market) through dematerialized issuance, meaning that securities exist solely as electronic records rather than physical paper certificates. The framework could also incorporate the use of DLT.

5 Enhancing financial literacy among European citizens

The long term success of the SIU depends on widespread financial literacy. Comprehensive education is needed at all levels:

- **Financial professionals** must be equipped to guide and support investors.
- **The general population** must understand investment products and their associated risks.
- **School curricula** should embed financial education to provide future generations with a solid grounding in market concepts.

Empowered investors are essential to channeling Europe's household savings into productive investment.

6 Anticipating and preparing for the future

Maintaining Luxembourg's position as a leading financial center requires anticipating shifts in operating models. Stakeholders must proactively adapt—capitalizing on SIU opportunities to diversify activities, specializing where needed, and expanding cross border offerings through EU passports and an increasingly integrated financial landscape.

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Contacts



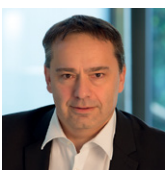
Lize Griffiths

Partner
Real Estate Leader
lizgriffiths@deloitte.lu
+352 451 452 693



Pascal Martino

Partner
Banking Leader & Business Transformation Leader
pamartino@deloitte.lu
+352 451 452 119



Laurent Collet

Partner
Banking & Capital Markets
lacollet@deloitte.lu
+352 451 452 112

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