

# Building a stronger European integrated market: ICMA's vision for the Savings and Investment Union



by **Natalie Westerbarkey**

ICMA has welcomed and actively supported the European Union's drive to establish a *Savings and Investment Union (SIU)*. This initiative represents a critical step toward integrating EU banking and capital markets, enhancing competitiveness, and creating more robust financial systems across EU Member States.

This article outlines ICMA's [response](#) to the European Commission's consultation on EU capital markets integration<sup>1</sup>, offering insights into key challenges and strategic recommendations across six key areas: simplification, trading, post-trading, horizontal barriers, asset management, and supervision.

The existing entrenched regulatory frameworks and local market practices are core barriers to integration as well as the inconsistent implementation of rules through Directives at Member State level. The SIU should therefore focus on addressing these as a priority.

## ***EU financial market integration and competitiveness***

ICMA has consistently championed EU financial market integration, as detailed in its previous response to the European Commission's *Savings and Investment Union Call for Evidence (February-March 2025)*<sup>2</sup>. In that publication,

ICMA highlighted that if regulatory complexity continues to grow, there is a risk that the market environment could increasingly benefit larger players, potentially making it more difficult to achieve the SIU's goals of inclusiveness and resilience. ICMA also showcased how fragmented rule implementation across Member States – eg due to gold plating of EU Directives – continues to create inefficiencies and barriers to cross-border activity. This fragmentation results in higher operational costs, misaligned compliance strategies, and a diminished ability to deliver standardised products and services throughout the EU Single Market. The paper underscored the need to pursue true regulatory convergence through more uniform legal instruments and consistent supervisory practices. ICMA therefore recommends that the regulatory design process should *integrate competitiveness as a core policy objective*, not just a by-product, and we make a strong case for embedding competitiveness impact assessments into the EU's legislative process.

## ***Simplification: reducing complexity and promoting proportionality***

A central theme in ICMA's response is the need for *simplification* in EU financial regulation. The current framework often applies a “one-size-fits-all” model, imposing

1. [European Commission: Targeted consultation on integration of EU capital markets \(SIU\), 15 April 2025](#)

2. [ICMA-response-to-European-Commission-Savings-and-Investment-Union-SIU-call-for-evidence-from-3-February-2025-March-2025-070525.pdf](#)

equal burdens on both large and small institutions. This has proven especially problematic for smaller players, who may lack the resources to comply with complex regulations – effectively discouraging their participation in capital markets.

ICMA argues for a more meaningful application of the *principle of proportionality* as outlined in Article 5 of the Treaty on European Union (TEU). Regulation should be tailored based on activity type – such as wholesale versus retail – rather than the size of the entity. This would create a more equitable regulatory environment and encourage broader participation in EU markets.

Additionally, ICMA supports a “*less is more*” approach to regulation. Over time, a large volume of detailed rules and technical standards have led to increased compliance costs and legal uncertainty. ICMA recommends scaling back reliance on Level 2 and 3 legislative measures (which are delegated to regulators) and improving the clarity and completeness of Level 1 laws. This would enhance transparency, reduce interpretation discrepancies, and cut unnecessary bureaucracy.

A shift from Directives to Regulations is also proposed going forward. Unlike Directives, which require national transposition and often result in inconsistent laws across 27 Member States, Regulations are directly applicable and ensure uniformity. Such legal uniformity is essential for building a truly integrated single capital market. However, ICMA also cautions against blanket conversions of all Directives into Regulations, urging a more case-by-case approach, particularly when costs and complexity may outweigh the benefits.

Finally, ICMA calls for the elimination of overlapping regulations. For instance, MiFID and asset management rules both address product governance and disclosure, causing confusion. Streamlining these regimes would lead to more efficient market operations.

### ***Trading: recognising differences between bond and equity markets***

ICMA highlights a major concern in the regulatory approach to *trading*, especially regarding assumptions made about different asset classes. The equity and bond markets have *fundamentally different structures and liquidity patterns*, yet they are often treated similarly under EU rules like MiFIR.

In bond markets – especially in wholesale and repo trading – there is less risk of fragmentation. The market is already functioning efficiently, thanks to a combination of competitive trading venues, electronic platforms, and innovation. Most trading in bonds happens over the counter (OTC), with principal market makers playing a central role. This dynamic is distinct from equity markets, which rely more on centralised exchanges and have more country-specific features.

ICMA urges EU policy makers to avoid applying equity-focused regulations to bond markets and emphasises the need for tailored approaches that reflect each market’s unique characteristics.

### ***Post-trading: addressing fragmentation and preparing for T+1***

While trading conditions in the bond market are generally effective, *post-trading* remains more fragmented, preventing the creation of an integrated post-trading capital market.

Legacy issues, such as the well-known *Giovannini barriers*, continue to hinder cross-border efficiency in clearing, settlement, and custody processes. ICMA is actively involved in efforts to modernise the post-trade ecosystem, including preparations for the shift to *T+1 settlement* – settling trades one business day after the transaction date. Though T+1 alone will not solve all problems, it forms part of a broader strategy that includes automation, interoperability, and harmonisation.

Another important initiative is the work of the AMI-SeCo Securities Group, which is developing a comprehensive set of recommendations to eliminate post-trade barriers. ICMA encourages the European Commission to be aware of this upcoming report, which could be instrumental in guiding further integration efforts.

### ***Horizontal barriers: embracing technology and clarifying DLT rules***

A number of *horizontal issues* – affecting both trading and post-trading – must also be tackled for the SIU to succeed. One example is the EU’s *Distributed Ledger Technology (DLT) Pilot Regime*, which allows market participants to test blockchain-based securities trading in a controlled environment.

Currently, the DLT Pilot Regime is seen as too restrictive. Low transaction limits, short timeframes, and regulatory uncertainty are *discouraging investment*. ICMA recommends a more flexible and market-responsive approach – raising thresholds, extending durations, and gradually incorporating DLT into mainstream financial regulation instead of treating it as an exception.

To support these goals, ICMA has developed the *Bond Data Taxonomy (BDT)* – a machine-readable framework that standardises key bond terms and can be used for both traditional and DLT-based securities. By promoting common language and interoperability, the BDT helps advance automation and operational efficiency.

On the prudential side, ICMA aligns with calls for a *risk-based regulatory approach* to DLT-based debt securities. Applying the same standards used for volatile crypto assets to low-risk tokenised bonds could hinder innovation and capital formation. Regulators like the Basel Committee on

Banking Supervision (BCBS) are encouraged to refine their frameworks accordingly.

### ***Asset management: rethinking rules for securitisation***

In the *asset management and funds* space, ICMA draws attention to an outdated rule in the UCITS Directive that limits fund exposure to more than 10% in securities issued by a single entity. This rule was designed in the 1980s to prevent undue influence over corporate issuers. However, securitisation vehicles are fundamentally different. They are *pass-through structures* with no ongoing corporate strategies or governance control. Thus, applying the 10% limit to these entities is both illogical and restrictive.

ICMA acknowledges that fully reopening the UCITS Directive could be complex and risky. Instead, ICMA highlights two simpler alternatives for consideration:

- (i) Amending the EU Securitisation Regulation to explicitly exclude securitisations from the 10% limit.
- (ii) Clarifying, through regulatory guidance (Level 3 Q&A), that the 10% rule does not apply to securitisation vehicles.

Either option would resolve the issue without triggering a broader regulatory overhaul.

### ***Supervision: enhancing coordination while respecting local expertise***

Finally, ICMA's buy-side members emphasise the importance of *preserving the current supervisory model* in asset management while improving coordination among national regulators. National Competent Authorities (NCAs) possess deep, sector-specific local expertise and strong relationships with market participants – especially in investment management and fund regulation. Rather than replacing local supervision with centralised structures, ICMA advocates for *better data sharing and collaboration* between regulators. This approach would maintain the benefits of localised oversight while addressing cross-border risks and supporting EU-wide goals.

### ***Conclusion: a balanced, forward-looking path***

ICMA's response underscores the importance of *practical, well-calibrated regulation* in shaping the future of EU capital markets. As the EU builds its Savings and Investment Union, it must balance simplification with precision, harmonisation with flexibility, and innovation with stability.

If implemented effectively, the recommendations laid out by ICMA will support a more competitive, inclusive, and resilient European capital market – one that meets the investment needs of tomorrow without stifling today's innovation.



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