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Europe's Savings and Investments Union: Another Slogan, or a Strategy That Can Work?

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Abstract

The European Union's proposed Savings and Investments Union seeks to address a longstanding paradox: Europe has abundant private savings but struggles to channel them into productive, long-term and risk-bearing investment. This article argues that the SIU will succeed only if it avoids treating capital-market development as an alternative to banking integration. Europe remains a bank-centered financial system, especially in financing small and medium-sized enterprises, and its capital markets can realistically develop only through the active participation of stronger, larger, and more cross-border banks. The article proposes four mutually reinforcing lines of action: creating a country-blind regulatory framework for cross-border banking groups; resisting national political interference in banking consolidation; developing simple and portable savings and pension instruments that mobilize household wealth for risk capital; and reviving securitization through standardization, sound regulation, and market-making support. The central message is that the SIU can become more than another European policy slogan only if it connects Banking Union and Capital Markets Union in a practical institutional strategy: using banks as the bridge between European savings and European investment needs.

JEL Classification: G21, G23, G28, F36

Keywords: Savings and Investments Union, Banking Union, Capital Markets Union, financial Integration, cross-border banking, household savings, securitization, bank consolidation

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Introduction

The European Union has no shortage of financial-policy slogans. Banking Union, Capital Markets Union, strategic autonomy, competitiveness, retail investment, sustainable finance: each has captured a real problem, each has generated legislative initiatives, and each has also run into the same structural obstacle. Europe remains financially fragmented. It saves a great deal, but it does not transform that saving efficiently into productive, long-term, risk-bearing investment. Its firms, especially small and medium-sized enterprises, continue to rely heavily on banks. Its households hold large volumes of liquid and low-yielding assets. Its capital markets remain shallower and less integrated than those of the United States. Its banks are large by national standards but often too small, too domestically focused, and too politically constrained to compete on a truly global scale.

The new European agenda for a Savings and Investments Union, or SIU, should be understood against this background (European Commission, 2025a). The European Commission presents the SIU as an effort to give citizens better opportunities to grow their wealth and to improve firms' access to funding through a more integrated, efficient, and competitive financial system. Its Market Integration and Supervision Package, adopted in December 2025, is explicitly described as a central component of this strategy (European Commission, 2025b). The underlying intuition is correct: Europe has abundant private savings, yet it struggles to channel them toward innovative firms, high-growth companies, infrastructure, the energy transition, digitalization, defense, and other long-horizon investments.

But the key question is whether the SIU marks a real change of strategy or merely repackages older ambitions under a more attractive label. If it is to be more than a slogan, the SIU must confront a basic institutional fact: Europe is, and will remain for the foreseeable future, a bank-centered financial system. Capital markets can and should grow, but they will not grow by pretending that Europe can simply copy the United States. Nor will they grow by treating banks as legacy institutions to be bypassed. In Europe, banks are the most plausible agents for building deeper capital markets.

In what follows, we argue that the SIU can succeed only if it is anchored in a strategy that integrates banking and capital markets. The goal should not be to replace banks with markets, but to create a European financial structure in which stronger cross-border banks help mobilize household and pension saving, originate and distribute risk, support securitization, and connect firms to deeper pools of capital. That requires a shift in emphasis. Instead of concentrating almost exclusively on politically blocked Banking Union files, Europe should focus on four more operational lines of

action: creating a genuinely country-blind framework for cross-border banks; resisting national political interference in banking consolidation; developing European savings and pension instruments that channel household wealth toward risk capital; and reviving securitization through standardization, market-making, and appropriate regulation.

The SIU Between Ambition and Ambiguity

The ambition behind the SIU is easy to understand. Europe faces a large investment challenge. The Draghi report on European competitiveness emphasized that Europe can no longer rely on many of the conditions that supported its past growth and must mobilize both public and private finance on a far larger scale (Draghi, 2024). The Commission's SIU strategy similarly seeks to connect savings more effectively with investment opportunities, especially by increasing citizens' participation in capital markets and improving firms' access to finance. Recent policy initiatives, including the Market Integration and Supervision Package, proposals concerning personal pensions and savings accounts, and consultations on private equity exits, show that the SIU is becoming a broad umbrella for financial market reform.

Yet breadth is not the same as coherence. The SIU risks becoming an appealing label for a long list of loosely connected initiatives. The problem is not that the goals are wrong. Few would dispute that Europe needs deeper capital markets, better retail investment channels, more efficient supervision, stronger banks, and greater financial autonomy. The problem is that these goals may conflict unless they are placed in a clear hierarchy and supported by realistic instruments.

The Commission's Market Integration Package targets several genuine sources of fragmentation. It seeks to reduce barriers in financial services, improve supervision, enhance passporting opportunities, streamline cross-border fund distribution, and facilitate more integrated market infrastructures. These are useful reforms. However, they do not by themselves answer the more fundamental question: who will create, distribute, underwrite, trade, and hold the instruments that a deeper European capital market requires?

In the United States, large investment banks, asset managers, pension funds, insurance companies, and deep securities markets perform many of these functions. Europe has elements of this ecosystem, including a globally successful UCITS fund framework, but lacks a comparable market architecture. Nor does it have a unified legal, tax, pension, and supervisory environment. As the European Central Bank has continued to warn, euro-area financial integration has improved in some

dimensions, but equity markets remain fragmented, and structural barriers such as divergent supervision, tax systems, and market infrastructure still limit cross-border investment (ECB, 2026a).

This is why the SIU cannot be just a market-integration agenda. It must also be a banking agenda. The paradox is that Europe's capital markets can develop only if the institutions that dominate European intermediation are given both the capacity and the incentives to support that development.

Europe Is a Bank-Centered System—and Should Start From That Fact

The starting point should be factual rather than ideological. Europe is a bank-centered financial system. Banks remain central to credit allocation, especially for small and medium-sized enterprises (ECB, 2026b). SMEs are the backbone of the European economy, and many are unlikely to access public equity or bond markets directly, even within a more developed Capital Markets Union. For these firms, banks will remain the main originators of credit, the holders of relationship information, and the first screeners of credit risk (Allen and Gale, 2000).

This matters because much of the European debate has been framed as if the development of capital markets requires a reduction in banks' role. That is misleading. What Europe needs is not a smaller banking system, but a different one: larger, more cross-border, better at distributing risk, more engaged in investment banking and securities placement, and less captive to national political priorities.

There is no realistic path in which Europe simply imports the American model. The United States has stronger federal institutions, a single capital market, deep institutional investor pools, an integrated securities law, a large and unified Treasury market, a long equity investment culture, and large private pension vehicles. Europe has fragmented insolvency regimes, different tax systems, national pension traditions, national regulators, national political concerns, and, despite the Banking Union, many residual barriers to cross-border banking. These are not minor differences. They shape how households save, how firms borrow, and how financial institutions operate.

A successful SIU would therefore treat banks as a bridge between savings and markets. Banks can help transform retail deposits into investment products. They can originate loans that are later securitized. They can underwrite bond and equity issues for firms ready to access the markets. They can provide advice, placement capacity, and market-making services. They can help standardize

financial products and distribute them across borders. But for this to happen, Europe needs banks with sufficient scale, geographic scope, and business-model incentives.

At present, too many European banks remain essentially national institutions. Some have international activities, but few operate as genuinely pan-European financial intermediaries. National authorities often prefer to keep banking activity, savings flows, and credit allocation within national borders. Governments also have an interest in maintaining domestic banking systems capable of absorbing public debt issuance. These incentives undermine the very integration that the SIU is supposed to promote.

The Limits of the Traditional Banking Union Agenda

The traditional Banking Union debate has focused on three main unresolved issues: a European deposit insurance scheme, the fiscal backstop to the Single Resolution Fund, and the regulatory treatment of sovereign exposures in bank balance sheets. These are important for financial stability and for the credibility of an integrated banking market. But they have also proved politically intractable.

The reason is well known. Member states differ in their views of legacy risk, fiscal responsibility, and loss-sharing. Some fear that common deposit insurance could mutualize risks created by weaker banking systems. Others argue that without shared insurance, the Banking Union remains incomplete and vulnerable to national fragmentation. Similar tensions arise over sovereign exposures because any attempt to change the treatment of government bonds in bank portfolios immediately raises fiscal and political concerns.

These are serious issues, but they are not the whole of the problem. Even if Europe completed deposit insurance tomorrow, that would not automatically create deeper equity markets, more cross-border investment banking, greater household participation in risk assets, or a more liquid securitization market. Traditional Banking Union reforms are necessary for stability, but they are not sufficient for capital-market development.

The policy debate, therefore, needs to be refocused. Instead of waiting for agreement on politically blocked issues, Europe should identify reforms that make large cross-border banking both possible and attractive. A more integrated banking system would not solve all market-development problems, but it would create institutions with the balance-sheet capacity, distribution networks and commercial incentives to help build capital markets.

This is also a question of international competitiveness. European banks are not absent from global finance, but they are underrepresented among the largest global institutions relative to Europe’s economic weight. Recent public debate has increasingly recognized this weakness. In May 2026, for example, the Eurogroup chair, Kyriakos Pierrakakis, argued that Europe needs larger banks capable of competing with American and Chinese institutions, and explicitly linked that objective to cross-border mergers and resistance to national fragmentation.

The point is not that Europe should create politically protected “champions” of the old national variety. On the contrary, it should avoid national champions and encourage European ones. The distinction is crucial. National champions often preserve fragmentation by tying banks to domestic political priorities. European champions would help reduce fragmentation by operating across borders within a genuinely integrated framework.

First Line of Action: A Country-Blind Framework for Cross-Border Banks

The first line of action should be regulatory. Banking within the euro area, at least for genuinely cross-border groups, should become equivalent to banking within a single national jurisdiction. The agenda proposed by Draghi (2024) points in this direction by proposing a distinct jurisdiction for banks with substantial cross-border activity, one that is country-blind for prudential supervision and crisis management. Earlier policy work has made a similar point: the goal should be to remove legal and regulatory obstacles that prevent cross-border banking groups from operating as integrated entities within the Banking Union (Angeloni, 2024; European Parliament, 2026).

This reform would not mean deregulation. It would simplify existing regulation by removing unnecessary national segmentation within a common prudential framework. A banking group supervised at the European level should not be forced to manage capital, liquidity, resolution planning, and intra-group exposures as if each subsidiary were a separate national fortress. Such ring-fencing reduces efficiency, raises costs, and weakens the logic of Banking Union. It also discourages cross-border consolidation.

A country-blind regime would allow genuinely European banking groups to allocate capital and liquidity more efficiently across the Banking Union, subject to strong European supervision. It would strengthen the business case for cross-border mergers. It would also help create institutions large enough to perform capital-market functions at scale: underwriting, distribution, securitization, advisory services, custody, and market-making.

The design would need to be careful. It might initially apply only to banks that meet clear criteria for cross-border activity, governance, resolvability, and supervisory transparency. It could be accompanied by group-funded deposit-insurance arrangements for participating cross-border banks, while national schemes continue to apply to purely domestic institutions. The point is not to abolish all national safeguards overnight. It is to create a credible path for banks that want to become genuinely European.

Second Line of Action: Stop Defending National Banking Fortresses

Regulatory reform alone will not be enough if national governments continue to treat banks as instruments of domestic policy. A second line of action must therefore be political: member states should stop obstructing cross-border consolidation in the name of national control.

The recent debate over UniCredit and Commerzbank illustrates the problem. German political resistance to a possible Italian-led consolidation showed how quickly national reflexes reappear when a domestic banking institution becomes the object of foreign interest. Similar reflexes are visible elsewhere, including in political rhetoric about the “nationality” of savings. These attitudes are understandable from a domestic political perspective, but they are inconsistent with a serious SIU.

Europe cannot simultaneously demand global financial strength and preserve national banking fortresses. If every member state wants to keep “its” banks under national influence, the result is a prisoner’s dilemma. Each country tries to protect domestic control, but all countries end up with weaker banks, less integration, and reduced global competitiveness.

This does not mean that any merger should be approved automatically. Competition policy, prudential risk, governance, and financial stability concerns remain legitimate. But the presumption should shift. Cross-border consolidation should be viewed as a strategic European objective, not as a threat to national sovereignty. The relevant question should be whether a transaction creates a stronger, safer, and more efficient European institution—not whether it preserves national ownership.

Such a shift would also help align banking policy with the broader geopolitical moment. Europe’s need for strategic autonomy has become more pressing amid intensified great-power competition, supply-chain risks, defense needs, and shifting relations with the United States and China. Financial

capacity is part of strategic capacity. A continent that cannot mobilize its own savings and support its own firms will remain dependent on external capital markets and external financial institutions.

Third Line of Action: Mobilize Household and Pension Saving for Risk Capital

The third line of action concerns the savings side of the SIU. Europe's households hold substantial wealth, but too much of it remains in bank deposits or low-risk instruments (ECB, 2026a). That is not irrational from the point of view of individual households, given differences in financial literacy, taxation, trust and pension systems. But at the aggregate level, it creates a problem: Europe has abundant savings but insufficient risk capital.

The Commission has recognized this problem through initiatives on savings and investment accounts and personal pensions. Its SIU timeline includes a savings and investment account strategy, a proposal to revise the Pan-European Personal Pension Regulation and other measures aimed at increasing retail participation in capital markets. These efforts go in the right direction. But they need to be embedded in a broader architecture.

Europe should develop simple, tax-efficient, portable, and low-cost savings and pension vehicles that encourage long-term investment in diversified portfolios of European and global risk assets. The model could draw partly on Sweden's *Investeringsparkonto*, or ISK, which simplified household investment by offering a tax framework that made it easier to hold financial assets. The precise design would differ across countries, but the common objective should be to reduce the frictions that keep households in deposits and out of long-term investment (Bocconi IEP, 2026; EFAMA, 2024).

Such instruments should not become vehicles for financial nationalism. They should not force households to buy domestic securities or politically favored assets. Rather, they should create a European pool of long-term savings accessible to private and public investors under equal conditions across the Union. Over time, this pool could support venture capital, growth equity, listed equities, infrastructure funds, corporate bonds, and other long-term financing channels.

Banks should play a central role here as distributors, advisers, and product platforms. This may seem paradoxical: if the aim is to move savings out of deposits, why rely on banks? The answer is that banks already have the customer relationships. In many European countries, households interact with financial markets primarily through their banks. Trying to bypass banks would slow adoption. A better strategy is to change banks' incentives so that they profit not only from deposit

gathering and lending, but also from helping customers build diversified long-term investment portfolios.

Consumer protection is essential. Retail investment reforms must avoid high fees, opaque inducements, and unsuitable products. But excessive paternalism can also be damaging if it locks households into low-yielding assets for decades. The right balance is to combine strong disclosure, suitability rules, and cost transparency with simple default products and long-term tax incentives. The objective is not to push households into speculation, but to give them better access to diversified wealth accumulation and to increase the supply of patient capital.

Fourth Line of Action: Revive Securitization as a Market-Building Tool

The fourth line of action is securitization. In Europe, securitization remains burdened by the legacy of the global financial crisis. That legacy is understandable. Poorly designed securitization structures, especially in the United States before 2008, contributed to excessive leverage, opacity, and misaligned incentives (Ashcraft and Schuermann, 2008). But the lesson should not be that securitization is inherently dangerous. The lesson is that it must be simple, transparent, standardized, and properly regulated.

A well-functioning securitization market can help connect bank lending and capital markets. Banks originate loans, including SME loans and mortgages, and then distribute part of the risk to investors. This frees balance-sheet capacity, diversifies risk, and creates securities that institutional investors can hold. For a bank-centered system like Europe's, securitization is one of the most natural bridges between banks and markets.

The problem is that European securitization has never fully recovered from the post-crisis regulatory reaction. Capital charges, due diligence burdens, and stigma have limited issuance and liquidity. Europe's securitization market remains smaller and less dynamic than it could be. If the SIU is serious about integrating savings and investment, this is a mistake.

Reviving securitization does not mean returning to pre-crisis excesses. It means building a European market for standardized, transparent, and high-quality securitized products. Regulation should distinguish clearly between complex, opaque structures and simpler instruments backed by well-understood assets. Public authorities could support standardization and data transparency. Private institutions, especially large cross-border banks, could originate, structure and distribute the products.

Market-making is critical. A securitization market cannot function if investors fear they cannot sell. Europe should therefore consider a platform or network of market makers for standardized securitized credit instruments. The initiative should be private, but public support may be justified in the initial phase to overcome coordination failures and establish liquidity. Once liquidity exists, private demand can sustain the market.

This reform would also indirectly support SMEs. Most SMEs will not issue bonds or equity directly. But their bank loans can be pooled, tranching, and sold to long-term investors if the structures are transparent and the incentives are sound. In this way, capital-market finance can reach firms that are too small to access markets on their own.

Why the Four Lines of Action Belong Together

These four lines of action are mutually reinforcing. A country-blind cross-border banking framework creates the regulatory basis for European banking groups. Political acceptance of cross-border consolidation allows such groups to emerge. Savings and pension instruments provide a broader investor base for risk capital. Securitization gives banks a mechanism to distribute credit risk into capital markets. Together, they create a practical version of the SIU: not a rhetorical merger of Banking Union and Capital Markets Union, but an institutional strategy that uses banks to build markets.

The sequence matters. Europe often discusses market development as if legal harmonization alone will create market depth. Legal harmonization is important, but markets are built by institutions with incentives to trade, underwrite, distribute, advise, invest, and make prices. Without such institutions, regulatory packages remain incomplete. The SIU should therefore focus on the agents of integration, not only on the rules of integration.

This also explains why the SIU should not be limited to the European Union in a narrow legal sense. Financial integration may involve the United Kingdom, Switzerland, and other European or allied financial centers where interests align. The post-Brexit relationship with the UK remains complicated, but London is still a major financial center. A pragmatic SIU would recognize that European financial autonomy is not the same as EU-only financial autarky. In a world of geopolitical fragmentation, cooperation among “middle powers” and like-minded economies may become more important, not less.

Risks and Objections

Several objections deserve attention. The first is that larger banks may become more systemically risky. This is a valid concern. Europe should not pursue scale at the expense of resolvability or prudential discipline. But fragmentation is not safety. A system of many domestically protected banks can also be fragile, inefficient and politically distorted. The objective should be large but resolvable European banks, subject to strong supervision, credible resolution planning and robust capital requirements.

The second objection is that promoting banks could weaken capital markets by reinforcing bank dominance. This concern misunderstands the proposal. The aim is not to preserve the traditional bank-centered model, in which banks originate and hold loans until maturity while households keep savings in deposits. The aim is to transform banks into conduits between savers, firms, and markets. A bank that distributes investment products, securitizes loans, underwrites securities, and supports market liquidity is not blocking markets; it is helping to create them.

The third objection is political feasibility. Deposit insurance has stalled for years; why would cross-border banking reform be easier? Because opposition to cross-border integration and mutualized deposit insurance has so far come predominantly from countries hosting subsidiaries of foreign groups and from small banks defending their local footprint. The proposed approach can start with coalitions of willing countries and institutions. Not every member state needs to move at the same speed. Not every bank needs to join the country-blind framework immediately. Europe has often advanced through differentiated integration. The SIU could do the same.

The fourth objection concerns retail investors. Encouraging households to take more risk may expose them to losses. That is true, but the current system also exposes households to a different risk: low long-term returns, insufficient retirement wealth, and excessive dependence on pay-as-you-go pensions or public finances. The answer is not to avoid risk, but to manage it through diversification, long horizons, transparency, and appropriate default products.

Last, but not least in order of importance, a more integrated and sophisticated financial system by itself cannot solve the problems of European corporate fragmentation if companies still face 27 different environments as regards corporate law, taxation, insolvency, labor regulation, and many others when trying to incorporate, raise venture capital, issue employee equity, scale domestically and across borders, or exit. Letta (2024) proposed overcoming such fragmentation by creating a 28th legal regime in the EU, an idea also supported by Draghi (2024): a harmonized, optional legal

framework could make companies legally independent of their country of incorporation for all their activities, not just in the financial sphere. The 28th regime is a natural complement to the SIU.

The EU Inc. framework recently proposed by the EU Commission goes in this direction (EU Commission, 2026). It establishes a new harmonized corporate legal regime, particularly designed for innovative companies and startups, but open to all companies that consider it suited to their business model. It includes digital incorporation, standard templates, and features that support startup finance and employee ownership. It sets demanding requirements for minimum speed and maximum cost of administrative procedures. While these are all welcome directions, EU Inc. is seriously incomplete. It only provides a foundational structure, covering aspects of corporate law but missing key areas such as taxation, insolvency, and employment rules, accounting, and audit requirements. Even if approved as proposed, EU Inc. would still leave companies opting for it operating in a seriously fragmented regulatory environment. Whether this partial step will actually bring concrete improvement, and when the next steps will be made, remain open questions.

Conclusion

The Savings and Investments Union can become an important turning point in European financial integration. But it will do so only if it avoids the fate of earlier slogans. Europe does not need another label for familiar ambitions. It needs a strategy that recognizes how its financial system actually works.

That strategy should begin with a simple proposition: Europe's capital markets will not develop against banks, but through banks. The continent's banks must become larger, more European, more market-oriented and less constrained by national political boundaries. At the same time, Europe must create the savings vehicles, pension channels, and securitization markets that allow household wealth and bank-originated credit to flow into productive investment.

The SIU should therefore be judged by whether it changes incentives. Does it make cross-border banking easier? Does it discourage national protectionism? Does it help households invest for the long term? Does it revive safe and transparent securitization? Does it create institutions capable of underwriting, distributing, and making markets in European financial instruments? If the answer is no, the SIU will remain another slogan. If the answer is yes, it may finally connect Europe's savings with Europe's investment needs.

Europe has spent three decades trying to build a single banking market and more than a decade trying to build a Capital Markets Union. Progress has been real but incomplete. The new global environment makes incompleteness more costly. Technological competition, defense needs, energy transition, demographic pressure, and geopolitical uncertainty all require a stronger European financial system. The SIU is therefore not merely a technical financial-services project. It is part of Europe's broader attempt to regain economic dynamism and strategic capacity.

The central lesson is that market integration and banking integration should no longer be treated as separate agendas. They are two sides of the same problem. Europe's savings will finance Europe's future only if the institutions that collect, transform, and distribute them are allowed to operate on a European scale. A bank-based Europe can still build deeper capital markets—but only if it sees banks and markets as complements rather than alternatives.

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