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Nicolas Veron*
n.veron@bruegel.org

The European Savings and Investment Union: What Will Poland Get Out of It?

Abstract

The project of building a single European Union (EU) market for financial services, recently rebranded as Savings and Investments Union (SIU), aims at breaking the barriers that isolate each EU country's financial system from the rest of the EU economy. Given its capital-hungry economic dynamism and relative lack of financial development, Poland has more to gain than most other EU member states from progress towards SIU.

Keywords: capital market integration, Savings and Investments Union, European Union

JEL Codes: G15, G28, G30

1. What is the Savings and Investments Union?

The SIU concept and vocabulary was spearheaded by the report on the single market authored by Enrico Letta in April 2024, and subsequently endorsed by European Commission president-reelect Ursula von der Leyen in her inaugural policy address to the European Parliament in July (Letta 2024, p. 11; von der Leyen 2024, p. 11).

While the label is new, however, the concept is not. The European Commission's first in-depth exploration of and advocacy for a supranationally integrated financial system dates back to 1966 with the publication of an in-depth document, formally titled "The Development of a European Capital Market" and also known as the Segré Report for having been written by a group led by Commission official Claudio Segré (EEC Commission 1966). Commenting on the Segré Report at the time, the renowned academic Charles Kindleberger concluded that, in Europe, *"Many of the faults in the functioning of domestic capital markets, and institutional weaknesses,*

* Nicolas Véron is a Senior Fellow at Bruegel and at the Peterson Institute for International Economics in Washington, DC.

can be overcome by their progressive integration since the faults of functioning of national security markets are the result principally of their narrowness and compartmentalization" (Kindleberger 1967, pp. 657–658). Nearly six decades later, the same diagnosis is widely shared in the European analytical community and underpins the SIU vision.

This observation does not mean, however, that no progress has been made in the meantime. Major EU policy initiatives, particularly in the last thirty years, have brought the European system somewhat closer to the aspiration of a single financial market. Financial services legislation and applicable regulations have been gradually harmonized, leading increasing plausibility to the idea of a "single rulebook" first officially articulated in a landmark document report by a group led by former central banker Jacques de Larosière at the height of the great financial crisis (European Commission 2009).

Beyond rulemaking, mechanisms have been introduced to ensure the rules' consistent implementation and enforcement, typically catalyzed by crisis episodes. In early 2011, the EU established three agencies to foster Europe-wide convergence of supervisory practices, replacing prior committees that lacked any binding authority. Those three agencies are the European Banking Authority (EBA) in London (later relocated to Paris following Brexit), the European Insurance and Occupational Pensions Authority (EIOPA) in Frankfurt, and the European Securities and Markets Authority (ESMA), also in Paris. ESMA was soon granted direct supervisory authority on limited market segments, for example credit ratings agencies in 2011 and trade repositories in 2013.[1] The euro area then pooled micro-prudential banking supervision under the authority of the European Central Bank (ECB), effective from November 2014. Shortly afterwards, the Single Resolution Board (SRB) was established in Brussels to help manage future failures of significant euro-area banks. In 2024, the EU Anti-Money Laundering Authority (AMLA) started operations in Frankfurt, set to assume a direct anti-money laundering (AML) supervisory role from 2028 over selected entities in the entire EU, including in Poland.

At the current juncture, however, the EU policy framework stops well short of full integration. In many market segments, the rulebook is far from single, with complex interactions between national and EU-level laws and regulations. Most supervisory duties are exercised at the national level, including on most segments of capital markets (such as asset managers, investment firms, and market infrastructures), auditing and accounting, insurance, macro-prudential and consumer-protection supervision of banks, and also micro-prudential supervision and resolution of banks outside the euro area. Aside from AML, the EU has taken no major legislative step towards financial policy integration in the last ten years, even though it started touting an ostensibly ambitious agenda of capital markets union (CMU) from 2014

1 Due disclosure: the author has long been an independent non-executive director at one of the trade repositories supervised by ESMA, a fully-owned subsidiary of US-based Depository Trust and Clearing Corporation (DTCC).

onwards. In the European Commission's semantics, CMU is now a subset of the all-encompassing SIU, which also includes the banking and insurance sectors.

For good reasons, the Commission consults extensively before making legislative proposals on new initiatives, so that the announcement of SIU last year has not yet been transformed into much tangible action at the time of writing. In March 2025, the Commission published a communication setting up a general strategy and sequence to implement its SIU vision, with an appendix listing 22 individual action items on which 14 entailing (at least potentially) new legislation (European Commission 2025, pp. 18–19). Of the latter, only the review of securitisation legislation has been already published, in mid-June. (In February 2025 the Commission did propose amendments to the legislation on mandatory sustainability-related disclosures, but that is outside what it views as the scope of SIU.) As usual in the EU, the non-legislative initiatives, such as reports, recommendations and communications, may have some value in providing inspiration for national reforms or preparing the ground for subsequent EU level initiatives, but their impact and significance are typically less than for EU legislation, whether in the form of directives of regulations (directly applicable) or directives (which require transposition into national law of each of the member states).

Poring through the appendix of the European Commission's March communication on SIU, two themes look potentially significant. First, before the end of 2025, the Commission will propose legislation on "more integrated and efficient supervision" of capital markets. Second, in the course of 2026 it will release a "report on [the] banking system in the Single Market, including the evaluation of competitiveness". The latter is widely expected to include a review of the banking union framework in the euro area, which could entail the creation of a supranational deposit guarantee scheme (mentioned in the communication as "ongoing" work) but also reforms of the regulatory treatment of banks' concentrated domestic sovereign exposures within the euro area (Véron 2024). Simultaneously, the report is expected to include an assessment of micro-and macro-prudential requirements on banks informed, among other drivers, by the Basel III framework that was set at the global level by the Basel Committee on Banking Supervision in several phases between 2010 and 2017.

In a nutshell, capital market supervision and banking sector policy reform, the latter mostly affecting the euro area, appear likely to be the most substantive areas for legislative discussion under the SIU label during the current EU legislative term ending in 2029 – assuming no financial instability in the meantime that would lead to a reassessment of priorities. By contrast, areas that receive a lot of rhetorical attention but ultimately pertain to national social models, such as insolvency law reform, pension frameworks, housing finance, and of course taxation and government funding, appear unlikely to be the matter of ambitious EU legislation in the near term, even as impactful reform in some of these fields may be considered at the level of individual member states.

2. Poland's position and interests

From this potential EU agenda, the banking union aspects do not affect Poland or at least not immediately, as there appears to be no willingness for the country to join the banking union area, let alone to adopt the euro as its currency. Polish public opinion is wary of euro adoption, like in Czechia and significantly more than in either Hungary and Romania (Bartůšek 2025). Meanwhile, perceptions of euro adoption in Denmark and Sweden are evolving in Northern Europe's changing geopolitical context. It is becoming increasingly plausible that Poland might be the last EU country to ever adopt the single currency.

There is in principle an option to join the banking union without a decision to adopt the euro. But the experience so far suggests that it is only attractive to countries that have placed themselves on a path towards eventual euro adoption, as has been the case with Croatia and Bulgaria which both joined the banking union in 2020. The upshot is that, for the foreseeable future, the baseline scenario for Poland is of staying outside both the euro and the banking union.

Poland's interests and policy outlook are more ambiguous in the forthcoming EU debate about capital market supervisory integration. On the one hand, there is a widespread view among Polish elites and public that the status quo in that area serves the country well. The Warsaw Stock Exchange is an iconic national champion with considerable symbolic power, illustrated by the fact that it was initially headquartered in the former building of the Polish communist party, a metaphor of the post-Communist transition. It is majority-owned by the Polish state, and the related market infrastructures (central counterparty clearing house, central securities depository, trade repository) are two-thirds-owned by the state. After some turmoil in the mid-2010s, the national financial services authority (KNF, for Komisja Nadzoru Finansowego) is well-established and respected.

On the other hand, more cross-border capital market integration would benefit Poland more than most other EU countries, because of the vibrancy of its entrepreneurial sector which structurally needs risk capital to develop. A recent study by economists at the Bank of France attempts to quantify that intuitive impact (Gossé and Jehle 2024). According to the authors' simulations, in a pan-EU market where both the current equity home bias had disappeared and the size of capital markets relative to GDP had converged further, the share of Polish stocks in an optimal European portfolio would rise more than threefold – and even more than twenty-fold in French or German portfolios. In other words, the demand for Polish listed equities would increase dramatically, contributing to easier access to risk capital of the more dynamic part of the Polish economy. Polish savers and investors would simultaneously benefit from better and more diversified investment opportunities.[2] The improvement of financing conditions would be most impactful

[2] The author is grateful to Jean-Baptiste Gossé for his explanations and complementary calculations based on the published paper as referenced.

for high-risk enterprises that cannot rely only on traditional bank lending, not least new or growing Polish companies linked with the defense sector and/or with Ukrainian markets.

Furthermore, the corresponding policy agenda can be rolled out in a way that does not question the continued existence of Poland's national-champion market – provided, of course, that the Warsaw Stock Exchange competes successfully on a level playing field. On this front, the Draghi Report's recommendation that *"the EU should aim to create a single central counterparty platform (CCP) and a single central securities depository (CSD) for all securities trades"* (Draghi 2024, p. 65) is overly top-down and unnecessary. What is needed is a capital market supervisory design that, first, provides better incentives for a genuine single capital market that would provide equal and improved access to finance to companies and better opportunities for investors; and second, increases or at least preserves the level of supervisory effectiveness in every national environment, namely achieving at least as high performance as the status quo in terms of understanding local specificities and practices, enforcing the applicable regulations, and managing the corresponding risks.

The first of these two criterions suggests moving from the status quo of 27 national capital market supervisors complemented by ESMA to a single supervisor. For that purpose, the existing ESMA would be supercharged into a profoundly transformed and much larger organization. The second criterion suggests that organization should embed principles of operational decentralization and what may be called "location neutrality", namely that it would not be biased towards a particular financial center within what is likely to remain for a long time a multicentric capital market: several EU financial entrepots that keep competing with each other. Warsaw is likely to remain one of these, since it has displayed a capacity to outcompete rivals in segments where no competitive distortion comes from national supervisors, such as wholesale banking back-office jobs within the EU single market (McMurray 2025).

Contrary to widespread misperceptions, the two above-mentioned criterions are by no means mutually exclusive. A possible design for the single EU capital market supervisor, or supercharged ESMA, would equip it with national offices in all member states; some of these national offices would assume a pan-EU coordinating mandate over a given supervised market segment. That expanded ESMA would replace national capital market supervisors in each member state, with the transfer of duties completed across all relevant market segments at the end of a decade-long transition. It would likely be between ten and twenty times larger than the present one, with perhaps more than two-thirds of its staff outside of its headquarters country of France. It would combine market savvy, location neutrality and connectivity to local stakeholders with a single market approach, which is structurally impossible to achieve for national supervisory authorities accountable to national stakeholders (Véron 2025).

National authorities would not disappear from the landscape, of course. In the Polish case, the KNF would retain its prudential and conduct-of-business supervisory duties over banks, insurers, and pension funds. Poland, being the largest non-euro-area country in the EU, could also expect to play a significant role in the new supercharged ESMA, including in terms of key positions in its governing board and staff.

In conclusion, there has been an occasional bias in recent Polish debates towards the status quo in terms of capital market supervisory arrangements. But that option is not in the best Polish interest, because Poland has so much to gain from EU capital market integration. It may be time for Polish stakeholders, as for those elsewhere in the EU, to consider adopting a more forward-looking stance in the ongoing conversation about transforming Europe's Savings and Investments Union from a vision to a reality.

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