# Unlock private capital – the Savings- and Investment Union

## ELTI-EVFIN-AECM-NEFI Position Paper

## Brussels, March 2025

The Capital Markets Union (CMU) has been a major theme of European economic policy since 2014. The new Von der Leyen II Commission has made the ' Savings and Investment Union ' (SIU) a key point of its new mandate. The SIU aims to mobilise European savings for the real economy (80% are currently immobilised in bank deposits and short-term savings account)[1], strengthen market-based financing of the economy (barely 20% today), and help finance the EU's considerable investment needs (€800 billion per year according to the Draghi report[2] to finance the green and digital transition).

The competitiveness of the European financial sector is losing momentum, faced with increasingly stringent banking regulations, entirely focused on consumer protection, and higher prudential requirements than other global economies. 65% of equity assets under management are invested outside Europe and 47% in bonds, continuously increasing since 2012[3]. The EU's relative size in global capital markets has decreased from 18% to 10% in 15 years[4].

The European Commission (EC) is consulting stakeholders to further develop its future initiative on SIU. One of the challenges of the SIU will be to ensure that European players seize all opportunities compared to American players present in Europe.

To strengthen the SIU, ELTI, EVFIN, AECM and NEFI[5] propose several measures:

1. Ease prudential requirements on securitisation

- The prudential and liquidity treatment of securitisation, along with the due diligence requirements, are very unfavourable and inconsistent with its risk level. This issue has been reported by the market for the past 10 years. Banks now refinance through channels other than securitisation, with existing securitisation operations backed by mortgage loans, leasing receivables including automotive, consumer credit and occasionally via SME loans.

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[1] L'autonomie stratégique passe par l'Union des marchés de capitaux | Le Grand Continent

[2] Mario Draghi "The future of European Competitiveness", Brussels 9 September 2024 https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en

[3] Manifeste-avec-propositions-CMU-EN.pdf page 7

[4] Op. cit. footnote 1

[5] See pages 5 ff.

- The securitisation market in Europe is shallow and illiquid, with capital requirements for investors 10 times higher than in the US and a few securitisation operations per year. Initial initiatives at the European level exist, that provide concrete proposals for revitalising the European securitisation market[6]. These should be used as a starting point to pragmatically adjust the regulatory framework in due time.

2. Implementation of 'European Secured Notes' (ESN)

- With some Member States' credit rating declining and refinancing becoming more expensive, ELTI members are interested in ESNs. ESNs are mechanisms that allow banks to refinance themselves on the markets through bonds guaranteed by SME loans. Inspired by covered bonds, this mechanism would provide liquidity for financing the real economy. It would be especially useful now that the ECB has ended its cheap refinancing operations.
- Standardising SME loans by creating a uniform standard for SME credits, could help to facilitate business flow. Currently, private banks prefer to use their financing capacity for loans that are easier to refinance. A market standard would notably enable the mobilisation of life insurance, which is heavily invested in covered bonds.
- ESNs would allow refinancing at a much lower cost than securitisation and are treated more favourably in terms of prudential regulation.
- An EBA report on ESNs is expected in 2025, which will provide an opinion on the benefits of introducing them in Europe. Although the EC seems to prioritise reviving the securitisation market[7], ELTI members consider that the ESN initiative would be complementary to support SME financing.

3. Revise Solvency II and CRD VI/ CRR 3 regulations to ease prudential constraints on insurers and banks and mobilise institutional investors towards the equity asset class

- Currently, institutional savings are mainly invested in sovereign or private debt products. The prudential treatment of equity investments is much more stringent compared to the US.
- The 2024 revision of the Solvency II directive was intended to reduce the capital burden associated with long-term equity holdings. However, the complexity of the rules and criteria remains high, which may not be enough to encourage insurers to invest in this asset class.
- The newly adopted CRD VI / CRR 3 has tremendously increased capital requirements applicable to equity investment, making it very costly, while the US has decided to ease prudential requirements for their banks. The EU has to set up a more favourable framework for equity investments.

[6] E.g. TSI_BVB_Final_report_of_the_securitisation_task_force_202409_en.pdf

[7] A Competitiveness Compass for the EU COM(2025) 30 final https://commission.europa.eu/document/download/10017eb1-4722-4333-add2-e0ed18105a34_en

- Pension funds and insurers should be encouraged to invest in this asset class, following, the examples of the TIBI initiative[8] model in France or the WIN initiative (to strengthen growth and innovation capital) in Germany. In addition, guarantee mechanisms should be considered for retail investors, if necessary, to incentivise them to invest their savings in the real economy.

4. Strengthen the support for cross-border and crossover funds as well as for investments in listed companies

The EU needs to enhance its support for scale-ups to prevent them from being acquired by foreign buyers, such as through takeovers or listings on the American market.

In this context, national promotional banks and institutions (NPBIs) and the EIF could significantly increase their financing for:

- European cross-border venture capital funds and cross-border fund of funds to emphasise the pan-European dimension and reduce market fragmentation;
- Growth and crossover funds to better support company listings with cornerstone investors.

It is also important that the EIF and the EIB consider the needs of smaller markets to make sure they continue to develop.
Additionally, one should also note the importance of NBPIs'direct investment activity aiming at professionalising the market on targeted market segments and to crowd in private funds at companies' level in order to build on their deep knowledge of the market and to develop direct contact with entrepreneurs. This includes investment for innovative, capital-intensive companies which are poorly financed by the market (e.g., Biotech, Cleantech) due to their risk profiles and significant investment needs. In this regard, the Omnibus proposal of 26 February 2025, amending InvestEU and offering the possibility to provide equity instruments in a fully-funded manner to companies, is a positive step towards more equity-based solutions in EU financing programs that could be extended in the future.

To achieve this, and in order to increase their investment capacity, NPBIs and the EIF could seek to raise and manage funds from European institutional investors.

Furthermore, it is essential to stimulate listed markets through direct intervention by the EIB group and NPBIs in this segment. This approach would be counter-cyclical and likely provide development leverage to European technology companies (SMEs and mid-caps). The EU could establish a program that would match NPBIs' funds investing in listed companies - or even those of some private actors - on a 1-to-1 basis to extend their impact.

[8] https://www.economie.gouv.fr/initiative-tibi-plan-financement-entreprises-technologiques

5. Create an incentive framework for European retail investment

- Implement incentive investment and retirement savings plans (through fiscal measures or guarantees) across all EU countries and propose a 'passportable' pan-European investment plan to create a favourable framework.
- The European Long Term Investment Fund (ELTIF) passport', which allows long-term investment funds to raise capital throughout the EU from professional clients and retail investors, is a success of the CMU. These funds must invest at least 55% in unlisted companies or listed companies with a market capitalisation of less than €1.5 billion, and/or physical assets, and/or fund shares (Alternative investment funds, UCITS etc.).

6. Simplify banking and financial regulations with a focus on competitiveness.

- Reduce reporting requirements by 25%, including those related to sustainable finance, which have become numerous and costly over the past 10 years, thus negatively impacting competitiveness. ELTI has tabled different proposals[9] on this topic.
- Reevaluate the suitability of the taxonomy (i.e. the green asset ratio) for the banking and financial sectors. The taxonomy is already too granular (due to its selected NACE sub-codes and criteria) to allow for comprehensive corporate reporting. It is very extensive and out of reach for financial actors, and it risks damaging their reputation[10].
- Avoid repeated revisions of banking and financial legislation that create significant regulatory instability.

7. Financial education

Various studies[11] have highlighted the low level of financial literacy among Europeans. To mobilise savings, the EU could effectively support financial education by establishing a dedicated pan-European e-learning platform.

[9] Recommendations Reporting Requirements, ELTI Position Paper March 2024
https://www.eltia.eu/images/2024_01_29_Recommendations_Reporting_Requirements.pdf
Simplification of the European Union's sustainability reporting, Letter to the President of the European Commission, January 2025 https://www.eltia.eu/images/250106_51_Letter_on_sustainability_reporting_requirements__Annex_v2.pdf
[10] https://www.ft.com/content/12399810-a782-465b-8378-5099252306a5
[11] https://europa.eu/eurobarometer/surveys/detail/2953

# The European Association of Long-Term Investors – ELTI

ELTI members represent an European-wide network of National Promotional Banks and Institutions who offer financial solutions tailored to the specific needs of their respective country and economy. Multilateral financial institutions complement the activities at national level with specific cross-boarder solutions or investments with an European impact. Following the specific public mission of each member the business model of each institution differs from country to country including different products and approaches. This is the same for multilateral ELTI members. Most of the members offer various debt-products but not all members have a mandate for investment in equity.

The 33 members of the European Long-Term Investors Association (ELTI) a.i.s.b.l. are major long-term investors and represent a combined balance sheet of EUR 2,8 trillion. The Association promotes and attracts quality long- term investment in the real economy, including:

- strengthening cooperation, including at an operational level, between European financial institutions as well as with other Institutions of the European Union (EU) acting as long-term financiers;
- informing the EU and its Institutions on the role and potential of the Members as institutions and agencies for long-term financing;
- strengthening the access of the Members to information on matters related to the EU;
- exchanging information and experiences among Members and with national and international organisations sharing the Association's interest in the promotion of long-term investment;
- developing the concept of long-term investment within the economic and financial sector and promoting academic research on long-term investments;
- representing, promoting and defending the shared interests of its Members in the field of Long-Term Investment in full transparency.

The Full Members of ELTI are generally national official financial institutions dedicated to the promotion of public policies at national and EU level[12]. The European Investment Bank (EIB) as the status of a permanent observer. ELTI also includes Associate Members notably multilateral financial institutions, regional financial institutions and non-banking institutions[13].

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[12] Oesterreichische Kontrollbank (OeKB) Austria, Federal Holding and Investment Company (SFPIM) Belgium, Bulgarian Development Bank (BDB) Bulgaria, Croatian Bank for Reconstruction and Development (HBOR) Croatia, National Development Bank-CZ (NDB CZ) Czech Republic, Export and Investment Fund of Denmark (EIFO) Denmark, Caisse des Dépôts et Consignations (CDC) France, La Banque publique d'Investissement (bpifrance) France, KfW Bankengruppe (KfW) Germany, Hellenic Develoment Bank (HDB) Greece, Hungarian Development Bank (MFB) Hungary, Strategic Banking Corporation of Ireland (SBCI) Ireland, Cassa Depositi e Prestiti (CDP) Italy, Latvian Development Finance Institution (ALTUM) Latvia, Invest in Lithuania (ILTE) Lithuania, Société Nationale de Credit et d'Investissement (SNCI) Luxembourg, Malta Development Bank (MDB), Malta, Invest-NL Netherlands, Bank Gospodarstwa Krajowego (BGK) Poland, Banco Português de Fomento (BPF) Portugal, Banca de Investitii si Dezvoltare (IDF), Romania Slovak Investment Holding (SIH) Slovakia, Slovenska Izvozna in Razvojna Banka (SID) Slovenia, Instituto de Credito Oficial (ICO) Spain

[13] Nordic Investment Bank (NIB), Council of Europe Development Bank (CEB), Long-Term Infrastructure Investors Association (LTIIA), Participatiemaatschappij Vlaanderen NV (PMV) Belgium, Wallonie Entreprendre (WE), Belgium, NRW.Bank Germany, Consignment Deposits and Loans Fund (CDLF) Greece, Development Bank of Montenegro (RB) Montenegro, Turkiye Sinai Kalkinma Bankasi (TSKB) Turkey

## The European Venture Investors Network – EVFIN

The European Venture Fund Investors Network (EVFIN) is a platform for dialogue launched in 2011 by major national investors in venture capital (VC) in response to the financial crisis and its major impact on this sector across the EU. It gathers 23 major national venture capital and private equity operators[14] representing 21 European countries. EVFIN institutions primarily invest in venture capital and private equity funds, always together with private co-investors. Some EVFIN members also have a direct investment activity in growth-oriented SMEs together with private investors. Given the key role that venture capital plays in the EU competitiveness and growth and considering the lack of efficiency of the EU Venture capital market, the aim of the network is to: share best practices among its members, contribute to the EU public debate and explore measures to create a sustainable EU Venture Capital market and encourage coordinated initiatives to foster cross-border dimension of VC investments.

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## The European Association of Guarantee Institutions – AECM

The 47 members of the European Association of Guarantee Institutions (AECM) are operating in 32 countries in Europe[15]. They are either private / mutual sector guarantee schemes or public promotional institutions or banks. Their mission is to support SMEs in getting access to finance. They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. This so-called SME financing gap is recognised as market failure. By guaranteeing for these enterprises, guarantee institutions help to address this market failure and facilitate SMEs' access to finance. At the end of 2023, 4.7 million SMEs were in the portfolios of AECM members.

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[14] Altum (Latvia), AWS (Austria), Axis (Spain), Banco Português de Fomento (Portugal), Bpifrance (France), British Business Bank (UK), EIFO (Denmark), Enterprise Ireland (Ireland), Fund of Funds (Bulgaria), HBOR (Croatia), Hellenic Development Bank of Investments (Greece), ILTE (Lithuania), Ireland Strategic Investment Fund (Ireland), Investinor (Norway), KfW Capital (Germany), Kría Ventures (Iceland), MFB (Hungary), PFR Ventures (Poland), PMV (Belgium), Saminvest (Sweden), Smartcap (Estonia), TESI (Finland), Wallonie Entreprendre (Belgium).

[15] https://aecm.eu/members/our-members/

# The Network of European Financial Institutions for Small and Medium Sized Enterprises – NEFI

NEFI was founded in 1999and currently consists of 20 financial institutions from 19 European Union member states as well as the UK. NEFI pursues the objective of following the financial, political and legal developments in the fields of European economic and financial policies and all measures adopted by the EU institutions which are relevant for promotional financial institutions focusing on the facilitation of SMEs' access to finance. NEFI members act complementary to and in cooperation with the national banking system through co-financing, risk-sharing, expertise and advisory services in order to address shortcomings in the SME financial markets. NEFI serves as a contact for the European Institutions providing know-how and information on all matters concerning promotional banking.