7 March 2025

FIA draft response to the *Savings and Investment Union* consultation

FIA welcomes the opportunity to outline our views[1] on how to support the progress of the European Savings and Investments Union (SIU). FIA welcomes the Commission's initiative in this space as part of its competitiveness objectives, as well as ESMA's recent announcement on simplifying and reducing the reporting burden in the financial sector. FIA strongly supports these objectives and stands ready to contribute to identifying areas where further simplification and burden reduction can be achieved.

Open, well-functioning and integrated EU capital markets are essential for the EU to further attract investments and deliver on today's pressing economic and societal goals. We believe opportunity exists to continue growing the EU's financial markets and making them more competitive in a global environment, while striking the appropriate regulatory balance to maintain financial stability.

The further development of the SIU requires many ingredients (see Annex for full list), including:

Promoting an open, competitive, pragmatic, predictable, safe, well-regulated and fair marketplace for domestic and international financial institutions alike

- Increasing transparency, public stakeholder engagement and certainty to ease the often complex and lengthy legislative process in the EU
- Establishing a fit-for-purpose regulatory environment that benefits both regulated financial institutions and their customers
- Facilitating client choice on where to clear and protecting the international competitiveness of EU market participants

FIA believes these objectives can be met largely through fine-tuning existing regulations, rather than overhauling them, and by international dialogue with peer regulators and global standard setters to avoid a patchwork of conflicting or duplicative regulations that complicates the ability of firms to serve their customers, increases costs and disincentives investment. A more unified, global approach will result in greater efficiency and reduce market fragmentation for the benefit of EU markets.

While seeking to develop and enhance its own capital markets, EU policymakers should continue to allow access to global markets for EU market participants. In the derivatives space, EU clearing firms

[1] https://www.fia.org/fia/articles/fia-outlines-how-successful-derivatives-markets-will-attract-investor-interest-and

need to have access and offer competitive access to their clients' preferred CCP. At the same time, EU financial markets need to attract international participants.

Support clearing and financial stability

CCPs are critical inter-connectors in the financial system, acting as a buyer to every seller and a seller to every buyer. FIA strongly advocates for client access to CCPs as a cornerstone of resilient global derivatives markets. FIA clearing firm members contribute in a meaningful way to financial stability as key facilitators of the transition to central clearing for many derivatives products, a core objective of the G20 response to the 2008 global financial crisis.

This transition continues as new segments of the market, such as pension funds, fulfil their obligations. Yet, clearing firms face several issues threatening to impact their ability to provide clearing to a growing customer base. Put clearly, the capacity to clear is under pressure. Several concerns need addressing so clearing firms have adequate capacity to provide robust clearing services in the EU. These concerns include capital constraints, access to CCPs, access to liquid and eligible collateral and margin transparency.

Moreover, equivalence is a core principle of the regulatory framework overseeing the global nature of derivatives markets. FIA recommends the EU provide long-term certainty regarding outstanding CCP equivalence decisions to preserve financial stability and provide EU market participants with continued access to global pools of liquidity.

Policy Recommendations

FIA has identified some specific steps that EU policymakers could undertake to help promote the SIU:

- Establish clear definitions of scope in EU legislation and early clarifications on territorial and personal scope

- Allow sufficient time for implementation of requirements before carrying out regulatory and legislative reviews and align compliance dates of Level 1 and Level 2 requirements

- Input from market participants in preparatory consultations should to a larger extent be taken into account and incorporated to ensure that legislative proposals achieve the intended effect.

- Conduct public engagement/consultation with industry and independent experts on important Level 1 / 2 / 3 rules before publishing them. Avoid gold-plating Level 1 legislation.

- Provide meaningful and robust cost-benefit and impact analysis before proposing new requirements and add a competitiveness test as part of important policy proposals to understand the impact on EU market participants. Legislative proposals should be guided by a principle of regulatory simplification, streamlining and reduction of reporting burden. A holistic approach should be taken when proposing new legislation, to check and ensure that new requirements are not redundant. This is particularly important when it comes to reporting requirements, as overlapping and even double reporting is not unusual in the financial industry.

- Optimise further CCP equivalence reviews and improve transparency on outstanding decisions on remaining jurisdictions.

- Establish appropriate capital requirements and reduce other restrictive measures to alleviate clearing capacity for intermediaries.

- Ensure the IFR regime for investment firms is proportionate to the risks these firms bring to their counterparties, themselves and the market as a whole.

- Ensure globally consistent margin requirements to enable clearing margin transparency.

- Harmonise certain aspects of non-bank insolvency laws in the EU.

- Retain the ancillary activities exemption to allow European companies to hedge their commercial risks, whilst safeguarding the transparency and integrity of commodity markets.

- Streamline reporting in order to remove duplication, reduce unnecessary burden, and reconsider areas where the costs may exceed supervisory benefits. Enhance synergies across reporting regimes and ensure shared access to data for policymakers/supervisors.