

THE PATH TO AN INTEGRATED EUROPEAN SECURITIES MARKET

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Good afternoon, and thank you very much for once again inviting the CNMV to participate in this seminar in honour of **Fernando Sánchez Calero**. He was a leading figure in Spanish commercial law and an inspiration for generations of legal experts.

In my remarks today, I would like to discuss the **pivotal moment Europe is facing** and the direct impact it is having on financial markets. The geopolitical and technological transformations of recent years have highlighted the need to strengthen our competitiveness and strategic autonomy. This will require making major efforts in investment, investments which will be difficult to finance through public funds and bank lending alone.

Capital markets will therefore need to play a much greater role in channelling European savings into the European economy. With this objective in mind, the EU has spent the last year promoting the **Savings and Investments Union**.

Market integration is a key element of this process, but it is not the only one. In order to succeed, we must also make progress on two other important fronts: strengthening the role of **pension funds** as channels for long-term European savings and introducing products that simplify and encourage **household investment in securities**.

Today, I will focus solely on the first of these elements.

Fragmentation has real-world consequences. It reduces market depth and liquidity, increases cross-border operating costs and makes it difficult for companies and financial infrastructures to gain sufficient scale.

For this reason, I believe the Savings and Investments Union should be organised around **four priorities**: the removal of barriers, simplification, supervision and innovation.

The first and arguably most important priority is to **remove the barriers to cross-border operations**.

Over the past few decades, we have made major progress in harmonising European financial regulations. The fact that 40% of the investment funds marketed in Spain are managed by foreign companies is a clear example of this. However, creating a single market sometimes requires more than having similar regulations. We should aspire to establish truly common rules and, above all, remove the barriers that continue to impede cross-border activity.

This is where interoperability becomes incredibly important. It should be much easier for Europe's financial infrastructures, institutions and services to do business with one another. A company or financial institution that wishes to conduct pan-European activities should not have to deal with such a vast number of national requirements. While they may seem minor in isolation, together, these regulations make it harder to operate on a European scale.

The second priority is **simplification**. The reforms introduced following the 2008 financial crisis were instrumental to reinforcing financial stability, transparency and investor protection, and we must preserve those achievements. However, after years of regulatory expansion, it is also reasonable to consider whether certain obligations overlap or impose costs that outweigh the benefits they deliver.

Simplification does not mean lowering regulatory standards. Rather, it means asking whether the same objectives can be achieved in a less complex way, one that focuses on what truly matters. This paradigm shift must be embraced nationally as well as at the European level, by regulators and supervisors, and by those they supervise.

The third priority is **supervision**. In an increasingly integrated market, it makes sense to strengthen the European dimension of supervision, especially for activities that are clearly cross-border or capable of posing systemic risks. Enabling ESMA to take on a larger role would contribute to a more consistent application of the rules and better coordination between authorities.

However, it is important to draw a distinction between pursuing greater market integration and merely centralising supervisory responsibilities. Rather than asking how much power can be transferred from national authorities to ESMA, the key question should be how responsibilities can be allocated to supervise the European market more effectively. This requires clearly defining the responsibilities of each level and avoiding duplicated efforts. If stronger European supervision simply means adding new procedures or points of contact without removing existing ones, we will be creating more complexity without necessarily achieving better results.

The fourth priority is **innovation**. Financial markets are changing rapidly as a result of technologies such as DLT, tokenisation and artificial intelligence. Europe needs a framework that allows it to harness these opportunities without compromising investor protection or financial stability.

The expansion of the DLT pilot regime is one example of how regulation can make it possible to experiment with new technologies in a controlled environment. This is a useful approach, as it allows innovation to develop while letting us observe its effects and adapt regulation as we gain a better understanding of its implications. At the same time, the growing digitalisation of markets means that we must strengthen our operational and cybersecurity resilience. Innovation and security must evolve alongside each other.

As we approach the end of the negotiations, I believe there are two **risks** that could affect the outcome of the project.

The first is that the proposal may become **less ambitious** as negotiations progress. The European Union has to reconcile different national interests, which inevitably means reaching compromises. The problem arises when, taken together, exceptions, transition periods and national specificities end up preserving the very barriers the reform was meant to remove.

While national differences do not need to disappear altogether, the reform should prioritise eliminating those that create unjustified barriers to the functioning of the single market.

The second risk is that we may be devoting **too much of the debate to supervision**. Supervisory architecture does matter, and decisions will have to be made about the roles of ESMA and the national authorities. But supervision is just a means of improving market performance, not an end in itself. If we focus too heavily on the supervisory framework, we may lose sight of what is truly important: creating a real single market by removing barriers and ensuring interoperability, among other steps.

Finally, I think it would be beneficial to have some basic criteria to assess, in a few years' time, whether the Savings and Investments Union has **succeeded**. Beyond regulatory or institutional changes, I would suggest we look at whether we achieve two results: increasing the number of European companies that turn to the capital markets for financing, as well as the number of retail investors that participate in them.

To achieve the first result, we need **competitive public markets**. Private markets play an essential role in financing companies, but they should not be considered a substitute for public markets. Rather, they complement one another. Public markets provide liquidity, transparency, price formation and access to a broad investor base, while allowing companies to continue raising finance as they grow in size.

That being said, **increasing the number of listed companies** takes more than changing market rules. We need not only competitive markets, but **competitive companies**. This brings us to the broader discussion about productivity, innovation and scale in Europe. A company will turn to the market if it has growth plans that require financing, and if it is confident that the benefits of listing outweigh the associated costs. Thus, capital markets policy and the European competitiveness agenda must move forward in a coordinated manner.

As I mentioned earlier, the second measure of success should be **retail investor participation**. European households keep a relatively significant portion of their financial wealth in property, cash and bank deposits. We should create the conditions that ensure anyone who wishes to invest in the markets can find accessible, transparent and competitive options.

Greater retail participation could deliver two benefits. On the one hand, it would expand the range of funding options available to European companies. On the other, it would allow more citizens to share directly in the returns generated by long-term business growth. The keys to achieving this participation will be financial education, simple products and processes and the right incentives, such as a well-designed savings and investment account.

We should judge the outcome less by the architecture we build and more by the effects it has. If we can simplify cross-border operations and investment, enable our companies and infrastructures to reach greater scale, attract more companies to use European markets as a funding source and encourage more citizens to participate in those markets, we will have made substantial progress towards a genuine single capital market.

Thank you very much.