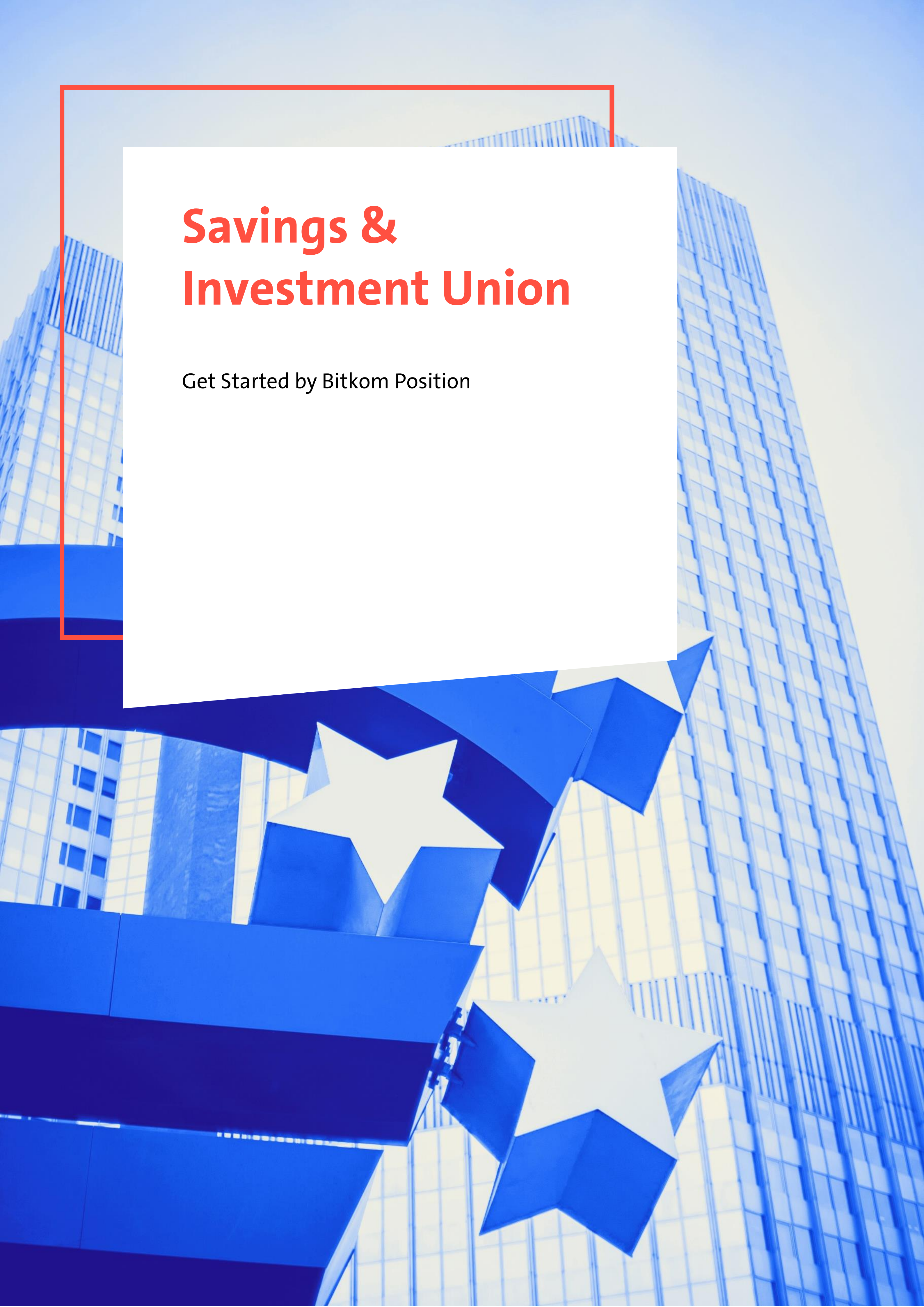
Savings & Investment Union

Get Started by Bitkom Position



At a glance

Savings & Investment Union

In February 2025, the European Commission launched the Call for Evidence for its Savings and Investment Union initiative, which aims to connect savings to the most productive investment, with a focus on the Union's strategic objectives including innovation, decarbonization, digital technologies and defense. Bitkom strongly supports the European Commission's intention to finally address the obstacles to the free movement of capital within the Union. However, it is essential to ensure that it does not create new complexities, but rather helps to reduce bureaucracy and regulatory burdens. A fragmented interpretation of EU legislation at the national level must be avoided.

Key Takeaways

- **Address the European Union's Historic Investment Need**

  To achieve its climate targets, drive forward the digital transformation, strengthen its defense capabilities and compete globally with the USA and China, the EU needs annual investments of at least €750 to €800 billion.[1] This sum exceeds five times the amount of the post-World War II Marshall Plan. Public funding alone will not get us there. The EU needs to mobilize huge amounts of private savings into the capital markets by initiating a European VC initiative, harmonizing and simplifying VC taxation, and setting up a strong DefTech Fund.

- **Unlock Pension Funds for Venture Capital Investments**

  Pension funds are well placed to provide the long-term investments needed to finance the major transformations that lie ahead. However, of the investments made by European institutional investors, only $218 billion is allocated to VC, compared to $1.1 trillion in the US.[2] The EU should encourage pension funds to invest in venture capital and high-growth startups by removing the barriers holding them back.

- **Strengthening EU Capital Markets by Increasing Depth and Liquidity**

  Creating a robust capital market is essential to address the persistent inefficiencies within the EU which hinder economic growth and innovation. A fully integrated and liquid capital market would leverage private savings, boost productive investment and enhance the global competitiveness of European businesses, unlocking an estimated €470 billion annually.[3] To achieve this, the EU must develop more attractive exit markets, harmonize cross-border financial services, and create valuable secondary markets for startups and VC equity.

€800

billion a year must be mobilized to match the EU's investment needs.

[1] https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en
[2] https://www.investeurope.eu/media/7424/atomico-state-of-european-tech-report-2023.pdf
[3] https://www.newfinancial.org/reports/a-renewed-vision-for-eu-capital-markets

1 Raise Capital, Simplify Taxation

Turning Savings into Growth

To achieve its climate targets, drive forward the digital transformation, strengthen its defense capabilities and compete globally with the USA and China, the EU needs annual investments of at least €750 to €800 billion. However, despite nearly 40 years of efforts to integrate European financial markets, barriers to the free movement of capital persist. At the same time, more than €33 trillion in EU household savings remains largely confined to bank accounts rather than being channeled into productive investments.

Mobilizing Private Capital: Institutional Investors such as pension funds and life insurances are well placed to provide the long-term investments needed to finance the major transformations that lie ahead. However, investment restrictions and capital adequacy rules, often limit their willingness and ability to access asset classes such as venture and growth capital, typically favoring short-term, liquid and low-risk investment options. The EU should encourage institutional investors to invest in venture capital and high-growth startups for example through tax incentives or a potential review of Solvency II and Basel IV. Moreover, the creation of a European long-term savings instrument with low fees, broad diversification and simplified tax procedures could allow EU citizens to allocate part of their capital to venture, growth and private equity, while facilitating cross-border investments and ensuring capital flows to strategic sectors.

Enhancing Retail Investment: Creating a European savings product would make the investment landscape significantly more attractive to retail investors. The US IRA could serve as an example. In 2023, more than 42.2 % of US households held a type of the tax-privileged equity savings account.[4] While European models such as Finland's Osakesäästötili are successful at national level as well, there is no EU-wide harmonization. By adopting a portable, tax-efficient savings vehicle, the EU could create a more inclusive and dynamic capital market, encouraging citizens to build wealth through equities while ensuring fair and transparent investment conditions across borders.

Harmonizing and Simplifying Venture Capital Taxation: Fragmented tax regimes, complex compliance requirements and inconsistent withholding tax procedures continue to hinder the development of a single European venture capital market. These inefficiencies increase administrative burdens and limit the ability of cross-border VC funds to operate effectively. Ensuring that VC funds receive consistent tax treatment in all Member States is a crucial first step. In addition, the introduction of harmonized tax incentives, such as income tax relief for VC investments in strategic sectors or capital reallocation to European companies, could further incentive private investments. The EU should develop a venture capital tax code that harmonizes taxes, loss relief

[4] https://www.ici.org/system/files/2024-02/per30-01.pdf

mechanisms and capital gains exemptions. The EU can further unlock billions in additional VC investment and create a globally competitive startup ecosystem.

Cross-Border Angel Investment Harmonization: Only 10–12 % of angel investments in Europe are cross-border, due to regulatory fragmentation, tax mismatches and information asymmetries.[5] Harmonizing cross-border angel investment is key to unlocking Europe's funding potential. Mutual recognition of tax incentives between Member States would ensure equal benefits for investors regardless of residency, while the creation of a single EU-wide definition of business angel would provide clarity on tax treatment and accreditation.

European VC-Initiative: Germany and France have taken important steps toward improving their venture capital ecosystem with the Tibi respectively WIN-Initiative. Backed by major financial institutions, industry associations, and policymakers, the WIN-Initiative aims to mobilize €12 billion by 2030 to strengthen Germany’s startup and innovation landscape. By improving access to venture capital, optimizing tax frameworks, and reducing regulatory barriers, the initiative seeks to make Germany a more attractive destination for high-growth companies. However, national approaches alone are not enough. The EU needs a European WIN Initiative to raise capital, ensuring that innovative businesses have the resources they need to scale. Strengthening public-private partnerships could further help de-risk investments in strategic innovation sectors, making it easier for both institutional and private investors to back high-growth companies.

DefTech Fund and anchor customer: Europe faces growing geopolitical challenges that require a stronger focus on defense innovation and technological sovereignty. While countries like France and the Netherlands have launched dedicated defense innovation funds, Europe lacks a coordinated approach to investing in dual-use and defense-related technologies. To address this, the EU should establish a European DefTech Fund, modeled on initiatives like DefInvest and SecFund, but with a broader and more strategic scope. The fund should provide targeted investments in DefTech startups and scaleups, ensuring that critical security-related innovations are developed and retained within Europe. By lowering barriers for venture capital funds to invest in this sector, the EU can mobilize private capital alongside public funding and create a sustainable innovation ecosystem. Europe must move toward a DARPA-style institution, which functions as a European DefTech-Marketplace, that coordinates defense innovation efforts at the EU level and can function as an anchor customer. This entity should act as both an investor and strategic facilitator, closely integrating civilian and military innovation units while ensuring that procurement processes support fast and efficient adoption of new technologies.

[5] https://doi.org/10.1080/00343404.2021.1960961

2 Strengthening the Market Environment

Creating Liquidity, Expanding Opportunity

Creating a robust Capital Market is essential to address the persistent inefficiencies within the EU, limiting their ability to support economic growth and innovation. A fully integrated and liquid capital market would unlock private savings, boost productive investment, and enhance the global competitiveness of European businesses.

Increasing Market Depth and Liquidity: The EU remains highly dependent on bank financing as opposed to other sources, with capital flows still predominantly national rather than European. Strengthening market-based financing would enhance resilience against financial shocks and ensure a broader allocation of capital to productive sectors. Additionally, harmonizing national insolvency regimes would reduce uncertainty, lower costs, and encourage cross-border investment. Strengthening the European Securities and Markets Authority (ESMA) with greater supervisory authority could also foster deeper market integration and investor confidence. Boosting public co-financing for venture capital, particularly through the European Investment Fund (EIF) and the European Tech Champions Initiative (ETCI), would enhance late-stage funding for innovative companies.

Secondaries Market for Startups and VC Equity: Unlike the US, where secondary markets are well-integrated into the venture ecosystem, European secondaries remain highly fragmented and complex, limiting investor participation and reducing market efficiency. Today many deals remain private, off-market, and difficult to access. Harmonizing regulations across the EU and creating a NASDAQ Private Market-inspired secondary market would enhance liquidity for founders, employees, and early investors, simplify investor access, reduce bureaucratic and legal complexities, and create a more efficient mechanism for pricing private assets. Moreover, Additionally, greater institutional participation, including investment banks facilitating secondary transactions, would further deepen liquidity and support European startups in delaying IPOs while securing capital for growth.

Exit Market Development: A well-functioning exit market is essential to making the region more attractive for high-growth companies. However, the European stock market remains highly fragmented, with 35 listing exchanges, 41 trading exchanges, and 18 central clearing houses, compared to just 3 listing exchanges and one clearing house in the US.[6] This decentralization dilutes liquidity, complicates price discovery, and discourages institutional investors from engaging in European IPOs. The lack of a dedicated tech-focused exchange further weakens Europe's ability to retain innovative companies. In contrast, NASDAQ has established itself as the global hub for technology listings, attracting high-growth firms and deep pools of capital. Without a comparable

[6] https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/overcoming-the-european-tech-ipo-challenge

European platform, many promising startups seek exits in the US, where investor participation is higher, and valuations are more competitive. To develop a more efficient exit market, the EU must work toward a harmonized market, including a unified database for price discovery, simplified listing requirements for startups, and greater international investor participation. Harmonizing Cross-Border Financial Services: The fragmentation of financial regulations across EU member states creates significant barriers for cross-border financial services, increasing compliance costs and limiting market integration. To address this, regulatory harmonization must focus on streamlining standards for consumer protection, anti-money laundering, and data privacy while ensuring a level playing field for financial institutions and fintech firms. This includes standardized licensing requirements, mutual recognition of financial products, and interoperable digital identity solutions.

Distributed Ledger Technology: Distributed Ledger Technology (DLT), including Blockchain, can serve as a foundation for more efficient, secure, and inclusive financial markets. By leveraging tokenized securities and digital bonds, investments can become more tradable, increasing market liquidity. Smart contracts can automate settlement processes, simplify compliance, and enhance the implementation of regulatory frameworks (e.g., Basel IV, Solvency II). At the same time, DLT platforms for angel and venture capital (VC) investments enable cross-border harmonization and simplify tax and regulatory procedures. Additionally, self-sovereign identities (SSI) and RegTech solutions based on blockchain can accelerate investor onboarding and reduce financial crime. With MiCAR (Markets in Crypto-Assets Regulation) and DORA (Digital Operational Resilience Act), the EU has already established a crucial framework for crypto-assets and digital resilience. The next step is to build on these developments and strategically integrate DLT into the Saving & Investment Union, making Europe's financial markets more resilient, competitive, and accessible to both institutional and private investors.

Bitkom represents more than 2,200 companies from the digital economy. They generate an annual turnover of 200 billion euros in Germany and employ more than 2 million people. Among the members are 1,000 small and medium-sized businesses, over 500 start-ups and almost all global players. These companies provide services in software, IT, telecommunications or the internet, produce hardware and consumer electronics, work in digital media, create content, operate platforms or are in other ways affiliated with the digital economy. 82 percent of the members' headquarters are in Germany, 8 percent in the rest of the EU and 7 percent in the US. 3 percent are from other regions of the world. Bitkom promotes and drives the digital transformation of the German economy and advocates for citizens to participate in and benefit from digitalisation. At the heart of Bitkom's concerns are ensuring a strong European digital policy and a fully integrated digital single market, as well as making Germany a key driver of digital change in Europe and the world.

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